

COMPANIES HOUSE

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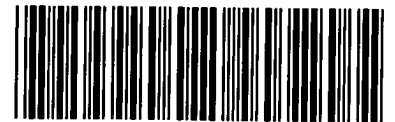
Howco Group Plc (SC079844)

Directors' report and financial statements

Registered number SC079844

26 March 2022

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COMPANIES HOUSE

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Strategic report

The Strategic Report sets out the main trends and factors underlying the development and performance of Howco Group plc (the "Company") during the 52 week period ended 26 March 2022, 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 and risks

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

The Company has experienced a downturn in trading conditions in the period, mainly driven by the effect that the global pandemic has had on the European economy. As a result, turnover was down 24% on the previous financial period. Despite the reduction in turnover, a recovery in margin towards the end of the financial period, alongside cost savings, resulted in an increased profit before tax of £2.7m (2021: £2.1m).

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.

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.

Strategic report (continued)

Section 172 Statement (continued)

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.

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.

Strategic report (continued)

Streamlined Energy and Carbon Reporting

The Company has performed an assessment of greenhouse gas emissions and energy use for the 52 week period ended 26 March 2022. This has been presented, alongside the 2021 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 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

UK greenhouse gas emissions and energy use date for the 52 week period ended 27 March 2021	Distribution	Manufacturing	Total
Energy consumption used to calculate emissions (kWh)	24,713,299	6,954,715	31,668,014
Scope 1 emissions in metric tonnes CO2e:			
- Gas consumption	3,938.72	448.18	4,386.90
- Diesel used on site	119.33	-	119.33
Total Scope 1	4,058.05	448.18	4,506.23
Scope 2 emissions in metric tonnes CO2e:			
- Purchased electricity	833.53	1,143.71	1,977.24
Scope 3 emissions in metric tonnes CO2e:			
- Other emissions from use of diesel	140.33	29.25	169.58
Total gross emissions in metric tonnes CO2e	5,031.91	1,621.14	6,653.05
Intensity ratio tonnes CO2e (per £1m UK Revenue)			60.8

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.

Strategic report *(continued)*

Streamlined Energy and Carbon Reporting *(continued)*

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 reduced its machining processes at the Cumbernauld Facility, centralising this activity at the Sheffield site. This has resulted in a 70% reduction in CO₂e at the Cumbernauld site. The new door closure system for gas furnaces, trialled at the Sheffield plant in the previous period, is now 25% complete. New compressed air tools are now being introduced across the Company, reducing the need to generate compressed air.

The capacity of the water quench tank facility has been increased to ensure furnace loads are maximised, reducing the resultant energy use. The introduction of a small post-weld heat treatment furnace in Sheffield has helped to reduce energy consumption and improve furnace utilisation.

On the testing side, a project has been undertaken to analyse failed material test results to ensure that testing is passed first time within the heat treatment process. This has reduced the number of reheat treatment loads in the furnaces, resulting in reduced gas consumption. The Company has seen an increase in first time pass rate from 80% to 85% through this project.

The utilisation of the Company's internal transport resources between facilities has been improved, with Cumbernauld managing all Scotland requirements and Sheffield managing all England requirements.

The Company's future plans include the appointment of an Energy and Environment specialist to become part of the management team and drive continual improvement.


Strategic report *(continued)*

Business review

Key financial performance indicators include profitability and working capital.

Financial	52 Weeks Ended 26 March 2022	52 Weeks Ended 27 March 2021	Measure
Return on capital	3.8%	2.2%	Profit after tax / Net assets
Current ratio	1.8 : 1	2.9 : 1	Current assets : Current liabilities
Inventory turnover	2.7	3.6	Revenue / Inventory
Sales per employee (£k)	230	245	Revenue / Average number of employees
Operating profit per employee (£k)	4	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

29 November 2022

Directors' report

The Directors present their Directors' report and the audited financial statements for the 52 week period ended 26 March 2022.

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 52 week period amounted to £2.7m (2021: £2.1m). The Board declared and paid a dividend of £31.2m during the 52 week period (2021: *Nil*).

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
David Davidson (resigned 31 December 2021)
Kenneth Ness
David Preston

None of the Directors who held office at the end of the 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 or prior 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.

On behalf of the Board



Kenneth Ness
Director

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

29 November 2022

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-adopted international accounting standards and applicable law.

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, relevant and reliable;
- state whether they have been prepared in accordance UK-adopted international accounting standards and applicable law;
- 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 52 week period ended 26 March 2022 which comprise the Income statement, Balance sheet, Cash flow statement, 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 26 March 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with the UK-adopted international accounting standards; 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 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.
- 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.

Independent Auditor's report to the members of Howco Group Plc *(continued)*

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the provision for inventory. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue transactions are sufficiently non complex and individually immaterial that the risk of a material misstatement within revenue in relation to Fraud is acceptably low.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management/ those posted to the accounts containing estimates including the inventory provision and unusual journal combinations, including cash journals.
- 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, employment law, and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. 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.

Independent Auditor's report to the members of Howco Group Plc *(continued)*

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.

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, 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 7, 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

29 November 2022

Income statement
 for the 52 week period ended 26 March 2022

	<i>Note</i>	52 Weeks Ended 26 March 2022 £000	52 Weeks Ended 27 March 2021 £000
Revenue		96,829	127,198
Cost of sales		<u>(79,124)</u>	<u>(106,534)</u>
Gross profit		17,705	20,664
Selling and distribution costs		(1,342)	(1,569)
Administrative expenses		<u>(14,536)</u>	<u>(16,874)</u>
Operating profit		1,827	2,221
Finance income	5	975	44
Finance expense	6	<u>(60)</u>	<u>(209)</u>
Profit before taxation		2,742	2,056
Taxation	7	(493)	(120)
Profit for the 52 week period attributable to equity holders of the parent		<u>2,249</u>	<u>1,936</u>


All results for the period noted above were from continuing operations.

There are no other items of comprehensive income.

Balance sheet
 at 26 March 2022

	Note	52 Weeks Ended 26 March 2022 £000	52 Weeks Ended 27 March 2021 £000
Non-current assets			
Property, plant and equipment	8	11,243	13,165
Investments	9	8,085	8,085
Goodwill	10	5,951	5,951
		<u>25,279</u>	<u>27,201</u>
Current assets			
Inventories	11	36,267	35,639
Trade and other receivables	12	41,517	57,126
		<u>77,784</u>	<u>92,765</u>
Total assets		103,063	119,966
Current liabilities			
Trade and other payables	13	(43,624)	(31,081)
Current tax liabilities		(145)	(388)
Lease liabilities	14	(151)	(226)
		<u>(43,920)</u>	<u>(31,695)</u>
Non-current liabilities			
Lease liabilities	14	(278)	(371)
Deferred tax liabilities	15	(62)	(119)
		<u>(340)</u>	<u>(490)</u>
Net assets		<u>58,803</u>	<u>87,781</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		54,098	83,076
Equity attributable to equity holders of the parent		<u>58,803</u>	<u>87,781</u>

These financial statements were approved by the Board of Directors on 29 November 2022 and were signed on its behalf by:



Kenneth Ness
 Director

Company registered number: SC079844

Cash Flow Statement

for the 52 week period ended 26 March 2022

	Note	52 Weeks Ended 26 March 2022 £000	52 Weeks Ended 27 March 2021 £000
Cash flows from operating activities			
Profit for the 52 week period		2,249	1,936
<i>Adjustments for:</i>			
Gain on disposal of property, plant and equipment		(9)	(20)
Depreciation	8	2,063	2,032
Finance income	5	(975)	(44)
Finance expense	6	60	209
Taxation	7	493	120
		<u>3,881</u>	<u>4,233</u>
(Increase)/decrease in inventories		(628)	29,773
Decrease in trade and other receivables		2,130	18,358
Increase/(decrease) in trade and other payables		<u>12,600</u>	<u>(18,309)</u>
		<u>17,983</u>	<u>34,055</u>
Interest paid		(26)	(86)
Tax paid		(793)	(250)
Net cash inflow from operating activities		<u>17,164</u>	<u>33,719</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(161)	(1,340)
Proceeds from sale of property, plant and equipment		29	20
Net cash outflow from investing activities		<u>(132)</u>	<u>(1,320)</u>
Cash flows from financing activities			
Movement in inter group balances treated as funding		13,479	(32,094)
Finance lease repaid	23	(226)	(226)
Dividends paid	18	(31,227)	-
Net cash outflow from financing activities		<u>(17,974)</u>	<u>(32,320)</u>
Net (increase)/decrease in cash and cash equivalents		(942)	79
Cash and cash equivalents at beginning of 52 week period		-	-
Effect of exchange rate fluctuations on cash held and balances treated as funding		942	(79)
Cash and cash equivalents at end of 52 week period		<u>-</u>	<u>-</u>

Statement of changes in equity
for the 52 week period ended 26 March 2022

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total shareholders' funds £000
At 28 March 2020	100	4,109	496	81,140	85,845
Total comprehensive income for the period	-	-	-	1,936	1,936
At 27 March 2021	100	4,109	496	83,076	87,781
At 27 March 2021	100	4,109	496	83,076	87,781
Total comprehensive income for the period	-	-	-	2,249	2,249
Dividends paid (note 18)	-	-	-	(31,227)	(31,227)
At 26 March 2022	100	4,109	496	54,098	58,803

Notes on the financial statements for the 52 week period ended 26 March 2022

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.

The Company financial statements have been prepared and approved by the Directors in accordance with the UK-adopted international accounting standards. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

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 last Saturday in March. The prior year was prepared on the same basis but did not accurately describe the accounting period as a 52 week period therefore this has been restated in these financial statements. This has no impact on the prior year financial results.

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 £33.9m as at 26 March 2022. 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 2024. The cash flow forecast takes account of severe but plausible downsides including reductions in revenue should there be a slower than anticipated economic recovery. The Company is also monitoring the situation in Ukraine and continually assessing the risk this presents but, at the moment, the Directors do not currently consider this to have a cash flow down side in the period to March 2024. 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.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

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.

Notes on the financial statements (continued)
for the 52 week period ended 26 March 2022

1 Significant accounting policies (continued)

Non-derivative financial instruments (continued)

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 income statement 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.

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. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

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 income statement as an expense as incurred.

Notes on the financial statements *(continued)* for the 52 week period ended 26 March 2022

1 Significant accounting policies *(continued)*

Inventories

Inventories 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 inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

Under IFRS 9, the Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and including forward-looking information.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories 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 period 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 52 week period ended 26 March 2022

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 income statement 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.

Expenses

Lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

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

Financing expenses comprise interest payable, recognised in profit or loss using the effective interest method, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Taxation

Tax on the profit or loss for the 52 week period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the 52 week period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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.

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.

Notes on the financial statements *(continued)* for the 52 week period ended 26 March 2022

1 Significant accounting policies *(continued)*

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 period, Coronavirus Job Retention Scheme ("JRS") income has been 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.

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 52 week period ended 26 March 2022

1 Significant accounting policies (continued)

New Standards, amendments and interpretations

The accounting policies are consistent with those of the prior period. There are no other new standards or interpretations effective for the 52 week period ended 26 March 2022 which are considered to have a material impact on the financial statements of the Company.

UK-adopted IFRS not yet applied

The following UK-adopted IFRS's have been issued but have not been applied in these financial statements. They have not yet been endorsed by the UK and their adoption is not expected to have a material effect on the financial statements, unless otherwise indicated. They are effective from 1 January 2023 so the first period of application will be the 52 week period beginning 2 April 2023.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Accounting Policies, Changes in Accounting Estimates and Errors: definition (Amendments to IAS 8)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

Notes on the financial statements (continued)
for the 52 week period ended 26 March 2022

2 Expenses and auditor's remuneration

Profit before taxation is stated after charging/(crediting):	2022			2021		
	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	128	-	128	117	-	117
- other audit services	65	-	65	-	-	-
Depreciation and impairment						
- owned	344	1,507	1,851	372	1,531	1,903
- leased	212	-	212	129	-	129
Coronavirus Job Retention Scheme – amount claimed	(158)	(732)	(890)	(212)	(908)	(1,120)

3 Remuneration of Directors

	2022 £000	2021 £000
Directors' emoluments	387	462
Company contributions to money purchase pension schemes	9	14
	<u>396</u>	<u>476</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 £167k (2021: £164k) and Company pension contributions of £3k (2021: £2k) were made to a money purchase scheme on his behalf. The prior period disclosure has been restated to reflect the remuneration for qualifying services of the Directors. This restatement has no impact on the net assets position shown in the Balance Sheet or the net profit for the 52 week period shown in the Profit & Loss statement.

	Number of Directors	
	2022	2021
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	
	2022	2021
Manufacturing	216	289
Administration	205	231
	<u>421</u>	<u>520</u>

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	15,621	19,130
Social security costs	1,577	1,977
Other pension costs	610	737
	<u>17,808</u>	<u>21,844</u>

Notes on the financial statements (continued)
 for the 52 week period ended 26 March 2022

5 Finance income

	2022 £000	2021 £000
Bank interest	33	44
Exchange gain on foreign currency balances	942	-
	975	44

6 Finance expenses

	2022 £000	2021 £000
Bank interest	42	56
Finance expenses payable in respect of finance leases	18	24
Exchange loss on foreign currency balances	-	129
	60	209

7 Taxation

Analysis of charge in period

	2022 £000	2021 £000
UK corporation tax		
Current tax on profit for the period	557	336
Adjustment in respect of prior periods	(119)	(342)
Foreign current tax on income for the period	112	33
Total current tax	550	27
Deferred tax (note 15)		
Origination and reversal of temporary differences	(108)	64
Adjustment in respect of prior periods	36	29
Effect of changes in tax rates	15	-
Total deferred tax	(57)	93
Total tax charge	493	120

Factors affecting the tax charge for the current period

The current tax charge for the 52 week period is lower (2021: lower) than the standard rate of corporation tax in the UK. The differences are explained below.

	Effective rate %	2022 £000	Effective rate %	2021 £000
Profit before taxation		2,742		2,056
Tax on profit at standard UK corporation tax rate of 19% (2021: 19%)	19%	521	19%	391
Effects of:				
Disallowed expenses	0.1%	2	0.7%	14
Adjustments in respect of prior periods	(3.0%)	(83)	(15.2%)	(313)
Other items including the effect of differences in tax rates	1.9%	53	1.3%	28
Total tax charge for 52 week period	18.0%	493	5.8%	120

Notes on the financial statements (continued)
 for the 52 week period ended 26 March 2022

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 28 March 2020	10,994	30,190	4,598	672	46,454
Additions	248	752	86	3	1,089
Transferred from AUC to fully commissioned	-	626	46	(672)	-
Disposals	-	(544)	-	-	(544)
At 27 March 2021	11,242	31,024	4,730	3	46,999
Additions	11	43	29	78	161
Transferred from AUC to fully commissioned	-	3	-	(3)	-
Disposals	-	(169)	(20)	-	(189)
At 26 March 2022	11,253	30,901	4,739	78	46,971
Depreciation					
At 28 March 2020	3,591	24,467	4,288	-	32,346
Charge for the period	348	1,531	153	-	2,032
On disposals	-	(544)	-	-	(544)
At 27 March 2021	3,939	25,454	4,441	-	33,834
Charge for the period	441	1,507	115	-	2,063
On disposals	-	(169)	-	-	(169)
At 26 March 2022	4,380	26,792	4,556	-	35,728
Net book value					
At 26 March 2022	6,873	4,109	183	78	11,243
At 27 March 2021	7,303	5,570	289	3	13,165
At 28 March 2020	7,403	5,723	310	672	14,108

9 Investments

	£000
Subsidiary undertakings – cost and net book value	
At beginning and end of 52 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 2022 and 2021
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 52 week period.

Notes on the financial statements (continued)
for the 52 week period ended 26 March 2022

10 Goodwill

£000

Cost and net book value at 28 March 2020, 27 March 2021 and 26 March 2022 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 Group'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% (2021: 11.5%) was used, reflecting the Group'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% (2021: 1.5%), changes in gross margin and overhead costs are based on the Directors' expectations of future performance in the markets in which the Group 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 Inventories

	2022	2021
	£000	£000
Inventories	<u>36,267</u>	<u>35,639</u>

Inventories comprise metal products which can either be resold in their existing condition or treated prior to resale. The Directors do not consider it meaningful to sub-classify the balance sheet valuation of inventories.

Inventories are shown net of write downs of £637k (2021: £437k). The reversal of write downs amounted to £nil (2021: £nil). Write downs and reversals are recognised in cost of sales.

12 Trade and other receivables

	2022	2021
	£000	£000
Trade receivables	19,740	23,727
Prepayments and accrued income	971	975
Other receivables	-	250
Taxation and social security	1,947	-
Amounts owed by group companies	13,124	26,603
Amounts owed by subsidiary or fellow subsidiary undertakings	5,735	5,571
	<u>41,517</u>	<u>57,126</u>

An allowance has been made for estimated irrecoverable amounts from the sale of goods of £195k (2021: £344k). Of this amount, £106k (2021: £77k) was recognised in the income statement 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 52 week period ended 26 March 2022

13 Trade and other payables

	2022	2021
	£000	£000
Trade payables	22,393	6,516
Accruals and deferred income	1,871	1,070
Other creditors	24	-
Taxation and social security	505	677
Amounts owed to immediate parent company	7,835	7,835
Amounts owed to subsidiary or fellow subsidiary undertakings	1,413	5,400
Amounts owed to group undertakings	9,583	9,583
	43,624	31,081

14 Financial instruments

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations and arises from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Customers are expected to make payment within 30, 60, 90 or 120 days of the date of invoice, all invoices being raised in the month of supply of the relevant goods. The Company has a dedicated credit control resource which is responsible for ensuring that debtors are followed up rigorously.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is determined based on historical experience of the Company's customer base, including payment statistics for similar financial assets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2022	2021
	£000	£000
Trade receivables	18,926	23,727

The Company's exposure to credit risk for trade receivables is spread across a large number of customers and countries.

Notes on the financial statements (continued)
for the 52 week period ended 26 March 2022

14 Financial instruments (continued)

Lease liabilities

Lease liabilities are payable as follows:

	Minimum lease payments 2022 £000	Minimum lease payments 2021 £000
Less than one year	151	226
Between one and five years	278	371
	<u>429</u>	<u>597</u>

The ageing of trade receivables at period end was:

	2022		2021	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	18,469	177	21,153	211
Past due 0-60 days	1,466	18	2,463	31
More than 60 days	-	-	455	102
	<u>19,935</u>	<u>195</u>	<u>24,071</u>	<u>344</u>

The impairment loss at 26 March 2022 of £195k (2021: £344k) is a provision against receivables due from external customers.

The allowance account in respect of trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount is considered irrecoverable and is written off against the financial asset directly.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As a member of the Sumitomo Corp group of companies, Howco Group Plc participates in the inter group contractual banking arrangements provided.

Fair values

The fair values, together with the carrying amounts shown in the balance sheet, are as follows:

	2022		2021	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Trade receivables (note 12)	19,740	19,740	23,727	23,727
Trade payables (note 13)	(22,393)	(22,393)	(6,516)	(6,516)
Finance lease liabilities (note 14)	(429)	(429)	(597)	(597)
	<u>(3,082)</u>	<u>(3,082)</u>	<u>16,614</u>	<u>16,614</u>

The contractual maturity of trade payables is less than six months and contractual cash payments are considered to be identical to the carrying value noted above.

Notes on the financial statements (continued)
for the 52 week period ended 26 March 2022

14 Financial instruments (continued)

Estimation of fair values

The following summarises the methods and assumptions used in estimating the fair values of financial instruments reflected in the above table.

Trade receivables and payables

For receivables and payables with a remaining life of less than one year or that are receivable or payable on demand, the carrying amount is deemed to reflect the fair value.

Receipts from customers and payments to suppliers on undisputed invoices are within allowable credit terms.

Fair value hierarchy

IFRS 7 requires all financial instruments carried at fair value to be analysed under the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data

All financial instruments carried at fair value are Level 2.

15 Deferred tax

The amounts provided for deferred taxation are analysed as follows:

	Liability at 28 March 2020 £000	Charged to income £000	Liability at 27 March 2021 £000	Credited to income £000	Liability at 26 March 2022 £000
Property, plant and equipment	404	(17)	387	15	402
Provisions	(378)	110	(268)	(72)	(340)
Deferred tax liability	26	93	119	(57)	62

The deferred tax liability due after more than one year is £62k (2021: £119k). 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 (2021: *Nil*).

In the 3 March 2022 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will increase the Company's future tax charge accordingly.

16 Called up share capital

	2022 £000	2021 £000
<i>Allotted, called up and fully paid</i>		
100,000 ordinary shares of £1 each	100	100

Notes on the financial statements (continued)
for the 52 week period ended 26 March 2022

17 Other reserves

	Capital reserve	Other reserve	Total other reserves
	£000	£000	£000
At 28 March 2020, 27 March 2021 and 26 March 2022	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

	2022	2021
	£000	£000
Final dividend of £312.27 per share (2021: £nil per share)	31,227	-

19 Related parties

Identity of related parties with which the Company has transacted

Details of transactions between the Company and its related parties (fellow subsidiaries and parent undertaking) are as follows:

For the 52 week period to 26 March 2022:

Type of transaction	Ultimate Parent	Immediate Parent	Subsidiaries and group undertakings	Other Sumitomo companies
	£000	£000	£000	£000
Sales and provision of services	-	-	19,006	5
Purchase and receipt of services	-	-	207	3
Dividends paid	-	43,000	-	-
Finance costs	25	-	-	-
Receivables outstanding	-	-	18,859	-
Payables outstanding	-	7,835	10,996	3

For the 52 week period to 27 March 2021:

Type of transaction	Ultimate Parent	Immediate Parent	Subsidiaries and group undertakings	Other Sumitomo companies
	£000	£000	£000	£000
Sales and provision of services	-	-	9,747	-
Purchase and receipt of services	-	-	112	227
Administrative recharge income	-	-	-	402
Dividends paid	-	-	-	-
Finance costs	35	-	-	-
Receivables outstanding	-	-	32,174	398
Payables outstanding	-	7,835	14,983	6

Transactions with key management personnel

Key management are the Directors. The compensation of key management personnel is disclosed at note 3.

Notes on the financial statements (continued)
for the 52 week period ended 26 March 2022

20 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 £610k (2021: £737k). Contributions amounting to £108k (2021: £130k) were outstanding at the period end.

21 Commitments

Capital commitments as at the balance sheet date amounted to £nil (2021: £nil).

22 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 52 week period ended 26 March 2022

23 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 28 March 2020	728
Additions – new lease additions	170
At 27 March 2021	898
Additions	9
At 26 March 2022	907
Depreciation	
At 28 March 2020	179
Charge for the period	130
At 27 March 2021	309
Charge for the period	212
At 26 March 2022	521
Net book value	
At 26 March 2022	386
At 27 March 2021	589
At 28 March 2020	549

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:

	2022 £000	2021 £000
Interest expense on lease liabilities	18	24

Operating Leases under IAS 17

The interest expense on lease liabilities recognised under IAS 17 in 2020 was £169k.

Amounts recognised in statement of cash flows

	2022 £000	2021 £000
Total cash outflow for leases	226	226

External Recognition

In addition to being selected for inclusion in the stocks tracked by major Japanese and overseas ESG indices, Sumitomo Corporation receives high ratings from a wide range of external organizations.

Inclusion in ESG indices

- FTSE4Good Index Series
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- S&P/JPX Carbon Efficient Index
- Somo Sustainability Index
- MSCI Japan Empowering Women Index*

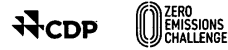


2022 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

* The inclusion of Sumitomo Corporation in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Sumitomo Corporation by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

Other external evaluations

- CDP: Awarded Leadership level in the Forests and Water Security questionnaires and Management level in the Climate Change questionnaire
- Ministry of Economy, Trade and Industry (Japan): Zero-Emissions Challenge



- Ministry of Economy, Trade and Industry (Japan): "White 500" enterprise with outstanding health and productivity management
- Ministry of Health, Labour and Welfare (Japan): "Eruboshi" (L Star) company on the basis of the Act on Promotion of Women's Participation and Advancement in the Workplace
- Ministry of Health, Labour and Welfare (Japan): "Platinum Kurumin" as a company that provides superior childcare support
- work with Pride: Certified as a Bronze in PRIDE INDEX



- Ministry of Internal Affairs and Communications: Top Hundred Telework Pioneers
- Ministry of Economy, Trade and Industry (Japan): DX Certified Business Operator under the DX Certification



Integrated Report **2022**



On the Release of Integrated Report 2022

Uncertainty has swelled in the business environment due to various factors, including the prolonged impact of the COVID-19 pandemic, growing concerns over global economic divisions arising with the manifestation of geopolitical risks, and changes in the monetary and fiscal policies of each country. In addition, the tides of change are rising in the industrial structure, economy, and society, as the trend toward digitalization and going green accelerates.

However, at the core of the business activities of the Sumitomo Corporation Group in any business environment are Sumitomo's Business Philosophy, which has been passed down in unbroken succession over our 400-year history, and the Sumitomo Corporation Group's Corporate Mission Statement. Sumitomo's business, while benefiting the Company, must also benefit the nation and society. This is expressed in the phrase "Benefit for self and others, private and public interests are one and the same," which is found in Sumitomo's Business Philosophy. This is precisely what is required in this modern age in which companies are expected to pursue both corporate growth and the resolution of social issues such as climate change. An enterprising spirit is deeply ingrained in the Group and is reflected in its initiatives to adapt to paradigm shifts, including DX and green transformation (GX). We aim to contribute to the sustainable development and evolution of society and become a corporate group that continues to grow while passing on these credos that have been handed down since our founding.

Furthermore, in these times, intangible assets have an even greater role as the source of corporate competitiveness. It is important to show how value creation leveraging intangible assets is closely linked to improving corporate value. For that reason, we have been publishing an annual report since 2017 that combines financial and non-financial information and communicates our initiatives for realizing value creation and improvement of corporate value over the short, medium, and long term. In this Integrated Report 2022, based on feedback from stakeholders, we provide an overall picture of the initiatives of the Sumitomo Corporation Group centered on sustainability management, which is the Group's strategy for growth, and medium-term management plan "SHIFT 2023," which is in its second year. We also tied this report into the ESG Communication Book better this year after repeated discussions.

We will continue to make efforts to further enhance dialogue with stakeholders and utilize that valuable feedback for management through the active disclosure of information, including the publication of the integrated report.

September 2022

Kuniharu Nakamura

Director, Chairman
Chairman of the Board of Directors



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Cover Story

We pledge to achieve our mission of further enriching the world, society, and people's lives as set forth in our Corporate Message of "Enriching lives and the world."



Editorial Policy

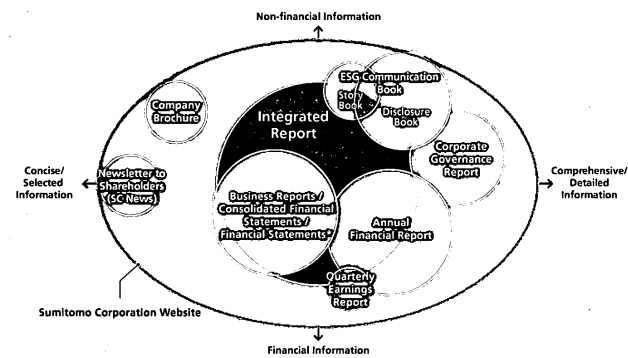
Core medium for communicating the medium- to long-term growth story of the Sumitomo Corporation Group

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.

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. In FY2022 in particular, we are providing information on how the Group is steadily getting back on track to growth through the execution

of medium-term management plan "SHIFT 2023" as well as on progress made in sustainability management, which has been set forth as a long-term growth strategy for achieving sustainable growth. Along with this, we also provide messages from Outside Directors, management, officers, and employees.

In addition, to make this report a more useful tool for our stakeholders, we are tying it in more closely with the ESG Communication Book (Story Book/Disclosure Book) from this fiscal year. Please have a look at them as well.



Scope of Report

- Period covered: April 1, 2021, to March 31, 2022 (Some activities starting on or after April 1, 2022, are included.)
- Organizations covered: Sumitomo Corporation and the Sumitomo Corporation Group

Referenced Guidelines

- The International Integrated Reporting Framework (IIRC 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



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

		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.	
		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 books, namely the Story Book, which communicates our mechanisms of value creation, and the Disclosure Book, which provides comprehensive information. The information necessary for stakeholders is disclosed in an easy-to-understand manner.	
		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.)	

* Included in Notice of Convocation

Disclosure of Information on Our Corporate Website

<p>Investor Relations https://www.sumitomocorp.com/en/ir/</p> <ul style="list-style-type: none"> • Financial Information • Financial Results • IR Meetings • Shareholders Information • Sustainability (ESG Information) • To shareholders and investors 	<p>Sustainability https://www.sumitomocorp.com/en/ir/sustainability</p> <ul style="list-style-type: none"> • Sumitomo Corporation Group's Material Issues • Sustainability-related Principles and Policies • Key Social Issues and Medium- and Long-term Goals • Corporate Sustainability System • Commitment to International Codes of Conduct • ESG Quantitative Data
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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.

 Sumitomo Corporation

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.

Masayuki Hyodo
Representative Director, President and CEO

Returning to a growth trajectory,
we will accelerate SHIFT 2023 to enter
the phase of demonstrating the true value
of the Sumitomo Corporation Group.

Message from the President and Chief Executive Officer



Message from the President and Chief Executive Officer

Looking back on the first fiscal year of SHIFT 2023

Under the three-year medium-term management plan SHIFT 2023, which began in FY2021, we are working on fundamental structural reforms with making the shift to a business portfolio that is both highly profitable and resilient as the top priority.

FY2021, the first year of the plan, was a year of progress in our transformation, with the introduction of various measures to address many issues. We have steadily implemented them and strengthened our earning power amid drastic changes in the business environment. As a result, we set a new record for our consolidated profit for the year attributable to owners of the parent, which amounted to ¥463.7 billion. Although this was partly due to the rising resource prices and a rebound effect of economic activities resumption from the COVID-19 pandemic, this is the result of the united efforts of all executives and employees of the Sumitomo Corporation Group, and I feel good about the performance.

On the other hand, we are still half-way where we envisioned ourselves to be at the time of planning SHIFT 2023. We are further accelerating the three "shifts" stated in SHIFT 2023: Business Portfolio SHIFT, Framework SHIFT—which strengthens the PDCA cycle

of business strategy management and optimal allocation of management resources to ensure effectiveness of 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—in FY2022, the second year of the medium-term management plan.

Focusing on achieving results to meet the expectations of shareholders and investors

We revised the profit plans for FY2022 and FY2023 to ¥370 billion and ¥380 billion, respectively, and both were significantly higher than the initial plans announced in May 2021. These incorporate the progress of SHIFT 2023 and an uplifting effect provided by the external environment. Behind the profit plan, which is still lower than the FY2021 results, there is our basic stance of enhancing our basic earning power by completing the structural reforms undertaken in SHIFT 2023, rather than relying on the uplifting effect of the external environment being as strong as that of FY2021. As shown in our three-year rolling plan, regardless of the external environment, we will accomplish the structural reforms set forth in the current medium-term management plan so that we can achieve the profit level of ¥450 billion in FY2024. It is our

responsibility to strengthen the downside resistance of our business portfolio, and at the same time continuing to raise the earning level of non-mineral resources business, and steadily raise the earning power of the entire Group to the level that it should be.

Based on this approach and changes in the external environment, we have reviewed our shareholder return policy and the executive remuneration plan. In regard to shareholder returns, we have further clarified the policy to ensure dividend stability and increase dividends in line with profit growth. It also demonstrates our commitment to raising return on equity (ROE) to the 12–15% range expected by the market.

We reviewed the executive remuneration plan with the aim of reinforcing the motivation of executives to achieve such management goals. We have further increased the ratio of variable remuneration, which consists of performance-linked bonuses and stock-based remuneration, and now newly reflect our stock price growth rate in performance-linked bonuses.

Renewing our desire to share value with our shareholders and investors through sustainable improvement in our stock price, we will continue to enhance our earning power.

Building a business portfolio that is both highly profitable and resilient

Under the Business Portfolio SHIFT, which is the top priority of SHIFT 2023, we are enhancing our earning power in various ways. In FY2021, we have made steady progress on exiting from low-profitability businesses, which we have been working on since the start of structural reform in FY2020. In addition, each Strategic Business Unit (SBU) has soundly implemented specific measures toward resolving their respective priority issues. We also are increasing the earning power of our entire business portfolio by expanding investment capital with discipline for SBUs and businesses, not only for current profitability, but also for growth and competitiveness that will lead future profits.

We will continue to leverage the strengths of each SBU and enhance our earning power at a faster pace while focusing on delivering results.

In addition, we are also steadily promoting the Framework SHIFT and the Management Base SHIFT that support the Business Portfolio SHIFT. Put differently, these two shifts create a framework and working environment that will bring out the full potential of each individual, SBU, group company, and group as a whole and enhance our earning power. We ourselves make the most of them to deliver even better results.

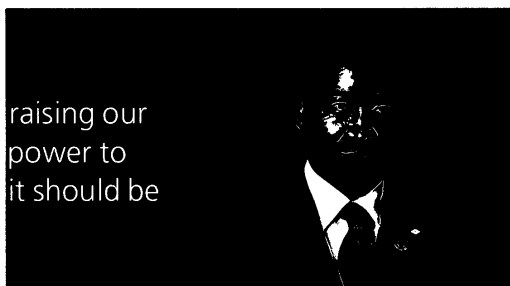
I would like to talk about the guideline for investment selection, which was established as a framework for improving the probability of investment success and maximizing value, as an example. The guideline is not simply designed to enforce stricter investment discipline. When making new investments, based on the guideline, we not only review the targets for short-term profits and scale, but also our goals beyond them and the kind of value and transformation that we will bring to society. In other words, it is properly link to future corporate value by increasing the quality of investment decisions through discussions that are even deeper than before while keeping in mind the concept of grand design—more of the keys of Sumitomo's Business Philosophy. Furthermore, by having more members from different positions participating in discussions and learning from each other in such decision-making process, I am convinced that we will cultivate business professionals with diverse and multilayered perspectives and insights, leading to medium- to long-term growth.

The three-pillars growth strategy that hones the respective strengths of the Company, its group companies, and the Group as a whole

In parallel with enhancing the earning power of individual SBUs—and in turn Sumitomo Corporation—and group companies, it is also necessary to increase our total strength while seeking overall optimization as the Sumitomo Corporation Group. I call this the three-pillars growth strategy when talking to our employees, with the three pillars being a strong Sumitomo Corporation, a set of strong group companies, and a strong Sumitomo Corporation Group. Specifically, in addition to enhancing the management of group companies as we undertake the enhancement of group governance, which is part

Returning to a growth trajectory, we will accelerate SHIFT 2023 to enter the phase of demonstrating the true value of the Sumitomo Corporation Group.

Steadily raising our earning power to the level it should be



Message from the President and Chief Executive Officer

of our Framework SHIFT, Sumitomo Corporation take on the role of creating and developing businesses as an integrated trading company as well as become the core of synergy creation within the group. As a result, sustainable development for our Group as a whole will be achieved.

I believe that pursuing synergy between the individual (both individual businesses and individual persons) and the whole, the Group in other words, can create value unique to integrated trading company. Individuals are honed and become stronger as company optimization is pursued, and this, in turn, increases the total strength of the whole. I believe this synergy between the individuals and the whole builds up our strengths as an integrated trading company that seeks to address change, and enable us to increase the corporate value of the Group.

Accelerating the Business Portfolio SHIFT centered on enhancement of sustainability management

Under SHIFT 2023, we are further enhancing our sustainability management that grows Sumitomo Corporation sustainably together with society. With society's needs changing significantly, I see the essence of sustainability management as changing ourselves to contribute toward addressing these changes. In particular, in an age where companies are required to contribute to global and social sustainability, the Business Portfolio SHIFT and enhancement of sustainability management are inextricably linked. To realize sustainable growth, it is essential to transform the business model itself from a long-term perspective centered on sustainability.

Based on this thinking, we identified six key social issues in FY2020 to further advance sustainability management. Since then, we have been continuously

working toward long-term and medium-term goals related to each issue. The key lies in two themes: the sustainability of society and development and evolution of society. In other words, it is to seek the sustainable development of Sumitomo Corporation Group while harmonizing sustainability and prosperity of society.

For example, Summit, a Japanese supermarket chain, goes beyond simply being a place for buying food. It is working on various initiatives to contribute toward development of local communities, including incorporating the functions of a community space where people can receive health advice. At the same time, as to the sustainability of society, Summit is taking steady steps toward resolving social issues through its business activities, such as mitigating climate change by introducing solar power generation at stores and contributing to sustainable resource recycling by leveraging DX to reduce food loss.

As seen in the example of Summit, I firmly believe that continuing to create the value required by society while continuously transforming business models will lead to sustainable growth of the Group.

In addition, based on our belief in growing together with society, we are making multilayered efforts to solve social issues through our unique social contribution activities in addition to our business activities. 100SEED is a global social contribution activity program that celebrates the 2019 centennial of Sumitomo Corporation's founding, reflecting a poll of global employees. Our employees around the world are participating hands-on in resolving local community issues by utilizing our diverse skills and experiences with a view of society 100 years into the future.

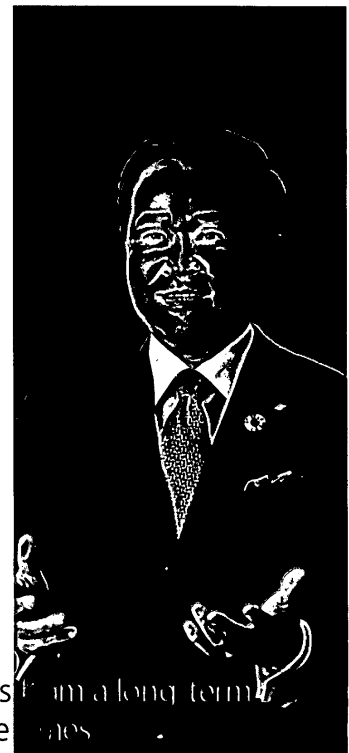
Going forward, we will further enhance sustainability management while contributing to solving social issues at the forefront of our minds, and will continue to work hard to realize a sustainable society and increase corporate value.

Returning to a growth trajectory, we will accelerate SHIFT 2023 to enter the phase of demonstrating the true value of the Sumitomo Corporation Group.

Our tasks in an era of uncertainty

The future continues to remain highly uncertainty, including the spread of COVID-19 and the Russia-Ukraine situation. Stepping back a bit further, however, we have overcome various crises since our founding in 1919. The Group has been engaged in business activities overseas for more than half a century, built a system for managing country risks, identified local needs, and contributed toward growing both local communities and the Group. Learning from history and developing management strategies from a long-term view that takes changes into perspective, we will properly discern the ever-changing circumstances and respond them without missing any opportunities. Above all else, we are putting our Corporate Mission Statement into practice while continually creating value required by society for each moment as well as one step ahead of the times. We will respond to various changes without deviating from these core beliefs.

I believe that business has the power to enrich the world. With this belief in mind, I will continue to steer Sumitomo Corporation's management while placing emphasis on the following—continuing to be a company that always meets the needs of times and society through the practice of Sumitomo's Business Philosophy and Management Principles; promoting businesses that enable sustainable prosperity of the world; implementing diversity and inclusion so that our more than 70,000 employees can help to create new value; and developing as many diverse professionals as possible to change society and the world for the better. Together with our stakeholders, we will contribute to realizing our Corporate Message of "Enriching lives and the world."



Transforming the business from a long term perspective based on the

For further details on Summit's initiatives, please see our ESG Communication Book (Story Book).
<https://www.sumitomocorp.com/en/ps/sustainability/report>



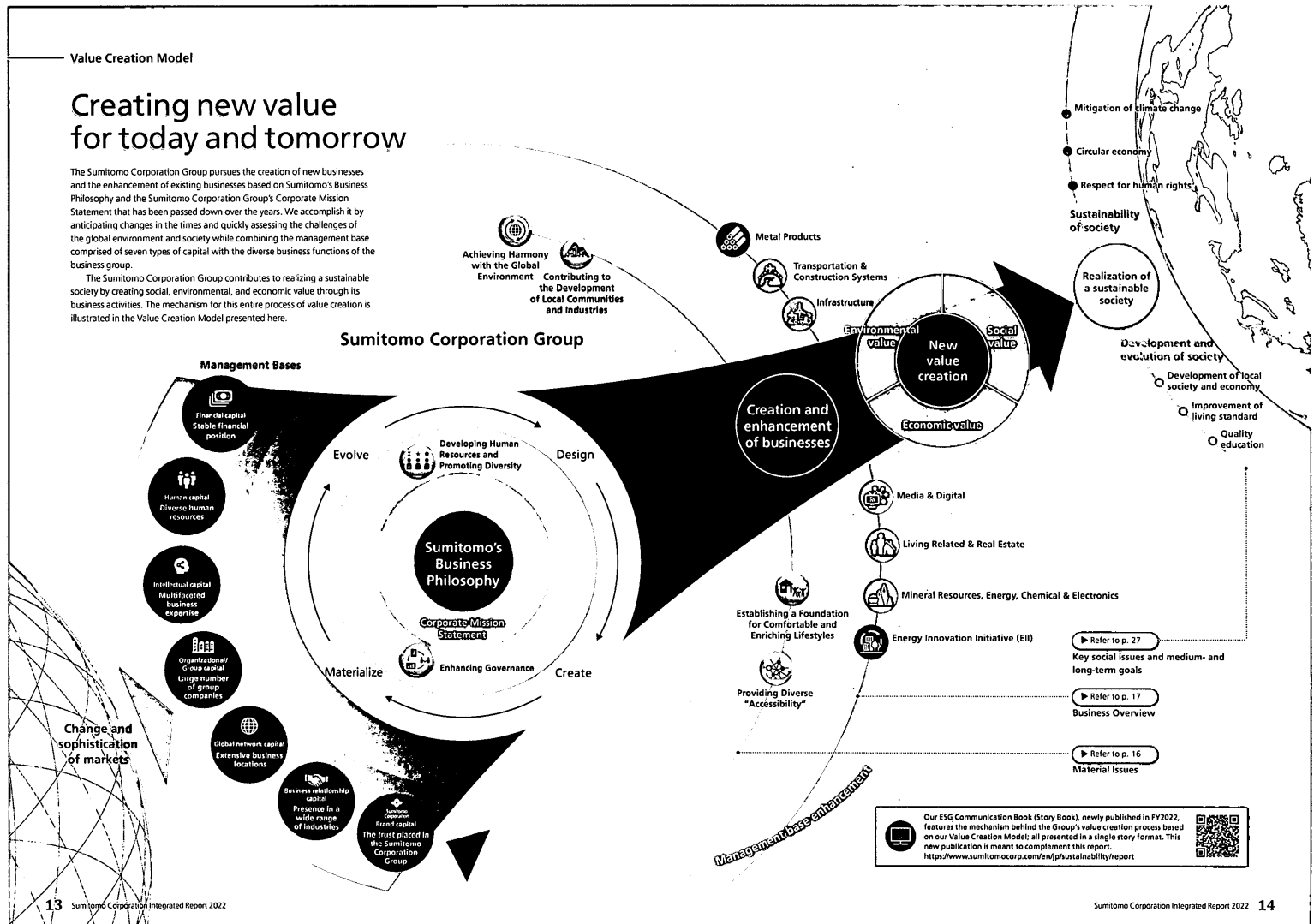
Value Creation Model

Creating new value for today and tomorrow

The Sumitomo Corporation Group pursues the creation of new businesses and the enhancement of existing businesses based on Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement that has been passed down over the years. We accomplish it by anticipating changes in the times and quickly assessing the challenges of the global environment and society while combining the management base comprised of seven types of capital with the diverse business functions of the business group.

The Sumitomo Corporation Group contributes to realizing a sustainable society by creating social, environmental, and economic value through its business activities. The mechanism for this entire process of value creation is illustrated in the Value Creation Model presented here.

Sumitomo Corporation Group



- ▶ Refer to p. 27
Key social issues and medium- and long-term goals
- ▶ Refer to p. 17
Business Overview
- ▶ Refer to p. 16
Material Issues

Our ESG Communication Book (Story Book), newly published in FY2022, features the mechanism behind the Group's value creation process based on our Value Creation Model; all presented in a single story format. This new publication is meant to complement this report.
<https://www.sumitomocorp.com/en/sustainability/report>



Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement passed down through the generations

Sumitomo's Business Philosophy encapsulated in four phrases

Place prime importance on integrity and sound management without pursuing easy gains

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."

Grand design

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."

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

Areas of emphasis for sustainable value creation

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.

[▶ Refer to p. 27, Key social issues and medium- and long-term goals](#)

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."



Achieving Harmony with the Global Environment

To realize 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.



Contributing to the Development of Local Communities and Industries

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.



Establishing a Foundation for Comfortable and Enriching Lifestyles

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.



Providing Diverse "Accessibility"

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.

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.



Developing Human Resources and Promoting Diversity

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.


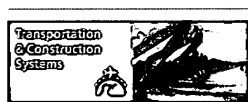
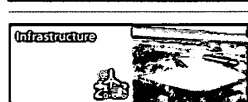

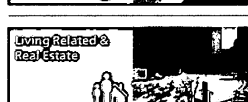
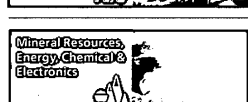



Enhancing Governance

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.

Implementing strategies by the Strategic Business Units (SBUs) in seven operating segments

Business Unit/Division

	<ul style="list-style-type: none"> Steel Products Division Tubular Products Division 	<p>The Metal Products Business Unit is involved 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>
	<ul style="list-style-type: none"> Beyond Mobility Business Dept. Division 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 transportation system (such as ships, aircraft, and automobiles) and construction equipment fields (including mining equipment, agricultural equipment, and industrial vehicles). The business unit conducts business while evolving in response to the changes of the times.</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 contributes to achieving harmony with the global environment and development of local communities and industries through a global infrastructure business that meets national, regional, and social needs.</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>
	<ul style="list-style-type: none"> Lifestyle 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, healthcare, food, construction materials, and real estate.</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>
<h3>Cross-functional Initiatives</h3>		
	<p>The EII develops next-generation businesses in the field of decarbonization and next-generation energy.</p> <p>▶ Refer to p. 29, Focus: Taking up the challenges of the EII</p>	

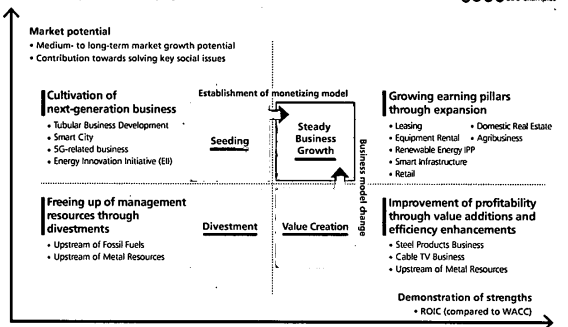
SBU mechanism for individual business strategy management

Accelerating the Business Portfolio SHIFT

The Sumitomo Corporation Group traditionally implemented organization-based strategy. This meant that strategy was planned at the individual business segment level, and then cascaded down into the strategies of each division and department. However, business strategy management at the organization level posed some issues. For example, strategies tended to be bound by existing organizations and similar strategies existed across multiple organizations. To resolve these issues, in FY2021 we introduced a new mechanism to reinforce business strategy management. This mechanism is the Strategic Business Unit, or SBU. Grouping individual businesses based on common strategy regardless of existing organizations (establishing SBUs) has resulted in more dynamic strategy discussions. Specifically, we clarified the roles and objective of each SBU using the four strategic








categories of Divestment, Value Creation, Steady Business Growth, and Seeding, after analyzing the external environment and the Company's strengths along with evaluating the validity of SBU strategy while using return on invested capital (ROIC) compared to weighted average cost of capital (WACC). In addition, we formulate management resource allocation plans according to the strategies of each SBU, confirm the progress of KPIs and KAs set according to the roles' through management strategy meetings, and review the strategies. We have also partially regrouped the SBUs, and as of March 31, 2022, we have approximately 60 SBUs. In this manner, while thoroughly implementing the PDCA cycle, each SBU will fulfill its role and achieve its objectives to dynamically realize the Business Portfolio SHIFT including speedy business value improvement and timely asset recycling.

Strategy Categorization Clarifying SBU Roles



Increasing financial and non-financial management capital, the sources of our value creation

As of March 31, 2022

	Overview	Characteristics of capital (typical indicators)	Main measures for maintaining and increasing capital														
 <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>	<table border="0"> <tr> <td>Total assets</td> <td>Shareholders' equity</td> </tr> <tr> <td>¥9.6 trillion</td> <td>¥3.2 trillion</td> </tr> <tr> <td>Core RB-RA</td> <td>Free cash flow</td> </tr> <tr> <td>¥660 billion</td> <td>¥174.7 billion^{*1}</td> </tr> <tr> <td>Net DER</td> <td>ROE</td> <td>ROA</td> </tr> <tr> <td>0.7</td> <td>16%</td> <td>5%</td> </tr> </table>	Total assets	Shareholders' equity	¥9.6 trillion	¥3.2 trillion	Core RB-RA	Free cash flow	¥660 billion	¥174.7 billion ^{*1}	Net DER	ROE	ROA	0.7	16%	5%	<ul style="list-style-type: none"> Diversified range of financing sources in Japan and overseas Maintaining balance between Core RB-RA Enhancing cash management Improving resilience and profitability through the Business Portfolio SHFT <ul style="list-style-type: none"> Exit/turnaround of low-profitability businesses Creating new core businesses Improving probability of investment success by thorough investment discipline
Total assets	Shareholders' equity																
¥9.6 trillion	¥3.2 trillion																
Core RB-RA	Free cash flow																
¥660 billion	¥174.7 billion ^{*1}																
Net DER	ROE	ROA															
0.7	16%	5%															
 <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>Number of employees (Consolidated basis) 74,253</p>	<p>▶ Refer to p. 57, Focus: Evolving HR management for sustainable development</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>	<ul style="list-style-type: none"> Expertise in each business field (Project management skills, deep knowledge related to products and industry, collective strength as an integrated trading company, etc.) Mechanisms for creating new business opportunities (Introduction of initiative program, GIPC⁺, DX Center, 0→1 Challenge) Sharing of business management expertise (implementation of Group Management Policy) Companywide risk management (Investment risk, credit risk, market risk, country risk, social/environmental risk, natural disaster risk, etc.) Implementation of many internal training programs (Sumisho Business College) 														
 <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 (As of April 1, 2022) 893</p>	<ul style="list-style-type: none"> Utilization of pool of human resources at group companies Sharing of best practices in group company management (such as for compensation system) Sharing of corporate functions (shared services) Dialogue with group companies using the Basic Elements, in which past business management expertise has been gathered 														
 <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 (As of April 1, 2022) 131 locations 66 countries and regions</p>	<ul style="list-style-type: none"> Enhancement of profitability through combination of product and regional strategies Timely capture of latent demand in each region and business development based on regional needs Development of regional and management human resources Building of intelligence functions in main offices 														
 <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>	<ul style="list-style-type: none"> Enhancement of public relations activities, including participation in industry groups and public-private collaboration Utilization of customer base and enhancement of communication in sales activities Improvement of stakeholder engagement Creation of business opportunities through corporate venture capital (CVC) activities and MIRAI LAB PALETTE operations 														
 <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 History of Sumitomo Corporation 103 years</p>	<ul style="list-style-type: none"> Wide communication of top management messages Enhancement of branding activities through embodiment of our Corporate Message of "enriching lives and the world" Various training (level-specific training, Beshi Copper Mine visits, etc.) Thorough compliance 														

^{*1} Adjusted Free Cash Flow (After netting repayments of lease liabilities)
^{*2} Global Innovation Promotion Committee



PART

01

Growth Strategy

Demonstrating the true value of the Sumitomo Corporation Group through the integrated promotion of the Business Portfolio SHIFT and enhancement of sustainability management

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Hirokazu Higashino
Representative Director,
Managing Executive Officer,
Chief Strategy Officer and
Chief Information Officer



Message from the Chief Strategy Officer

We will achieve sustainable growth by promoting a growth strategy based on sustainability management.

Utilizing knowledge cultivated on the job site in the promotion of SHIFT 2023

Up to now, I have been involved in various real estate businesses in Japan and overseas. Most recently, I have been working on businesses that are relatively close to the consumer, such as managing healthcare and retail in the Living Related & Real Estate Business Unit.

In the real estate business, which is also the founding business of the Group, we have continuously changed the business model in response to the changing economic conditions and social structure of various countries and retail businesses, we are working on various businesses with a strong focus on development of regional societies and economies and improvement of standards of living, which are the Group's key social issues.

I had worked in the sales field all my life but starting from this fiscal year I am serving as Chief Strategy Officer (CSO), leading the execution of the management strategy. I consider it my mission to take advantage of my experience on the front line of business to complete SHIFT 2023, tying that into the creation of new value further down the road.

The basis of our SHIFT 2023 plan is structural reform in order to shift our business portfolio to have both high profitability and resilience. To achieve that, it is essential that we enhance our businesses, leveraging the strengths of the Group, and create new businesses to address changes in the social structure. We will pursue sustainable growth by promoting a growth strategy through the planning and implementation of specific action plans.

Promoting the Business Portfolio SHIFT to enhance earning power

In FY2021, the first year of SHIFT 2023, we achieved record-high consolidated profit for the year attributable to owners of the parent of ¥463.7 billion by making progress on some measures for exiting low-profitability businesses, promoting turnaround, and creating value at a faster pace than initially planned. Some impact from the external environment, such as rising mineral resource prices, was included but we see this as the result of steadily implementing the measures set forth for structural reform at each business. We also made steady progress on turnaround projects, including the Ambulatory Project nickel mining and refining business in Madagascar, the TBC retail and wholesale tire business in the United States, and the Fyres fresh produce business in Europe and the Americas. There is a solid sense of a recovery in earning power.

On the other hand, we will need to work on some initiatives from a medium- to long-term perspective, such as those to secure profitability commensurate with invested capital in all businesses, to expand our earnings base while increasing invested capital, and to create new core businesses that will drive future profit expansion. It is important that we produce results as quickly as possible, and I will put even more effort toward that end.

Strengthening the framework for ensuring the effectiveness of the Business Portfolio SHIFT

The framework SHIFT plays an important role in achieving the Business Portfolio SHIFT. As such, under SHIFT 2023, all of the Group's businesses are categorized into Strategic Business Units (SBUs) based on the strategies they share. Approximately 60 SBUs are grouped into the four strategic categories of Steady Business Growth, Value Creation, Seeding, and Divestment, based around the two axes of market potential and demonstration of the Group's strengths. The aim is to enhance the portfolio of the entire Group utilizing DX to grow our earning pillars. Although also working on transformation of our business model the development of our healthcare business. We are collaborating in the retail business, and accelerating telecommunications business in Ethiopia, strengthening equipment rental assets in the United States, entering new strengths, including increasing our construction investing additional capital in fields where we possess working to further expand the scale of our business by in the Steady Business Growth category, we are working to further expand the scale of our business by each business.

Progress in strategy category

With regard to SBUs falling under the Value Creation category, we were able to make steady progress on turnaround projects such as Ambulatory, TBC, and Fyres as mentioned above, which contributed significantly to a recovery in performance in FY2021. We will continue to execute the Value Creation plans established for each business.

Progress in strategy category

Of the business, generate earnings that greatly exceeds the cost of capital in particular can fully demonstrate the strengths and Steady Business Growth and Value Creation categories and monitoring to ensure that SBUs categorized as path to profitability of each SBU, we are strictly analyzing necessary. By clarifying the business strategy and the from the standpoint of groupwide optimization as discussions include a review of strategies themselves with the SBUs policies, strategies, and targets. These held twice a year, we are reviewing and discussing the progress achieved by SBUs on KPIs and KPIs set along the Specifically, at management strategy meetings enhancement of post-investment value creation. of management resources across business units and management, we are also working on reallocation strengths and further produce synergy with other SBUs. In addition to the strengthening of business strategy exceeds the weighted average cost of capital (WACC), by achieving a return on invested capital (ROIC) that

Message from the Chief Strategy Officer

the emergence of geopolitical risks and global inflation, we will thoroughly manage the risks and execute planned investments while observing the changes.

In the Seeding category, we will accelerate our commercialization efforts in 5G, Beyond Mobility, and Sustainable City (Smart City) with a view to resolving key social issues and long-term market growth.

With regard to the Divestment category, we are carrying out asset replacement ahead of schedule, including selling part of our fossil energy concession, and working to recover more management resources than set forth in the plan.

Creating and cultivating next-generation businesses with enhanced sustainability management as the driving force

In order for the Group to grow sustainably, we will need to promote businesses that capture the essence of the value demanded by society. To that end, it is important to embody the idea that "benefit for self and others, private and public interests are one and the same" as set forth in Sumitomo's Business Philosophy. This value has been passed down and is found within the current Sumitomo Corporation Group's Management Principles. It is also the concept that lies at the foundation of the Group's sustainability management. Based on this thinking, we are working on various activities under the theme of enhancement of sustainability management.

* This phrase refers to the idea that Sumitomo's business must go beyond benefiting Sumitomo itself to also benefit the nation and society.

Further enhancing sustainability management

Various social issues, including climate change, loss of biodiversity, depletion of natural resources, and human rights issues, are becoming more serious and threatening the sustainability of society. There are growing expectations for companies to resolve social issues, and I get a strong sense that the business environment and business rules are changing significantly in conjunction with this. These changes are irreversible, and while it

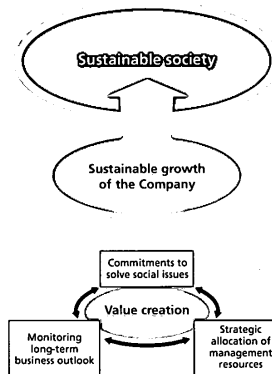
is necessary to address the risks associated with the increasing seriousness of social issues, the situation has brought about many business opportunities to meet new social needs. Given these times we are in, with the pursuit of sustainability as the cornerstone of growth strategy, the Group aims to enhance corporate value over the long term by strategically reallocating management resources and executing the Business Portfolio SHIFT toward the creation of value demanded by society.

The Group is focusing on the six key social issues and long-term goals established in June 2020, which are based on the idea of balancing "development and evolution of society" with "sustainability of society." We also established medium-term goals in May 2021 as our specific action plan.

In accordance with these goals, we will continue to review our policies as climate change mitigation needs are changing at an increasingly faster pace. In February

Sustainability management at the Sumitomo Corporation Group

Pursue Sustainable Growth with Society



2022, we made it clear that we will not be involved in any new coal-fired power generation business, neither in independent power producer (IPP) nor engineering, procurement, and construction (EPC), with no exception. In May 2022, we disclosed a more specific milestone for achieving carbon neutrality by 2050. As a specific initiative, in FY2021 we sold part of our fossil energy concession and pushed steadily forward with the Business Portfolio SHIFT for decarbonization. At the same time, we began studies on decarbonization and low-carbonization for our existing coal-fired power generation businesses. We are also working on carbon neutralization of our business, and in the Energy Innovation Initiative (EII) launched in April 2021, we will contribute to the carbon neutrality of society through the creation of next-generation energy businesses. Moreover, in terms of fundraising, we established a green financing framework in March 2022 and issued green bonds in May in the same year.

In the area of circular economy, we are promoting recycling, resource-saving business through the expansion of sharing businesses on top of reducing food waste and developing biochemicals. In addition, as part of our efforts to reinforce the sustainable procurement system for major natural resources, we established and disclosed the Sumitomo Corporation Group Forest Management Policy and the Sourcing Policy for Forest Products in March 2022.

In regard to respect for human rights, which is a subject of worldwide interest, we have begun human rights due diligence in each business unit based on the Sumitomo Corporation Group's Human Rights Policy established in 2020, and plan to complete the work in all business units by 2025.

Creation and cultivation of next-generation businesses

Under SHIFT 2023, we see demands for the realization of a sustainable society as opportunities from a long-term perspective, and have positioned the fields we can work on while demonstrating our strengths as next-generation growth fields. We have identified business



opportunities in five fields, namely social infrastructure, retail/consumer, healthcare, and agriculture in addition to the aforementioned energy innovation. While utilizing DX, which has the potential to transform existing business models, we are working on new developments and creating core businesses that will be the Group's cornerstone in the future. These efforts will also contribute significantly to the key social issue of "development and evolution of society." Several projects are already underway in the fields of agriculture, healthcare, and retail/consumer, increasing the feasibility of the strategy. We have also launched efforts for the generation of synergy transcending business units and anticipating a larger market.

None of these efforts will be accomplished overnight, but we will actively engage in discussions based on awareness of making changes that go beyond the framework of the organization, which has dramatically increased under SHIFT 2023. While keeping close tabs on the two major social trends of requirements for sustainability and digitalization, we will take the lead in transition and strive for the realization of a sustainable society and the sustainable growth of the Group.

Medium- to Long-Term Growth Strategy

Key social issues and medium- and long-term goals

As part of enhancing sustainability management, the Company has identified six key social issues to be addressed. We have established medium- and long-term goals for each of the issues and aim to resolve them.

For further details on the progress made toward the medium- and long-term goals and specific initiatives undertaken, please see our ESG Communication Book. <https://www.sumitomo-corp.com/en/jp/sustainability/report>



Key social issues	Long-term goals	Medium-term goals	Progress
Mitigation of climate change Refer to p. 35 	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) Establish businesses that will form the foundation for a sustainable energy cycle in society	<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 50% or more by 2035. Reduce CO₂ emissions in all other businesses*3.
		<ul style="list-style-type: none"> Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy (3GW or more by 2030)*4, and expand new power and energy services. Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation. Capture, store and utilize CO₂ via carbon recycling, forestry business, CCS, and emissions credit trading, etc. 	<ul style="list-style-type: none"> Reduced the Group's CO₂ emissions by 7.4% (compared to 2019) Reduced CO₂ emissions of the power generation business by 4.1% (of which, reduced 3.6% for coal-fired power generation business) (compared to 2019) Power generation portfolio at end of FY2021 comprised 53% coal-fired, 31% gas-fired and 16% renewables in terms of net ownership generation capacity Reduced indirect CO₂ emissions associated with the fossil fuel upstream business by 16.7% (compared to 2019) Expanded the supply of renewable energy in Japan and overseas (2021: 1.5GW) Established the Energy Innovation Initiative (EII) Experimental demonstration of a hydrogen supply chain in partnership with the private sector and government ministries of Australia and Japan Establishment of a joint venture for the development and operation of a solar PV business Acquired additional forest assets in New Zealand
	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 Reinforce the sustainable procurement system for major natural resources used by the Group	<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 (leasing, sales of used items, leasing, rentals, etc.). Identify major natural resource-related commodities requiring sustainable procurement, establish procurement policy, promote certification, and strengthen voluntary auditing system.
Respect for human rights Refer to p. 39 	Respect human rights through all of our businesses and supply chains Achieve a diverse organization grounded in mutual respect	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	<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. Strengthen efforts to achieve zero accidents at major business workplaces, focusing on manufacturing, processing, and projects involving large-scale construction.
		Provide a safe working environment that is free from discrimination and harassment. Promote human resource management that enables individuals to demonstrate their abilities regardless of nationality, age, gender, sexual orientation, gender identity, or any other attributes or values.	<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. Promote infrastructure that enables access to high-quality energy, water, transportation, logistics, communications, and financial services, as well as businesses that enhance urban functions.
Development and evolution of society 	Contribute to development of local industries and human resources Develop industrial and social infrastructure	Develop local industries, create jobs, and develop human resources through the Group's global business operations Establish industrial and social infrastructure that contributes to the sustainable development of society	<ul style="list-style-type: none"> Promote the overseas industrial park business Developed human resources at sites in each business by providing training opportunities Increased treatment capacity by 56% (compared to FY2020) by expanding the water business Began developing telecommunications infrastructure in Ethiopia
	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. North Hanoi Smart city: Progress being made in land expropriation; drafted a town management business plan and concept Established additional local 5G base stations
	Contribute to quality education	Provide quality and equal learning opportunities through 100SEED*6 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).

*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: 1.5GW (1GW = 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 enterprises' business activities including its supply chain, for resolving such issues
 *6 Social contribution activity program with employee participation at the Sumitomo Corporation Group

Medium- to Long-Term Growth Strategy

Focus

Taking up the challenges of the EII

1 Please tell us about the background and aim behind the establishment of the EII

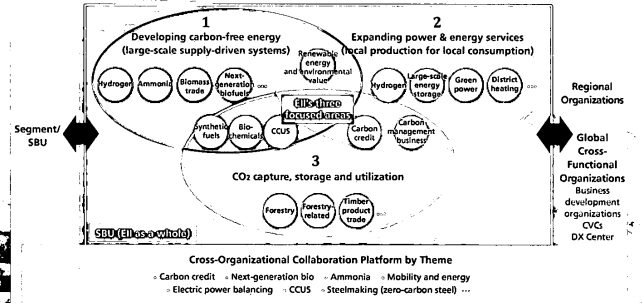
With increases in global population and economic growth, energy demand continues to grow. Climate change has become a global issue, and the United Nations Climate Change Conference (COP27), which will be held in Sharm El-Sheikh, Egypt, in November 2022, is taking place. In addition, the 1.5°C target, with an emphasis on the issue of energy and food security, the importance of which has been reaffirmed following Russia's invasion of Ukraine, in 2020, we identified mitigation of climate change as one of our six key social issues. We established the EII in April 2021 to resolve that issue. The EII is a new business organization that transcends the framework of traditional segments. We consider the changes in social structure brought about by the energy

transition as a major business opportunity, and achieving a carbon-neutral society through decarbonization and recycling energy systems is the main theme of our efforts. In addition, within the decarbonization category in our medium- to long-term perspective, and we are working on the creation of innovative businesses with a scale commensurate with the business segment. Initially, the organization and team members promoting business in the next-generation energy field in each business unit were brought together from the perspective of companywide optimization to form the EII, and it started out with around 100 members. In April 2022, we began putting together a global EII structure/organization, and are currently designing and creating innovative businesses with a staff of approximately 200.

Q About a year and a half has passed since the launch of the EII. Please tell us about the activities and progress during this period.

A The first thing we worked on after the launch was putting together the grand design for the decarbonization and recycling energy system that we seek to create. What should the future energy systems be in order to realize carbon neutrality? Rather than focusing and working on a part of the entire value chain by itself, we took a birds-eye view of the entire value chain and identified three focused areas. The first is developing carbon-free energy. In particular, we aim to develop large-scale supply-driven systems such as hydrogen, ammonia, and next-generation bioenergy. The second is expanding power & energy services, in which we propose a local production for local consumption model and energy management utilizing distributed power sources and energy storage technology. The third is CO₂ capture,

Development of Business Foundation in the Three Focused Areas



storage and utilization, in which we aim to create value through carbon management, including utilizing forest assets and our technology in other industries.

2 What are the strengths of the EII in promoting these efforts?

These three focused areas do not exist independently of each other but rather are interrelated. We believe that synergy and demand will be created only when these are combined. For that reason, we are also pursuing synergy with existing businesses inside and outside the EII, including other business segments. In addition, going beyond the EII, to promote businesses in the next-generation energy field throughout the Company, we have launched and are implementing cross-organizational collaboration platforms between different organizations by theme, such as zero-carbon steel and Carbon dioxide Capture, Utilization and Storage (CCUS), which is a technology for utilizing CO₂. First, we will consolidate information in the next-generation energy field from the entire Company and accelerate discussions on commercialization and systematization. The EII has been striving to discover new businesses through cross-company, cross-functional activities while also working on business expansion and development centered on the three focused areas and business lines. As a result, many projects are underway at our work sites. Although there are still many things we cannot present outside the Company, we will continue to work on value creation through next-generation businesses that contribute to the achievement of a carbon neutral society.

The Group has clear responsibilities, but we are not interested in a quick, through-the-line response. We see the need and challenges ahead. The EII is a carbon-neutral path, and the related business segments are the first step of the carbon-neutral path. Customers and markets to which we can contribute both demand that large-scale investment and high-tech business will be implemented and that we are achieving them in the process of creating businesses in the field of next-generation energy is one of our goals. I believe the EII is the mechanism for realizing that potential. The EII is a business organization with the responsibility of forming a profitable, value-added business segments, but it is also creating new next-generation businesses for the future earnings pillar from a medium- to long-term perspective rather than on pursuing short-term results. This is precisely why we continue to invest in R&D, systematization and business expansion through collaboration with other business segments. In addition, we will continue to discover new businesses through cross-company, cross-functional activities while also working on business expansion and development centered on the three focused areas and business lines. As a result, many projects are underway at our work sites. Although there are still many things we cannot present outside the Company, we will continue to work on value creation through next-generation businesses that contribute to the achievement of a carbon neutral society.

Shingo Ueno
Executive Vice President
and Head of Energy
Innovation Initiative

Background photograph: Forest business in New Zealand

Medium- to Long-Term Growth Strategy

Focus: Taking up the challenges of the EII

collaboration. In aiming for commercialization via the platforms, we do not necessarily have to assume systematization within the EII. We always consider policies and structures from the standpoint of companywide optimization. Another major strength of the EII is that we can provide proposals that combine various elements while keeping in mind the big picture of the value chain. For example, we are promoting the creation of a clean, lively, safe, and secure town for the residents of Namie, Fukushima, which is home to Japan's largest hydrogen manufacturing plant, together with the municipal government. More than 10 years has passed since the town of Namie was evacuated due to the Great East Japan Earthquake of 2011 and the accident at the nuclear power plant, but the population remains at around 10% of what it was prior to the earthquake. We are, therefore, focused not only on tangible aspects such as fully utilizing hydrogen and renewable energy within the region but also on intangible aspects aiming to create mechanisms and forums leading to town revitalization by increasing the resident and daytime populations. If it were only a matter of introducing hydrogen infrastructure and battery storage stations, then there are probably other companies that could also do it. However, working hand-in-hand with residents to promote the spread of hydrogen and renewable energy so that they will be rooted in their daily lives and actively contributing to town development while bringing together various functions from a bird's-eye view is a unique strength of the EII.

Q. In SHIFT 2023, the EII falls under the Seeding strategy category, or taking on structural changes in society from a medium- to long-term perspective. What is the strategy for the future?

A. We are already proceeding with many projects for the future. First, we are working on further cash generation and improving the return on invested capital (ROIC) in existing business lines with ongoing operations such as forests and biomass trading. At the same time, many of the projects at the EII are in the technical demonstration or social implementation stage, and in new fields such as these, our aim is to contribute to profits through commercialization either during or after the period of the next medium-term management plan. Progress must be monitored while maintaining awareness of this timeline, so the EII has categorized all businesses into three stages and is implementing a PDCA cycle. Specifically, projects in the field testing and technical verification stages are categorized into the "exploratory stage," those in the social implementation stage into the "pioneer stage," and businesses and projects that have already been commercialized into the "growth/expansion stage." Under SHIFT 2023, the companywide portfolio allocation for capital invested in creating next-generation businesses is around 10% for the exploratory stage, 60% for the pioneer stage, and 30% for the growth/expansion

Example Initiatives in the EII's Three Focused Areas



1 Developing carbon-free energy (large-scale supply-driven systems)

Green hydrogen project in Sarawak, Malaysia

Please refer to our ESG Communication Book for details. <https://www.sumitomocorp.com/en/jp/sustainability/report>



2 Expanding power & energy services (local production for local consumption)

Battery station business in Namie, Fukushima, which employs reusable batteries from EVs made by 4R Energy Corporation

Please refer to the news release below for details. <https://www.sumitomocorp.com/en/jp/news/release/2022/group/15640> (in Japanese only)

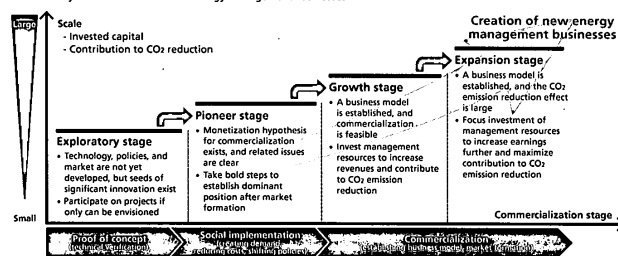


3 CO2 capture, storage and utilization

Sustainable forestry business in the North Island of New Zealand

Please refer to the news release below for details. <https://www.sumitomocorp.com/en/jp/news/release/2021/group/15250>

Growth Story for the Creation of New Energy Management Businesses



stage. We plan to focus on accumulating quality projects through the development and verification of hypotheses for the next medium-term management plan. We will then take appropriate measures according to the stage, establish KPIs and KALs according to the purpose of each stage, and steadily implement them through a PDCA cycle. As a result, we aim to establish an earnings base similar in scale to a business unit by 2030. Rather than simply pursuing economic value, we will work toward the vision of achieving a carbon-neutral society. To that end, for example, we are looking into visualizing and measuring the contribution to CO2 reduction through the businesses worked on by the EII and the services provided and establishing quantitative targets for it.

Q. Lastly, what is your outlook for the future?

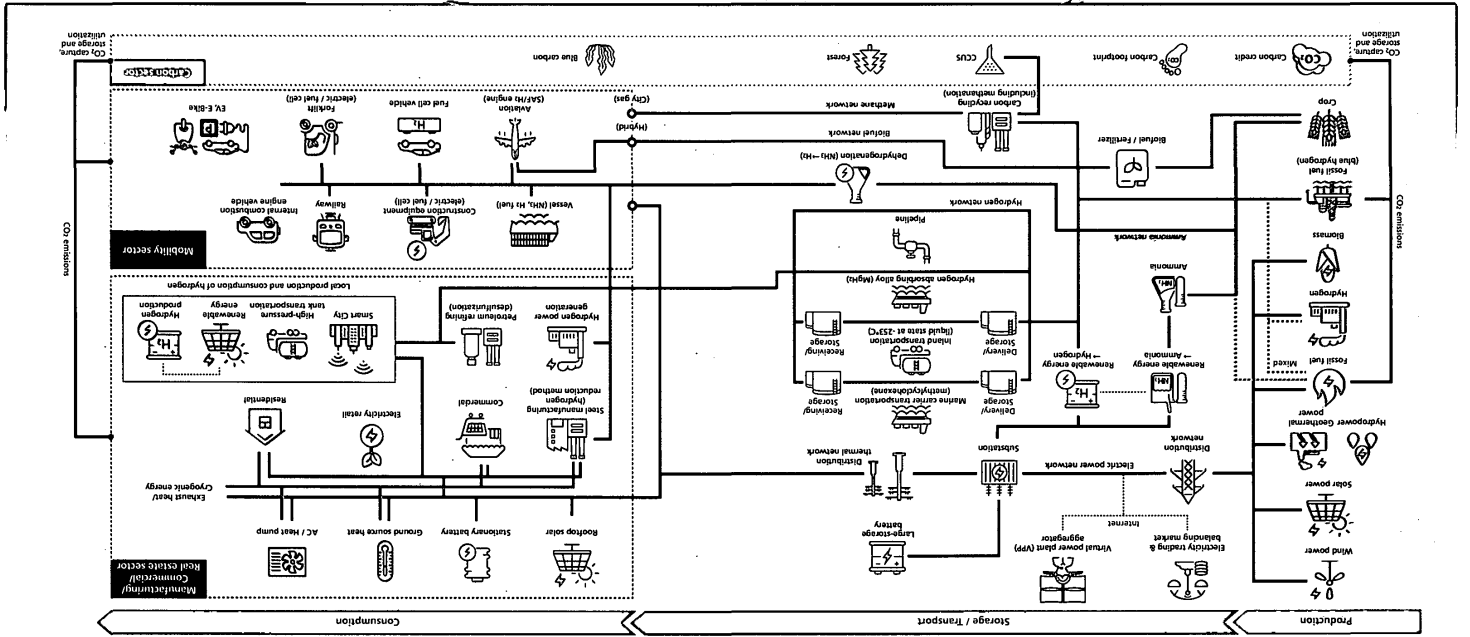
A. The EII is an organization with a vision of achieving a carbon-neutral society through a decarbonization and recycling energy system and of establishing a future earnings base for the Company. To reduce CO2 emissions, which are said to have reached approximately 36 billion tons per year, and realize global

carbon neutrality, it is said that a massive investment on clean energy of approximately 4.5 trillion U.S. dollars per year will be required by around 2030. As mentioned earlier, geopolitical risks have arisen in relation to fossil fuels, stemming from the Russia-Ukraine situation in early 2022. Changes are taking place in the environment surrounding us on a scale and at a pace beyond what we anticipated. Looking ahead, uncertainty will only increase, and the changes will become even more extreme. It is in times such as this that the EII must bear in mind a grand design to plan and develop businesses from a long-term and broad perspective without getting hung up on the changes happening in front of us. We already have the necessary elements and strengths. Putting these together, we will take up the challenge of proposing and developing business models to contribute to resolving issues facing society and customers. Designing and creating innovative businesses is truly the mission of the EII. Our aim is to build a sustainable decarbonization and recycling energy system that reduces environmental impact and creates business value at the same time by pursuing initiatives that bring internal and external parties together to cover the entire energy value chain. Please continue looking forward to the future of the EII.

Promoting the creation of next-generation businesses with a comprehensive approach to the energy system

The grand design of the decarbonization and recycling energy system that we seek to create, which provides a bird's-eye view of the entire value chain, is shown below. It covers many elements, from production to consumption, but rather than existing independently of each other, they are interrelated, forming a single energy system. We will continue to leverage cross-organizational collaboration and our global network, which are strengths of the Sumitomo Corporation Group, to promote each project.

Please see the special feature on the hydrogen business, which is key to our carbon neutrality initiative, in the ESG Communication Book (Story Book).
<https://www.sumitomocorp.com/ev/gja/sustainability/report>



Implementing specific actions to contribute to carbon neutrality

Basic approach to climate change issues

Mitigation of climate change is a serious issue that must be overcome if we are to realize a sustainable society. Global initiatives for the early achievement of a carbon-neutral society are accelerating.

The Sumitomo Corporation Group places great importance on the global agreement in the Paris Agreement,

and we seek to contribute more actively to the achievement of the carbon neutrality targets for society set forth in the agreement. In 2019, the Board of Directors decided on the Group's Policies on Climate Change Issues to clarify the role we are to play in overcoming climate change issues. We continue to review these policies in light of global circumstances surrounding climate change.

Policies on Climate Change Issues

Basic Policy

- Aim to make the Sumitomo Corporation Group carbon neutral in 2050*¹. Develop technologies and business models for creating a sustainable energy cycle by reducing CO₂ emissions and achieving negative emissions**² for society as a whole.
- In addition to reducing and absorbing CO₂ emissions from our business, we will contribute to the carbon neutralization of society through cooperative initiatives and recommendations made with business partners and public institutions.

Policy on Business Activities

- Promote renewable energy, efficient energy utilization and fuel conversion that contributes to reducing CO₂ emissions throughout society. We will also work to offer new energy management and mobility services utilizing renewable energy and also to materialize hydrogen technologies and applications.
- In the power generation business, we provide a stable supply of the energy, essential for the economic and industrial development of local communities. At the same time, we continuously shift management resources to renewables and other energy sources with low environmental burden in the power generation portfolio. (in 2035: 20% for coal-fired, 50% for gas-fired, and 30% for renewables in terms of net ownership generation capacity*³)
- Regarding the development of thermal power generation and fossil energy concession, we will work on the premise of carbon neutralization in 2050. We will not be involved in any new coal-fired power generation business neither independent power producer (IPP) nor engineering, procurement, and construction (EPC). For IPP business, we aim to reduce CO₂ emissions by 60% or more by 2035 (compared to 2019) and we will end all the coal-fired power generation business in the late 2040s. We will not make any further investment in the thermal coal mining interest and aim to achieve zero production from thermal coal mines by 2030.

*1 The scope of business targeted for carbon neutralization is as follows.
[Scope 1 and Scope 2] Direct CO₂ emissions from Sumitomo Corporation and its subsidiaries, as well as indirect CO₂ emissions from the generation of energy used by each company (however, for the power generation business, emissions from those affiliated companies under the equity method are also included).
[Scope 3] Indirect CO₂ emissions associated with the use of energy resources produced by fossil energy concession of Sumitomo Corporation Group, its subsidiaries, and affiliated companies under the equity method. Carbon neutrality means net-zero CO₂ emissions that combine CO₂ emissions from our business and our contributions to CO₂ emission reduction.
** Negative emission refers to the absorption, capturing, and removal of CO₂ emitted in the past and accumulated in the atmosphere.
*3 As of 2020: Coal 50%, gas 30%, renewables 20%

Carbon neutrality at the Sumitomo Corporation Group

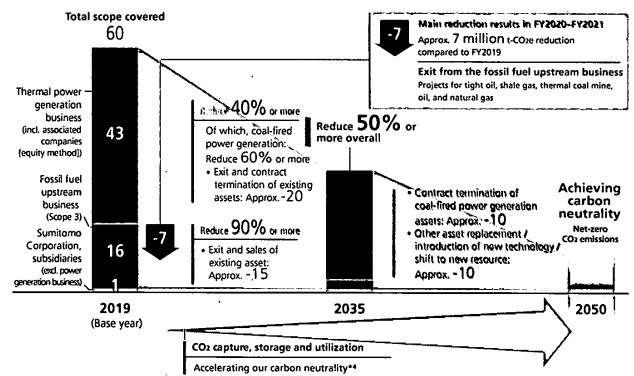
Sumitomo Corporation has set forth achieving carbon neutrality within the Group by 2050 as a long-term goal. As shown in the diagram below, we have established specific milestones for reducing CO₂ emissions in order to achieve the goal. In FY2021, we sold some of our interests in the fossil fuel upstream business and pushed forward with the 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.

By clarifying milestones for achieving carbon neutrality, we will develop next-generation energy businesses for the growth and evolution of regional society as well as for achieving carbon neutrality within the Group, thus contributing to realizing carbon neutrality in society.

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 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

Milestones for Reducing Emissions to Achieve Carbon Neutrality (Millions of tons of CO₂e)



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

Scope of carbon neutrality efforts at the Sumitomo Corporation Group for 2050

With regard to the scope 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 these emissions (approx. 41 million tons*^{1,2}), including associated companies (equity method), and Scope 3 indirect CO₂ emissions generated by other organizations with the use of fossil fuel in the fossil fuel upstream business (approx. 13 million tons*¹).

*1 Figures are from 2021 results.
*2 Includes CO₂ emissions from the power generation business (approx. 1 million tons) at Sumitomo Corporation and its consolidated subsidiaries.

Scope of Carbon Neutrality (2021 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. 13 million tons
Associated companies (equity method)	Power generation business (including facilities under construction) Approx. 41 million tons		

Results vs. CO₂ emission reduction targets

We have established the targets below for achieving carbon neutrality within the Group by 2050.

- Reduce CO₂ emissions 50% or more by 2035 (compared to 2019)
- Power generation business
CO₂ emissions: Reduce 40% or more
(of which 50% reduction or more in the coal-fired power generation business)
- Fossil fuel upstream business
CO₂ emissions: Reduce 90% or more

The progress made on each of the targets is as shown below. As shown in the 2021 results, we are making steady progress on achieving the CO₂ emission reduction targets for 2035 and on achieving carbon neutrality by 2050. We will continue to disclose relevant information to our stakeholders.

Metric	2019 results (Base year)	2021		2035 target for reduction
		Results	Reduction	
Overall	59,939	55,497	-7.4%	50% or more
Power generation business* ³	43,126	41,368	-4.1%	40% or more
Of which coal-fired power generation* ³	34,452	33,202	-3.6%	60% or more
Fossil fuel upstream business	15,808	13,162	-16.7%	90% or more

(1,000 t-CO₂e)

Note: Advice has been received from a third-party agency for calculation of the results for operational projects in the power generation business and for the fossil fuel upstream business.
*3 Includes facilities under construction

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. In compliance with the framework recommended by the TCFD, including efforts such as reviewing Policies on Climate Change Issues, we disclose relevant information on governance, strategy, risk management, and metrics and targets on our corporate website and in our ESG Communication Book.

In addition, we are working to further enhance information disclosure through opportunities for dialogue, such as ESG briefings.

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 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 policies on responses to climate change issues. As an example, the Management Council repeatedly discussed the path to achieve the Group's long-term goal of "becoming carbon neutral in our business activities by 2050 and taking on the challenge of realizing a sustainable energy cycle." The Policies of our power generation and energy-related businesses, and the initiatives necessary to realize a carbon-neutral society. Based on this, the Board of Directors reviewed the Policies on Climate Change Issues and resolved the medium-term goals for Climate Change Mitigation.

climate change mitigation are significant, we use multiple scenarios to analyze the impacts on our business until 2050. Furthermore, in analyzing physical risks, we refer to IPCC's scenarios, identify sectors** in which the impacts from the actualization of the risks would be significant, and analyze both chronic and acute physical risks in each sector.
The scenario analysis results are reported to the Management Council and the Board of Directors, and are reflected in key decision-making on addressing climate change issues.

Risk Management

Our Group's activities cover businesses across a broad range of fields and regions, and involve various social issues. We always attach great importance to these social issues, and in order to appropriately control the social and environmental impact of the entire Group's business activities, establish policies such as the Environmental Policy, Human Rights Policy, CSR Action Guidelines for Supply Chain Management, Anti-Corruption Policy, and Compliance Guiding Principles, and publicize and thoroughly enforce them within the Group. With regard to the handling of the risks of climate change, each business unit assesses the introduction of regulations and market changes for related business sectors and conducts business activities, and as a part of companywide portfolio management, the Corporate Sustainability Department summarizes the status of major risks to the Group, taking into consideration global efforts relating to climate change and regulatory trends. The results are periodically reported 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.

Strategy

In the course of developing businesses globally in a wide range of industries, the Group will steadily promote a shift in its business portfolio by responding to the risks posed by changes in various technologies and business models due to decarbonization, while at the same time meeting the new social needs and cultivating diverse business opportunities that arise in the wake of these changes. We have established emission reduction milestones and are advancing efforts to achieve those milestones to make our business carbon neutral by 2050. In addition, various stages of business development are progressing globally to create next-generation businesses that will contribute to the realization of a carbon-neutral society.

We have positioned our efforts for climate change mitigation as the development of strategic business opportunities, and we are pushing ahead with the sophistication of risk management, the capture of business opportunities, and the disclosure of related information based on scenario analysis. In the scenario analysis of transition risks and opportunities, we refer to the IEA's** "World Energy Outlook" and other sources, and for businesses involved in sectors** in which the changes in the business environment related to

Metrics and Targets

We have established the targets for the Group toward achieving carbon neutrality by 2050 as described on the previous page.

Details will be published in the ESG Communication Book (Disclosure Book).
<https://www.sumitocorp.com/en/jp/sustainability/report>



*1 International Energy Agency *2 Energy, Resources, Transportation, Material Industry, Real Estate
*3 Intergovernmental Panel on Climate Change *4 Energy, Resources, Transportation, Material Industry, Real Estate, Agriculture

Medium- to Long-Term Growth Strategy

Respect for human rights

Ascertain human rights risks in all of our businesses and supply chains and promote continuous improvement

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 and achieve sustainable growth together with society.
Long- and medium-term goals	<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
Progress in FY2021	<ul style="list-style-type: none"> • Thoroughly instill respect for human rights • Carried out human rights due diligence for two business units • Myanmar telecommunications business: Conducted assessment of human rights risks in conflict situations <div style="border: 1px solid black; padding: 2px; margin-top: 5px;"> <p>For further details on initiatives concerning ensuring a safe workplace environment and achieving a diverse organization grounded in mutual respect, please see our ESG Communication Book. https://www.sumitomocorp.com/en/fjsustainability/report</p> </div>

Sumitomo Corporation Group's Human Rights Policy

Sumitomo Corporation declares in its management principles that it aims to be a global organization that contributes broadly to society and places prime importance on utmost respect for the individual. We will respect human rights to fulfill our corporate social responsibility, and pursue sustainable growth with society. Sumitomo Corporation became a signatory in 2009 to the Ten Principles of the United Nations Global Compact, which advocates for values common to its own management principles, including those regarding human rights and labor. We also respect the International Bill of Human Rights and the International 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.

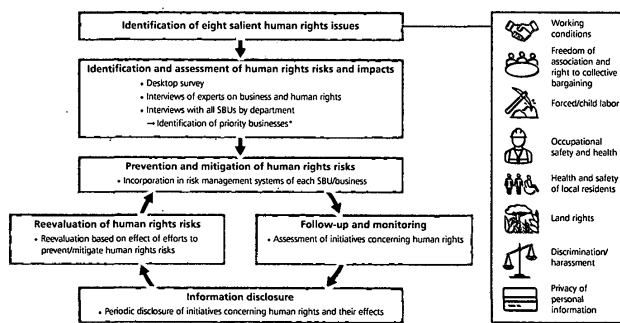
Promotion of human rights due diligence with respect to all businesses

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 that the Group's business activities may contribute to. 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, labor conditions, occupational health and safety, health and personal information of local residents, land rights, and personal information and privacy. These are also related to the four core labor standards of the International Labour Organization.

FY2021 results and future initiatives

In FY2021, we expanded the scope of due diligence to all businesses in accordance with the medium-term goal to assess human rights risks in all businesses, including supply chains, and implement measures to mitigate risks by 2025. As part of these efforts, we identified and assessed human rights risks in the Media & Digital Business Unit and the Living Related & Real Estate Business Unit. In each of these business units, we confirmed that specific measures have already been taken such as supplier surveys and improvement activities to address human rights risks of concern in light of the business characteristics based on the products and regions. We also recognized latent human rights risks in each business and tied this into consideration of countermeasures. We will continue to work on human rights due diligence along with internal education activities such as implementing human rights education programs for all executives and employees, dialogue with stakeholders, information disclosure, and other initiatives.

Human Rights Due Diligence / Process of Identification of Salient Human Rights Issues



* Also promote human rights due diligence in SBUs/businesses other than those identified in human rights due diligence by department.

For further details on human rights due diligence, please see our ESG Communication Book (Disclosure Book). <https://www.sumitomocorp.com/en/fjsustainability/report>



Message from the Chief Financial Officer

We will meet the expectations of our shareholders by realizing stable profit growth over the medium to long term.

Status of and outlook for the medium-term management plan SHIFT 2023

Operating results and outlook

In FY2021, the first year of SHIFT 2023, we posted record-high consolidated profit for the year attributable to owners of the parent of ¥463.7 billion. In addition to our response to changes in the external environment, the effects of various measures set forth in the medium-term management plan, including structural reform, have begun manifesting. We will continue to steadily promote SHIFT 2023 in the second year and beyond with a sense of urgency.

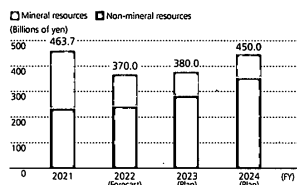
At present, the COVID-19 pandemic continues to disrupt economic activity and, among other factors, the Russia-Ukraine situation that arose in February 2022 is creating chaos in the global economy. Mineral resource prices are hovering at historical highs, and the semiconductor shortage and disruptions in the logistics network continue, making it difficult to put together an outlook. In addition, signs of inflation have begun to emerge worldwide, and the yen continues to depreciate due to such factors as differences in the monetary policies of central banks in each country. After careful review of the impact of these external environmental factors on our business, we are forecasting profit of ¥370 billion in FY2022 and aiming for ¥380 billion in FY2023 and ¥450 billion in FY2024. Although the situation is increasingly uncertain, we will continue to thoroughly promote the measures of SHIFT 2023 and put maximum effort into properly addressing the current changes in the business environment and realizing a portfolio that is both highly profitable and resilient.

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

Improvement of financial soundness

We will also work on enhancing our cash-generating capacity. We have steadily improved our financial soundness by such means as reducing net interest-bearing liabilities and increasing shareholders' equity. In FY2021, the net debt-equity ratio (DER) has improved from 0.9 at the end of the previous fiscal year to 0.7. By March 31, 2024, which will mark the end of SHIFT 2023, we plan to bring it down to 0.6. Under SHIFT 2023, keeping cash flow discipline and Risk-weighted Assets (RA; total amount of risk) within the range of the Core Risk Buffer (RB; shareholders' equity) is set forth as a measure for the Management Base SHIFT. We will continue to thoroughly implement this measure to establish the management foundation and steadily improve financial soundness to support growth.

Profit Plan



Net DER / ROE / Core RB-RA

	FY2021 results	FY2023 plan under revised SHIFT 2023
Net DER	0.7	Around 0.6
ROE	16.2%	10% or higher
Core RB-RA	¥660 billion	Maintain balance

New policy on return to shareholders

Overview and purpose

In FY2021, we made steady progress on enhancing profitability and our financial base by rebuilding our business portfolio. Under these circumstances, we renewed our policy on return to shareholders in FY2022. It is designed to maintain and enhance our traditional approach centered on dividends, namely that of providing "stable long-term dividends while aiming to increase dividends through medium- to long-term profit growth."

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.
- 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.

The target range for dividends on equity (DOE) is 3.5% to 4.5%. DOE is equal to return on equity (ROE) multiplied by the dividend payout ratio, so assuming a dividend payout ratio of 30%, we must achieve an ROE range of 12% to 15%. Achieving medium- to long-term profit growth commensurate with this level of capital efficiency and increase in shareholders' equity will contribute to sustainable growth of the Company and maximization of long-term profit for shareholders through increased return to shareholders and stock price. We will endeavor to make this happen by promoting the various measures of SHIFT 2023.

In addition, establishing a target range for DOE will raise the target minimum dividend, which had been set at ¥70, according to growth of shareholders' equity while preventing substantial fluctuations in the amount of dividends. Through this, we hope to realize better long-term stable dividends and sustainable growth.

Message from the Chief Financial Officer



In FY2021, the annual dividend was set at ¥110 per share based on the previous policy of maintaining dividends of at least ¥70 per share, with a target consolidated payout ratio of about 30%.

Risk management, selective investment & strengthening of post-investment value creation

Enhancement of risk management from a macro perspective and strategy for portfolio management
 Enhancement of risk management from both a micro and a macro perspective is essential for stable profit growth

over the medium to long term.

As a part of the Full Potential Plan (FPP), in FY2020 we identified the investments for exit or divestment and made the decision to exit from 101 companies. The exit from 64 of these companies is complete (32 in each FY2020 and FY2021), and we will continue this work. In terms of earnings improvement, the target for FY2023 was to achieve an effect of ¥70 billion compared to FY2020, including turnaround projects. In FY2021, the improvement effect was ¥100 billion, or ¥70 billion even when excluding external environmental factors, which means the SHIFT 2023 plan for the total amount of earnings improvement has been achieved. However, looking at individual companies, there is still much room for improvement, so we will continue to work on value creation at each company.

In addition, country risk management is growing in importance as geopolitical risks emerge and uncertainty increases. Utilizing a new consolidated accounting management system will allow us to more accurately keep track of our country portfolio starting in FY2022. We will strengthen our portfolio management, keeping track of our situation from a macro perspective based on various factors.

Selective Investment & strengthening of post-investment value creation from a micro perspective
 Enhancing risk management for individual investments is another important issue. As part of the Framework

SHIFT, we are working on various improvements to selection of investments and post-investment value creation. The primary elements are the Investment Selection Guidelines established in FY2021, Investment Performance-linked Compensation, and Enhancement of Corporate Governance. The Investment Selection Guidelines categorize projects that should not be invested in based on a comprehensive analysis of the factors behind past large-scale investments falling short of plan or posting losses. Promoting understanding at the work-site level, when reviewing investments, we always check for applicable items referring to the Investment Selection Guidelines. If there are applicable items, we carefully discuss to what extent the risks can be eliminated to make the investment decision.

The purpose of Investment Performance-linked Compensation is to promote thorough discipline through an increased sense of ownership among the officers and employees in charge of new large-scale investments and commitment to achieving the business plans prepared when executing the investments. In FY2021, we introduced a system for general managers and above who are responsible for investments to be assigned exclusively to the investment for a certain period following execution. We also introduced a performance-linked compensation system corresponding to the investee's plan for a certain period (around three to five years).

Regarding Enhancement of Corporate Governance, we are promoting the implementation of our Group Management Policy (GMP). The GMP sets forth three principles of group management, namely "Jiritsu", Dialogue, and Collaboration. As our group companies become more diverse and the markets and industrial structures go through major change, we are working to shift from the previous style of corporate governance in which the focus was that the Company substantially takes on the management role of the group companies to one in which the functions of supervision and execution are separated and further autonomy is promoted in management of group companies. We will promote the improvement of our corporate value by clarifying

the management responsibilities of group company executives, expediting decision-making, and advancing discontinuous strategy planning and execution in anticipation of environmental changes. Group company boards of directors will carefully discuss growth strategies and business plans, and with the agreement of group company executives, we will monitor progress through management of KPIs and KAls. Moreover, the Board of Directors will design the systems for appointment and dismissal, evaluation, and compensation of executives, which are the key to corporate governance, and properly implement them.

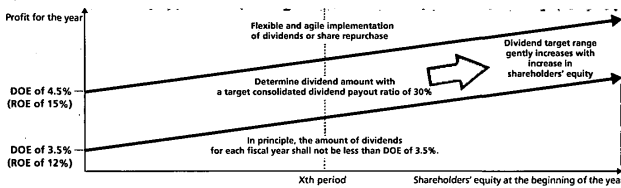
Along with the importance of business management to realize the improvement of group value, human resources management has grown even more important to support it. We established the Talent Management Task Force to support the selection of management teams at individual group companies and provide them with training. We are also promoting various initiatives to expand human resources for management of group companies.

* 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."

Message to our stakeholders

We believe we are making steady progress on the Business Portfolio SHIFT, Framework SHIFT, and Management Base SHIFT set forth in SHIFT 2023. However, we are still working on realizing a portfolio that is both highly profitable and resilient, which is the goal of SHIFT 2023, and we are aware that we have not yet reached a level of profit that will satisfy our stakeholders. We will not let up but will instead accelerate these three "shifts" and work on various measures to increase our capability to create value. We will present the process and results to stakeholders as we promote dialogue.

Approach to Shareholders' Return



Short- to Medium-Term Growth Strategy

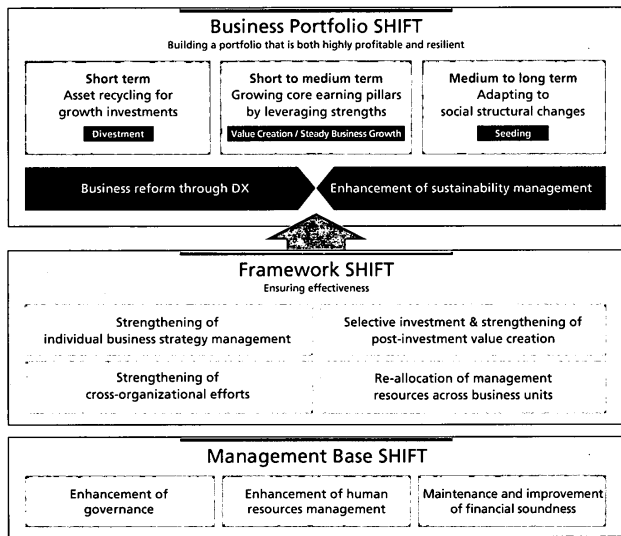
FY2021 progress and results

Steadily advancing the three “shifts” to bring SHIFT 2023 to completion

In FY2020, which was the final year of the previous medium-term management plan, the Group’s business performance deteriorated significantly due to drastic changes in the economic environment, and we made a concerted effort to push forward with structural reforms. The new medium-term management plan SHIFT 2023, which covers FY2021 to FY2023, continues that momentum.

At the core of SHIFT 2023 is the Business Portfolio SHIFT. Reassessing all businesses by SBU, we will categorize them

according to the four categories of Divestment, Value Creation, Steady Business Growth, and Seeding to transition to a business portfolio that is highly profitable and resilient. We will also promote a Framework SHIFT and a Management Base SHIFT to ensure the effectiveness of the Business Portfolio SHIFT. In FY2021, we continued to work on the three “shifts,” and are beginning to see steady results. We will continue to accelerate our efforts to bring SHIFT 2023 to completion.



FY2021 Initiatives

Business Portfolio SHIFT

Strategy Category	Main SBUs	Initiatives
Divestment	Upstream of Fossil Fuels	• Sold part of our thermal coal mining interest in Australia and partially sold oil and gas business in the United Kingdom and North Sea
	Upstream of Metal Resources	• Sold copper and molybdenum mining business in Chile
Value Creation	Steel Products Business	• Enhanced management efficiency through rigorous structural reform and accelerated the cultivation of environmental responses and regional strategies
	Cable TV Business	• Strengthened main services (internet, video distribution, mobile phones)
Steady Business Growth	Upstream of Metal Resources	• Expanded living-related services (insurance services, online medical consultations, etc.)
	Leasing	• Shifted management resources to copper, nickel, and other products that are likely to experience an increase in demand in the medium to long term from the perspective of sustainability, and promoted optimization of the upstream asset portfolio
Seeding	Renewable Energy IPP	• Increased prime assets and expanded business areas with a focus on global assets, real estate, environmental energy, etc.
	Smart Infrastructure	• Expanded the renewable energy business in Japan and overseas
	Domestic Real Estate	• Started construction for onshore wind power project in Abukuma, Fukushima
	Agribusiness	• Purchased additional equity stake in Indonesian geothermal power generation project
Seeding	Tubular Business Development	• Commenced telecommunications services in Ethiopia
	Smart City	• Accumulated prime assets mainly in strategic areas, and steadily implemented balance sheet (BS) management by utilizing external funds such as investment funds and real estate investment trusts (REITs)
	SG	• Strengthened existing businesses through the expansion of products and functions in agricultural material trades and direct sales as well as geographic expansion
Seeding	EII	• Continued to expand sales of software that contributes to automation and efficiency at energy development sites
		• Created high-value urban development by introducing smart services based on the needs of residents
Seeding		• Promoted consultation on Smart City town management in northern Hanoi
		• Commenced 5G base station sharing operations
Seeding		• Promoted local 5G-related projects
		• Steadily promoted partnership and participation in projects in the fields of hydrogen, large-scale energy storage, and distributed solar power generation while accumulating assets in steady business growth fields such as forest business

Framework SHIFT

- Each SBU set objective indicators to measure the attainment of strategic targets (KPIs/KAIs), monitored the progress, thoroughly implemented a PDCA cycle to ensure the effectiveness of the plan, and enhanced awareness of our commitment.
- Introduced stricter investment discipline and an investment performance-linked compensation plan to improve the probability of successful business investment.
- Established the Energy Innovation Initiative (EII), which transcends the current framework of business units, for next-generation energy and enhanced companywide efforts.

Management Base SHIFT

- The Board of Directors continuously monitored progress on SHIFT 2023 to enhance corporate governance. Also implemented the Group Management Policy, aiming to maximize the Group’s corporate value.
- Established the foundation for reform of human resources management, including by introducing a job grading system, revamping the evaluation system, and unifying job positions by eliminating conventional position-based management. Also implemented various measures, including acceleration of global DBI and a human resources shift in conjunction with rebuilding the business portfolio, and promoted global allocation of the right talents to the right places.

Short- to Medium-Term Growth Strategy

Progress on the Business Portfolio SHIFT

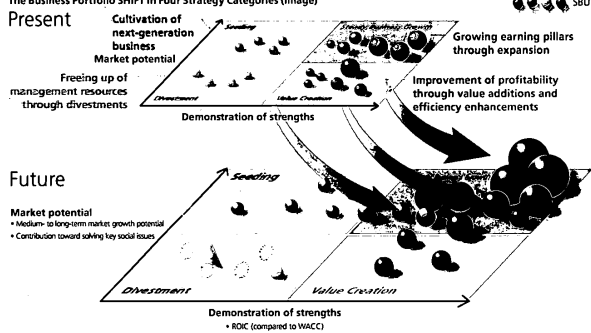
Focusing on exiting from low-profitability businesses and improving profitability to create results in each of the four strategy categories

In monitoring of investment targets and support for execution (Full Potential Plan), we divested from unprofitable businesses while accelerating the improvement of profitability and efficiency of low-profitability businesses through measures to create value (hereinafter "turnaround"). Among the 101 companies that were classified as exit or divestment from approximately 400 companies that were analyzed prior to the establishment of SHIFT 2023, we exited from 32 companies in FY2020. In FY2021, we exited from 32 of the 69 remaining companies. In addition, measures taken by each work site have generated steady results for 76 companies classified as turnaround projects. In particular, we improved earnings of the nickel mining and refining business in Madagascar, the tire retail and wholesale business in the United States (p. 51), and the fresh produce business in Europe and the Americas as a result of the review of the business strategy, managerial system, and operations of each business.

As a result, the earnings improvement effect from exit,

divestment, and turnaround projects was approximately ¥100 billion. As for improvement excluding external environmental factors, the initial plan of SHIFT 2023 (approx. ¥70 billion improvement) was achieved in the first fiscal year of SHIFT 2023. At the same time, looking at progress on the Business Portfolio SHIFT by strategy category, the freeing up of management resources steadily progressed in SBUs in the Divestment category. SBUs in other categories also promoted their strategies steadily, including those in the Value Creation category, which aims for improvement of profitability through value additions and efficiency enhancements; the Steady Business Growth category, which aims at growing earning pillars through expansion of business scales; and the Seeding category, which aims to grow new earning pillars through the cultivation of next-generation business. Also, when pursuing the Business Portfolio SHIFT, we have particularly incorporated the perspective of digitization and sustainability, to build a business portfolio that can evolve and grow together with the society.

The Business Portfolio SHIFT in Four Strategy Categories (Image)



Progress on Monitoring of Investment Targets and Support for Execution (Full Potential Plan)

SHIFT 2023 Plan

	No. of companies	Earnings improvement (estimated) (compared to FY2020)
Exit	69	Approx. ¥70 billion ^{*1}
Turnaround	76	

FY2021 Results

	No. of companies	Results
		Earnings improvement (compared to FY2020)
Exit	32	Approx. ¥100 billion ^{*1}
Turnaround	76	

Major turnaround projects and improvement effects

- Ambatovy: Nickel mining and refining business in Madagascar
- Approx. ¥38 billion improvement
- Fyffes: Fresh produce business in Europe and the Americas
- Approx. ¥8 billion improvement
- TBC: Wholesale and retail of tires business in the United States
- Approx. ¥4 billion improvement

^{*1} Included in ¥130+ billion earnings improvement (excluding one-off profits/losses) through SHIFT 2023
^{*2} Included in ¥259 billion earnings improvement (excluding one-off profits/losses) in FY2021. Improvement excluding external environmental effects: Approx. ¥70 billion.

Progress on the Business Portfolio SHIFT

Initial Plan of SHIFT 2023

Business strategy category	Divestment	Value Creation	Steady Business Growth	Seeding
Cash generated through asset disposal (3-year total)	¥110 billion	¥210 billion	¥200 billion	—
Investments and loans (including renewal investment; 3-year total)	—	¥330 billion	¥760 billion	¥50 billion
Excluding one-off profits/losses (FY2023)	¥0+ billion	¥120+ billion	¥200+ billion	—
FY2021 Results				
Cash generated through asset disposal	¥60 billion	¥90 billion	¥60 billion	—
Investments and loans (including renewal investment)	—	¥50 billion	¥230 billion	—
Excluding one-off profits/losses	¥40 billion	¥190 billion	¥220 billion	—
Progress/examination status of major projects	<ul style="list-style-type: none"> Sold part of our thermal coal mining interest in Australia Sold copper and molybdenum mining business in Chile Partially sold oil and gas business in the United Kingdom and North Sea 	<ul style="list-style-type: none"> Implement structural reform in tubular products business Improvement in the nickel mining and refining business in Madagascar, TBC, and Fyffes 	<ul style="list-style-type: none"> Investing in telecommunication business in Ethiopia Additional acquisition of forest assets Acquisition of water sewage treatment business in Shandong, China Expansion of managed care business (into Vietnam) 	<ul style="list-style-type: none"> Keeping expansion of selling software for automation and optimization in energy development Entering the 5G base station sharing services business Proceeding with projects in the fields of hydrogen, large-scale storage batteries, and distributed solar power

Note: The "—" in the above chart shows that the amount is less than ¥10 billion.

Short- to Medium-Term Growth Strategy

Implementation of the Business Portfolio SHIFT

Steady Business Growth Domestic real estate business

Further enhancing an earning pillar

Strengths of the domestic real estate business

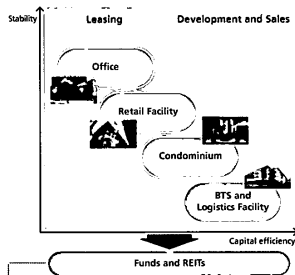
The domestic real estate business offers high capital efficiency.

Sumitomo Corporation traces its roots back to the Osaka North Harbour Company Limited, a real estate developer founded in 1919. Later, as we developed into an integrated trading company, we expanded the reach of the founding business of real estate to include office buildings, residences, retail facilities, funds and REITs, build-to-suit (BTS), development, and logistics facilities. During this process, we have evolved into an integrated developer with an extensive lineup of services and solutions covering nearly every corner of the real estate business.

Today, our real estate business includes leasing where we own and manage a property after development (office buildings, retail facilities, etc.), development and sales targeting capital gains (condominiums, logistics facilities, etc.), and asset management (funds and REITs) headed up by our wholly owned subsidiary Sumitomo Realty Management Co., Ltd. (SRM).

The strengths of the Sumitomo Corporation Group's real estate business include a portfolio resilient against changes in the external environment built atop a balance of these segments, hands-on advanced planning and development capabilities honed since our foundation, and synergies generated through cross-functional collaboration within the Group. We are maximizing these strengths to steadily and efficiently grow earnings.

Product Portfolio of the Domestic Real Estate Business



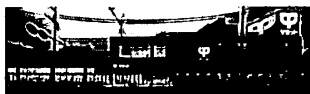
SOSILA Logistics REIT, Inc.

Amid major changes taking place in logistics, in 2019 the Group established a listed logistics REIT from its portfolio mainly of SOSILA brand logistics facilities developed by the Group. These properties have been lauded for their highly accessible locations, designs mindful of diverse logistics needs, and facilitation of logistics streamlining. In terms of ESG investment, this REIT will provide investment opportunities to a broad range of investors in the future.



Strengths of Sumitomo Corporation's Domestic Real Estate Business

1. Risk resilience using diversified portfolio
2. Hands-on advanced planning and development capabilities
3. Collective strengths of the Sumitomo Corporation Group (collaboration with SMFLMP^{*1}, Summit stores, etc.)



Example of collaboration: Summit store developed jointly with SMFLMP (Summit store: Setagaya Funabashi)

^{*1} SMFL MPRAI Partners Company, Limited, a subsidiary of SMFL

Case Study



Further promotion of the Steady Business Growth category

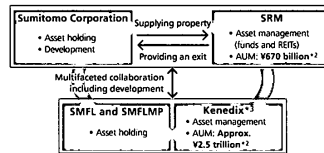
Increasing high-value-added assets and shifting to a more efficient asset portfolio

Changes in the business environment are expected to continue in the future. These include changes in work and offices due to the COVID-19 pandemic, rising demand for logistics facilities amid the growth in e-commerce, and increasing demand for high-quality, high-environmental-performance real estate amid growing awareness of ESG.

To capture business opportunities associated with such changes, we are looking to increase our portfolio of

high-value-added and quality assets in an effort to shift our portfolio toward more efficient assets. This will involve promoting the development of new asset classes with medium- to long-term growth potential, such as student apartments and senior residences, and considering entering the data center business. In this process, we will increase SRM's assets under management (AUM) and actively promote collaboration with Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL; 50% joint venture). Through these initiatives, we bring AUM, profits, and assets to another level in demonstrating our commitment to the steady growth of the real estate business in the Steady Business Growth category.

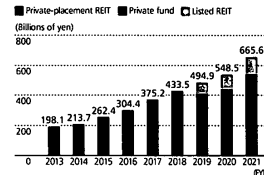
Example of Collaborative Structure



^{*2} SRM's AUM as of March 31, 2022 and Kenedic, Inc.'s AUM as of December 31, 2021

^{*3} A leading Japanese asset management firm and subsidiary of SMFL

SRM AUM



Goals for the Domestic Real Estate SBU at the end of the medium-term management plan

- Profits: Approx. ¥45 billion (Previous medium-term management plan: Over ¥30 billion achieved)
- Assets: Over ¥700 billion (End of the previous medium-term management plan: Approx. ¥600 billion)
- SRM AUM: ¥800 billion (End of the previous medium-term management plan: Approx. ¥500 billion)

Aiming for sustainable and vibrant community development



Kazuki Shimogaito
Business Promotion Team 1, Building Business Dept.

Currently, I work in the Building Business Department, where I primarily manage existing large office buildings and develop new buildings. My work provides me with a sense of accomplishment.

Sumitomo Corporation's real estate business is promoting a number of initiatives based on the recognition that environment-friendly community development is a clear issue of the future. I'm in charge of the Sumitomo Corporation Takebashi Building, where we shifted to 100% renewable power in 2021 supplied from Summit Energy Corporation as part of our commitment to the environment and to help lower the community's carbon footprint. I will continue working daily to achieve environment-friendly community development that creates new value while being closely in tune with the DNA of each community.

Short- to Medium-Term Growth Strategy

Implementation of the Business Portfolio SHIFT

Case Study

Value Creation Wholesale and retail of tires business in the United States

Taking on the challenge of enhancing corporate value



Review of our tire business

TBC faced difficulties in fulfilling its potential

TBC Corporation is a tire distributor in the United States engaged in both tire wholesale and retail. At the time Sumitomo Corporation acquired all of its shares in 2005, TBC had the largest number of retail outlets in the United States next to chains directly owned by manufacturers. Following the acquisition, TBC steadily improved its earnings, posting record-high profit in 2011. Starting in 2012, however, TBC saw earnings decline mainly in the retail segment for six years. During this time, we turned over TBC's management team and successfully restructured its retail business, but TBC still fell short of a full-fledged recovery in earnings and return to a growth trajectory.

At the same time, to fully restructure TBC's core wholesale business, we made the bold decision in 2018 to sell 50% of TBC's shares to Michelin, the world's second-largest tire manufacturer. Michelin excels at digital-driven advanced logistics and capturing demand from the growing corporate fleet vehicle market, not to mention that it's a top tire brand. Merging the supply chain and customer base of TBC, with its strengths in low-priced tires and private brands,

with Michelin made it possible to build an effective and mutually beneficial relationship. As a result, TBC expanded its industry-leading scale and product lineup and established the foundation to become the dominant player in tire wholesale.

However, organic synergies failed to materialize and with a lack of results even three years after the merger, we talked on a number of occasions with Michelin to find a breakthrough, ultimately deciding to revamp TBC's management structure. Until then, we had supported TBC as a shareholder by entrusting operations to the local management team, but we decided to speed up the reorganization by dispatching executive officers from Sumitomo Corporation and Michelin. Michelin appointed a member of its Group Executive Committee as CEO, and we appointed a business division's general manager as CAO. Furthermore, a Management Council was established, including a full-time CFO with experience leading cost cutting locally. TBC's Board of Directors, comprised of only shareholders, and the Management Council worked closely together, to increase the quality of and speed up execution by dividing roles and duties among Management Council members. Under this new management structure, we looked back at the history of management and faced underlying problems thoroughly.

Value creation measures

Revamped management structure and ushered in structural reforms

To maximize TBC's strengths with its industry-leading foundation, the first order of business for the new management team was to reform TBC's corporate culture. Positioning the Executive Committee as a venue to pursue companywide optimization, the team decided to make proposals and decisions on personnel affairs, marketing, purchasing, ordering, real estate contracts, system development, and others, which had previously been entrusted to each department, at the monthly Executive Officers' Meeting. The team also worked to improve engagement with officers and employees by actively disclosing companywide performance and issues through town hall meetings and video messages as well as building a system to encourage employees to share their opinions and proposals, through Pulse Survey, for example. Based on a customer-centric philosophy, we transformed forums for dialogue with suppliers, sales partners, and franchisees, which had previously focused on the topic of short-term transactions, into an opportunity for management teams on both sides to understand each other's medium- to long-term strategies.

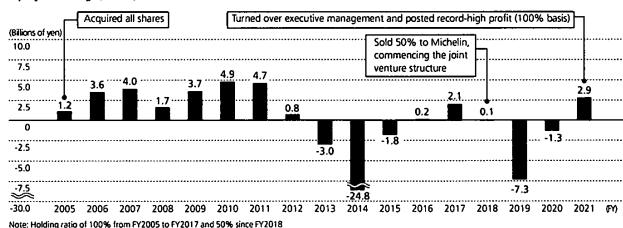
These corporate culture reforms formed the foundation for the transformation of TBC's financial and earnings

structures. The thorough pursuit of companywide optimization helped to integrate the supply chain across department lines, increasing productivity as well as eliminating redundancies in order placement and purchasing, which increased negotiating power. The turnover rate among employees declined as engagement improved employee satisfaction, helping to lower recruiting and training costs. Furthermore, the customer-centric philosophy established trust, increasing the number of customers accepting price hikes or reduced discounting in times of rising costs, which greatly improved profits. As a result, TBC's operating profit for FY2021 reached its highest level since the acquisition.

Looking ahead, TBC's management team and shareholders will fulfill their roles and responsibilities, along with deepening dialogue and collaboration with one another, as the company wraps up its restructuring. The key to this process will be the following six initiatives. The ultimate vision is for TBC to provide indispensable solutions to the entire North American tire industry.

1. Pursue scale
2. Identify key customers
3. Focus on attractive product segments
4. Differentiate services
5. Improve operating processes with digital innovation
6. Continue corporate culture reforms

Equity in Earnings (Losses) of TBC



Promoting value creation under the slogan "One TBC"

Shinichi Kato
Managing Executive Officer, Sumitomo Corporation
Chief Administrative Officer, TBC Corporation

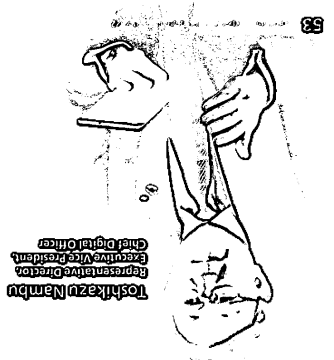


TBC's business structure was unable to translate industry-leading scale and coverage into competitiveness and customer satisfaction. The root cause was the company's partial optimization and passive corporate culture. I teamed up with the CEO dispatched by Michelin to make a breakthrough.

As an example, we integrated the company's decentralized and inconsistent systems and supply chain to visualize and share

information on inventories across department lines. As a result, despite ongoing personnel shortages on the front line, we increased productivity and customer satisfaction, enabling cost savings and reducing discounting. In the face of products being out of stock and delivery delays caused by worldwide logistics disruptions, we managed to minimize opportunity loss by using inventory on hand internally and successfully doubled our earnings power over the past year.

These results have given a boost of confidence to employees. Drawing upon their proposal and execution capabilities, we will continue to lower the break-even point and improve inventory turnover, and thoroughly promote selection and concentration of our businesses.



Q What part does DX play in your strategy?

A We've formed a professional group that understands the business and is promoting strategic initiatives. We've also been working on digital transformation in various areas. For example, we've been working on digital marketing, digital sales, and digital customer service. We've also been working on digital operations, digital supply chain, and digital HR. We've been working on digital R&D, digital manufacturing, and digital logistics. We've been working on digital infrastructure, digital security, and digital compliance. We've been working on digital talent, digital culture, and digital change management. We've been working on digital innovation, digital ecosystem, and digital partnership. We've been working on digital sustainability, digital social responsibility, and digital governance. We've been working on digital ethics, digital privacy, and digital data protection. We've been working on digital accessibility, digital inclusivity, and digital diversity. We've been working on digital transparency, digital accountability, and digital trust. We've been working on digital resilience, digital risk management, and digital crisis response. We've been working on digital agility, digital flexibility, and digital adaptability. We've been working on digital speed, digital efficiency, and digital productivity. We've been working on digital quality, digital reliability, and digital performance. We've been working on digital customer experience, digital employee experience, and digital stakeholder experience. We've been working on digital brand, digital reputation, and digital image. We've been working on digital market share, digital competitive advantage, and digital leadership. We've been working on digital growth, digital innovation, and digital transformation. We've been working on digital success, digital achievement, and digital excellence.

Q As many companies put DX into their strategies, it seems to be a long-term project. How do you plan to promote it?

A We've formed a professional group that understands the business and is promoting strategic initiatives. We've also been working on digital transformation in various areas. For example, we've been working on digital marketing, digital sales, and digital customer service. We've also been working on digital operations, digital supply chain, and digital HR. We've been working on digital R&D, digital manufacturing, and digital logistics. We've been working on digital infrastructure, digital security, and digital compliance. We've been working on digital talent, digital culture, and digital change management. We've been working on digital innovation, digital ecosystem, and digital partnership. We've been working on digital sustainability, digital social responsibility, and digital governance. We've been working on digital ethics, digital privacy, and digital data protection. We've been working on digital accessibility, digital inclusivity, and digital diversity. We've been working on digital transparency, digital accountability, and digital trust. We've been working on digital resilience, digital risk management, and digital crisis response. We've been working on digital agility, digital flexibility, and digital adaptability. We've been working on digital speed, digital efficiency, and digital productivity. We've been working on digital quality, digital reliability, and digital performance. We've been working on digital customer experience, digital employee experience, and digital stakeholder experience. We've been working on digital brand, digital reputation, and digital image. We've been working on digital market share, digital competitive advantage, and digital leadership. We've been working on digital growth, digital innovation, and digital transformation. We've been working on digital success, digital achievement, and digital excellence.

Q As ESG management gains traction, how do you think ESG and DX intersect?

A There are three areas of intersection. First, ESG and DX both focus on long-term value creation. Second, ESG and DX both focus on stakeholder engagement. Third, ESG and DX both focus on innovation and digital transformation. ESG and DX are both essential for sustainable growth and success in the 21st century.

Q What kind of progress has been made over the past 10 years or so since DX initiatives were launched in earnest?

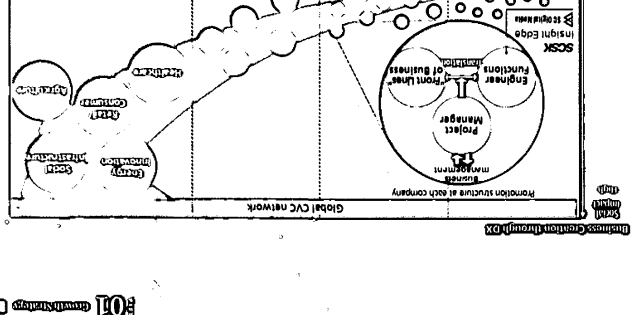
A There has been significant progress in digital transformation over the past 10 years. Companies have invested heavily in digital infrastructure, digital talent, and digital innovation. Digital marketing, digital sales, and digital customer service have become essential for success. Digital operations, digital supply chain, and digital HR have become essential for efficiency and productivity. Digital R&D, digital manufacturing, and digital logistics have become essential for innovation and growth. Digital infrastructure, digital security, and digital compliance have become essential for risk management and trust. Digital talent, digital culture, and digital change management have become essential for agility and adaptability. Digital innovation, digital ecosystem, and digital partnership have become essential for competitive advantage and leadership. Digital sustainability, digital social responsibility, and digital governance have become essential for long-term success and excellence.

Q Lastly, can you tell us about your own DX initiatives?

A We will be reporting on our own DX initiatives in the next issue of the magazine. We will be focusing on digital marketing, digital sales, and digital customer service. We will be focusing on digital operations, digital supply chain, and digital HR. We will be focusing on digital R&D, digital manufacturing, and digital logistics. We will be focusing on digital infrastructure, digital security, and digital compliance. We will be focusing on digital talent, digital culture, and digital change management. We will be focusing on digital innovation, digital ecosystem, and digital partnership. We will be focusing on digital sustainability, digital social responsibility, and digital governance. We will be focusing on digital ethics, digital privacy, and digital data protection. We will be focusing on digital accessibility, digital inclusivity, and digital diversity. We will be focusing on digital transparency, digital accountability, and digital trust. We will be focusing on digital resilience, digital risk management, and digital crisis response. We will be focusing on digital agility, digital flexibility, and digital adaptability. We will be focusing on digital speed, digital efficiency, and digital productivity. We will be focusing on digital quality, digital reliability, and digital performance. We will be focusing on digital customer experience, digital employee experience, and digital stakeholder experience. We will be focusing on digital brand, digital reputation, and digital image. We will be focusing on digital market share, digital competitive advantage, and digital leadership. We will be focusing on digital growth, digital innovation, and digital transformation. We will be focusing on digital success, digital achievement, and digital excellence.

Q How do you plan to promote DX strategy?

A We've formed a professional group that understands the business and is promoting strategic initiatives. We've also been working on digital transformation in various areas. For example, we've been working on digital marketing, digital sales, and digital customer service. We've also been working on digital operations, digital supply chain, and digital HR. We've been working on digital R&D, digital manufacturing, and digital logistics. We've been working on digital infrastructure, digital security, and digital compliance. We've been working on digital talent, digital culture, and digital change management. We've been working on digital innovation, digital ecosystem, and digital partnership. We've been working on digital sustainability, digital social responsibility, and digital governance. We've been working on digital ethics, digital privacy, and digital data protection. We've been working on digital accessibility, digital inclusivity, and digital diversity. We've been working on digital transparency, digital accountability, and digital trust. We've been working on digital resilience, digital risk management, and digital crisis response. We've been working on digital agility, digital flexibility, and digital adaptability. We've been working on digital speed, digital efficiency, and digital productivity. We've been working on digital quality, digital reliability, and digital performance. We've been working on digital customer experience, digital employee experience, and digital stakeholder experience. We've been working on digital brand, digital reputation, and digital image. We've been working on digital market share, digital competitive advantage, and digital leadership. We've been working on digital growth, digital innovation, and digital transformation. We've been working on digital success, digital achievement, and digital excellence.



Q10 **Development**

Focus
Business Reform through DX
 Short-to-Medium-Term Growth Strategy

Short- to Medium-Term Growth Strategy

Focus: Business reform through DX

DX Example 1 Digitization

Realizing substantial reduction of time spent on operations and improving employee IT literacy

Robotic process automation (RPA) refers to automation of operations using robots. The Sumitomo Corporation Group launched full-scale groupwide promotion of RPA led by DX Centers in FY2018, believing that RPA would lead to advancement of existing businesses and development of new ones with the extra time it would free up. In collaboration with group company SCSK, a leading IT solutions provider, we put together a development system to actively promote the sharing of knowledge between group companies. As a result, 100,000 hours of operations were cut in FY2019, 200,000 in FY2020, and 440,000 in FY2021. In qualitative terms, we have seen an improvement in the IT literacy of individual employees and increased awareness of operational improvement utilizing digital technologies through the introduction of RPA. Moreover, we have recognized secondary benefits such as expansion of our business scope and promotion of full-scale DX initiatives. We will continue to promote improvement and advancement of groupwide operations through the introduction of RPA.



Three measures to promote RPA

1. Preparation of development system (external/internal)
2. Development of versatile RPA that can be used companywide
3. Sharing of knowledge between companies within the Sumitomo Corporation Group

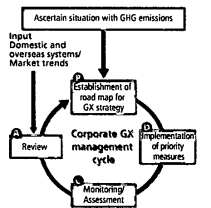
DX Example 3 Industry Reform

Supporting the reduction of corporate GHG emissions and contributing to the realization of carbon neutrality

Climate change is a global issue that requires action that transcends borders. Companies are expected to enhance their disclosure of information on risks and opportunities related to climate change as well as help resolve this issue through their business. However, there are many that have not been able to keep track of their own greenhouse gas (GHG) emissions and thus are unable to set targets or take specific actions to reduce their emissions. In response to this need, Sumitomo Corporation launched a GX (Green Transformation) Concierge service in April 2022 to provide support for preparing a plan and road map for simply and efficiently tracking GHG emissions and reducing them. There have been few other services providing integrated support up to preparation of a GHG emissions reduction plan. Our aim is to roll the service out to 1,000 locations of 100 companies in Japan by FY2023 to contribute to promoting carbon neutrality.



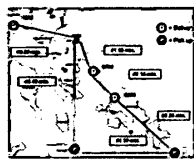
Flow of GX Concierge Service



DX Example 2 Advancement of Existing Businesses

Promoting advancement of operations and improvement of asset efficiency through in-house DX

The construction equipment rental business in North America and Asia is one of our key businesses for further expanding profits. We have long considered IT to be a key business strategy topic, and since FY2021 we have been promoting further improvements to operational and asset efficiency through collaborations with DX Center and Insight Edge. In the construction equipment rental business, delivery times and turnover of delivery trucks are greatly impacted by combinations of equipment load and what order or route is selected for delivery and pickup. By optimizing these constraints through data analysis, we will strive to improve asset efficiency and increase customer satisfaction, thereby further strengthening the competitiveness of our business. We will also utilize the expertise we accumulate through these efforts for other businesses and tie it into improving corporate value groupwide.



Improving delivery route efficiency (Illustration)

DX Example 4 Social Implementation and Reform

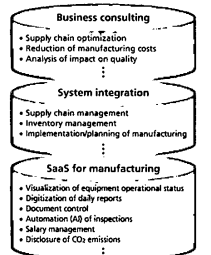
Developing a DX enabler business for the manufacturing industry and resolving industrywide problems

We launched a one-stop DX enabler business for the manufacturing industry in April 2022. This service includes everything from identifying the issues facing manufacturers to proposing digital solutions and consulting to resolve those issues. First, we will provide the service to Japanese manufacturers facing issues common to the industry from an office in Thang Long Industrial Park, which we operate in Vietnam. This is a service that only an integrated trading company could provide. In addition to the knowledge we have accumulated by promoting DX for manufacturing sites, we take advantage of expertise in the digital service provision of group company SCSK and our contact point with Japanese manufacturers in Southeast Asia that have set up operations in our industrial parks. In FY2023, we will launch the business in earnest, and aim to provide the service throughout Southeast Asia in the future.



Demonstration room inside Thang Long Industrial Park

Value Provided in Manufacturing DX



Focus

Evolving HR management for sustainable development



Top-Tier Professionals at Sumitomo Corporation

Numbering approximately 74,000 people, our Group's diverse talent is the most important management capital when it comes to continuously creating new value in order to enrich society and people's lives. They play the leading role in these efforts. Maintaining and strengthening our human capital as well as enhancing the pool of human resources is the responsibility of management.

Sumitomo's Business Philosophy, which has been cultivated over the 400-year history of Sumitomo, has been handed down to our people in unbroken succession from their predecessors. The philosophy places an emphasis on trust, having an enterprising spirit for pursuing value creation and continually innovating the business while quickly and accurately responding to social changes, and upholding a grand design that emphasizes value creation with a long-term perspective rather than seeking short-term gain. On the global stage, our talent—who share and embody this abiding

belief—take on the challenge of value creation for a new era, utilizing the well-rounded management base and diverse business functions that we have built up over a span of more than a century. It is they who are the Top-Tier Professionals unique to Sumitomo Corporation.

Changes in the business environment and the skill sets required

We have transformed our business to meet economic and social needs that change with the times. It is our Top-Tier Professionals in various domains that have driven this transformation, expanding the horizons of our business while acquiring new skill sets in keeping with the times.

Today, the business environment surrounding us is shifting even further. The international situation is marked by increasing uncertainty, digital technology is evolving at an accelerating pace, and there is increasing social demand to resolve key social issues such as climate change, a circular economy, and respect for human rights. We are required now to demonstrate an enterprising spirit and create businesses for a new era while quickly adapting to these changes, and it is essential that we upgrade our skill sets accordingly.

In addition, we are promoting dialogue and coordination to encourage *Jiritsu* management among group companies to enhance group management. As such, we must acquire more advanced skills when it comes to management, governance, and supporting the growth of group companies.

Moreover, as career trajectories diversify and there is a need to develop a diverse group of professionals, I believe a system that will facilitate the autonomous career development of each of our employees is a must.

Expanding the pool of Top-Tier Professionals

We introduced a new human resources system to embody our Global HR Management Policy, which sets forth our basic approach to HR management. We are promoting reform of HR management based on the concepts of "Pay for Job, Pay for Performance" and "Development of Top-Tier

Professionals," while also positioning the enhancement of HR management as one of the core management strategies under SHIFT 2023. In April 2021, we abolished seniority-based management, introduced a job grading system, and renewed our evaluation and compensation systems.

Moreover, in April 2022 we expanded the scope of the job grading system to include those who are re-employed after retirement and eliminated conventional career groups ("Professional" and "Clerical") to unify career tracks, thereby establishing a system allowing all employees to play an active role without getting hung up on the old framework. We will continue increasing the effectiveness of operations under these new systems, while at the same time continue to diversify recruiting methods, enhance people management skills, and implement HR development measures to develop potential successors for key leadership roles in order to enhance our pool of Top-Tier Professionals.

I believe that through the promotion of this HR management reform, each officer and employee will reach their potential and experience growth, thereby evoking higher engagement, which will lead to improvement of the Group's competitiveness and corporate value. Starting in 2022, we are conducting an engagement survey, and while checking the effects of and progress on various measures, we are working to realize the goal of "building a Great Place to Work" as set forth in the policy.

In addition, we will continue to promote Diversity and Inclusion (D&I) as the core enabler for the Group's value creation, innovation, and competitiveness. In Japan, we are focused on the promotion of women's advancement in particular, and have disclosed quantitative targets for 2030 as a waypoint for achieving our vision. These targets are not something that can be easily achieved as an extension of our previous efforts. We will implement various measures, including recruiting and training, to accelerate our efforts to achieve them. By promoting the elimination of any barriers to D&I and actively recruiting talent possessing diverse experience and career backgrounds, going beyond differences in attributes such as age, gender, and nationality, we will bring together diverse knowledge, which will strengthen the organization and increase corporate value.

Further enhancing the link between the growth strategy and the human resources strategy

Under SHIFT 2023, we are steadily working on KPIs and KALs established at the SBU level and coming together as a group to achieve our goals, including the Business Portfolio SHIFT. We introduced evaluations based on the progress of strategy execution as a measure to enhance organizational commitment to accomplishing this strategy. Under this system, progress toward achievement of the KPIs and KALs is evaluated, taking into account both importance and difficulty, and by reflecting this in individual bonuses, we aim to cultivate a results-oriented corporate culture and achieve both individual and organizational growth.

We are also promoting optimal allocation of talent according to the Business Portfolio SHIFT. Over the three-year period until FY2023, we plan to reallocate approximately 100 employees across business units. We already completed roughly two-thirds of the shift in FY2021, the first year of the plan.

These important HR management policies, strategies, and measures are discussed at meetings of the Management Council and the HR Management System Committee, which is an advisory body to the Management Council. The Board of Directors defines directions and engages in supervision and monitoring accordingly.

In addition, we established the Talent Management Task Force, which is in charge of enhancing governance at group companies and improving management evaluation, compensation, and succession. We introduced an investment performance-linked compensation plan to increase the probability of successful business investment with the aim of enhancing the performance of business investments.

Our human capital is key to the sustainable growth of the Group. We will promote active disclosure of human capital to investors and other stakeholders and further dialogue with them as we work on further enhancing HR management.



Takayuki Seishima
Representative Director,
Senior Managing
Executive Officer, Chief
Administration Officer and
Chief Compliance Officer

Short- to Medium-Term Growth Strategy

Focus: Evolving HR management for sustainable development

Creating new value for today and tomorrow

Refer to Value Creation Model on p. 13

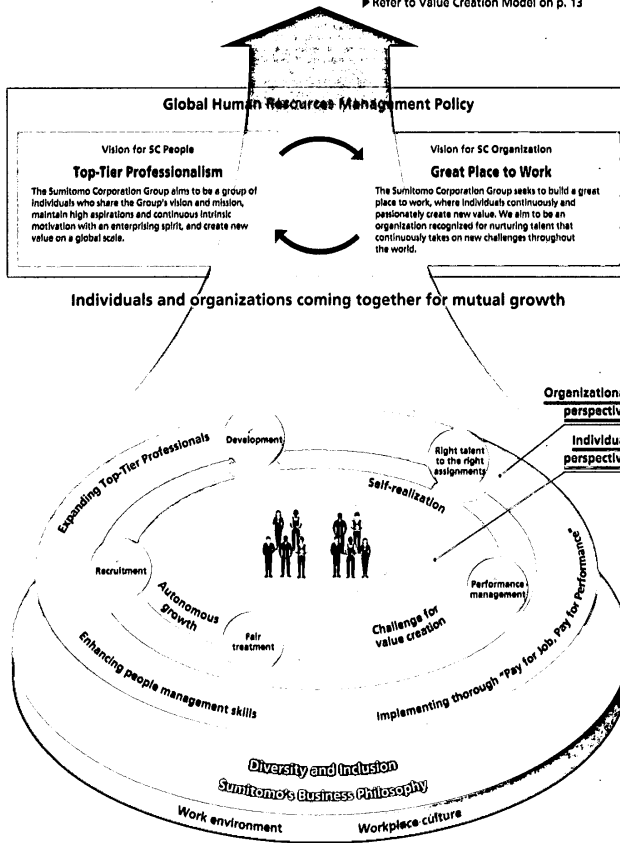
We will pursue our vision for "SC People" and "SC Organization" based on our Global HR Management Policy.

The systems and environment surrounding employment are changing rapidly. In Japan, a major shift is taking place in the individual's view about work from career advancement within a particular company based on lifetime employment to realizing a career and personal growth matching their own preferences.

In response to these changes, we have set forth a vision for employees (SC People) and companies (SC Organization) in a new era within our Global HR Management Policy. Based on the concepts of expanding Top-Tier Professionals, implementing through "Pay for Job, Pay for Performance," and enhancing people management skills, we are striving to establish a work environment and workplace culture to serve as a foundation for growth and to improve the HR management cycle of recruitment, development, right talent to the right assignments, performance management, and fair treatment.

Our vision for individuals and organizations is to provide a place where highly motivated talent can realize autonomous growth and self-realization and for their passion in taking on challenges to become the driving force for organizational growth and value creation, with that cycle, in turn, attracting further Top-Tier Professionals to enrich our reservoir of human capital.

The roughly 74,000 people that make up the Group's diverse human resources will drive the creation of new value, maximizing the performance of SC People and SC Organization to achieve that vision.



Recruitment

Diversification of recruiting methods
 Expanding 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.)
 • Utilization of an alumni network

Development

Susaiho Business College (off-the-job training program)
 Off-the-job training programs provide opportunities to acquire broad-based business knowledge and skills along with knights
 • Number of courses: 301 (FY2021)
 • Total training time for all employees: 65,983 hours (FY2021)

Development of managerial talent
 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)
 • Long-term selection training participants: 84 (FY2021)

Overseas training program
 Dispatching MBA, overseas, and language trainees
 • Number of dispatched employees: 76 (FY2021)
 • Number of destination countries: 28 (FY2021)

Right talent to the right assignments

Introduction of a job grading system (April 2021)
 Grades are determined according to the significance of duties. Seniority-based promotion has been eliminated. The job grading system creates a foundation for promoting flexible and optimal assignment of the right talent to the right assignments.

Shift of human resources
 Shiftily and flexibly reassigning human resources according to the Business Portfolio, SIERT, taking into account individual aptitude and preferences
 • Approximately 100 employees to be reassigned under SIERT 2022 (3 years)
 • Nearly two-thirds of the shift of human resources was completed in the first year (FY2021)

Performance management

Reform of evaluation system (April 2021)
 Absolute evaluation (90-degree evaluation): Shift to an effective evaluation system focused on diverse individuals
 • Evaluation based on the progress of strategy execution: Reflecting progress on SBU strategy execution in compensation
 • Investment performance-linked compensation: Compensation that reflects the performance of new, large-scale investments

Fair treatment

Work environment / Workplace culture

Inheritance of Sumitomo's Business Philosophy
 Conducting training annually at Beshi Copper Mine (predecessor to Sumitomo Corporation). All employees learn the history of Beshi Copper Mine upon joining the Company.

Acceleration of Diversity & Inclusion (DBI)
 Rolling out measures positioning DBI as a source of competitiveness globally. In Japan, women's empowerment is regarded as a priority issue and measures are implemented with numerical targets.
 • Establishment of a succession plan (Facilitation of systematic training and promotion from a medium- to long-term perspective)
 • Holding of Diversity Weeks (March 2022) (Messages from management, various training/employee roundtables, etc.)

Health and productivity management
 Rolling out various measures based on the belief that physical and mental health are of utmost importance for individuals to achieve their full potential
 • Selection as a "White 300" enterprise with outstanding health and productivity management for the sixth consecutive year since 2017

Workstyle reform
 Remote work/Super flexitime system introduced in 2018
 • Received the Excellence Prize of the Minister of Health, Labour and Welfare's awards for enterprises that promote telecommuting (Excellent Telework Prize) in FY2020

0-1 Challenge
 In-house entrepreneurship program aimed at creating new businesses, developing human resources, and fostering a culture of taking on challenges
 • Number of entities in FY2021: 123

Promoting maximization of corporate value based on the Group Management Policy

The Sumitomo Corporation Group consists of 893 companies in 79 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.

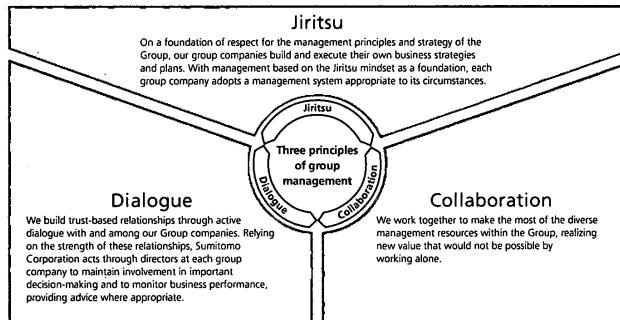
The group companies respect the Sumitomo Corporation Group's Corporate Mission Statement and management strategies, and engage in *Jiritsu** management. Our approach to group management is to contribute to important decision-making at Board and other meetings through active dialogue based on relationships 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 earnings 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



Aimo Park: An example of group management

Parking operations contributing to the mobility society of the future

The percentage of people living in metropolitan areas is increasing every year, and it is said that by 2050 approximately 70% of the global population will be concentrated in cities. With this urbanization, traffic congestion, air pollution, lack of parking, and other issues have become social issues. In addition, realizing carbon neutrality by eliminating overall greenhouse gas emissions in order to resolve the issue of climate change has become a challenge for society as a whole.

Under these circumstances, parking spaces, which are a part of the social infrastructure, are expected to play an important role in the mobility society of the future. This includes support for promoting use of EVs through the installation of charging equipment and promotion of a sharing economy through their utilization as car sharing hubs.

In 2019, Sumitomo Corporation acquired all shares of Aimo Park, Northern Europe's largest parking lot operation company, which manages roughly 7,000 locations in three Northern European countries with around 400,000 spaces.

Implementing *Jiritsu*, dialogue, and collaboration to realize improvement of corporate value

Through active dialogue and collaboration between Sumitomo Corporation and group company Aimo Park at meetings of the Board of Directors and promotion of its *Jiritsu*-style management,

we aim to strengthen the business foundation and create new value, thereby contributing widely to a mobility society. We have invited three local people from various fields with a wealth of experience in corporate governance to become Outside Directors, which comprise about half of the Board of Directors, to ensure diversity and expertise in Board operations.

At meetings of the Board of Directors, these diverse members take time to discuss not only immediate management issues but also medium- to long-term subjects for value creation, such as transformation, growth strategies, and talent management, in light of Aimo Park's vision and mission. They provide the group company with constructive advice and feedback on issues.

Moreover, in promoting the business, we are working to earn the trust of stakeholders such as local governments, real estate companies, and parking lot users while utilizing the Group's knowledge and proposal capabilities related to mobility, DX, real estate, and energy management and promoting close collaboration. Aimo Park's management and Board of Directors and Sumitomo Corporation will continue to fully leverage their functions and fulfill their responsibilities in their respective positions to improve corporate value.



Members of the Board

Aimo Park, Northern Europe's largest parking lot operation company

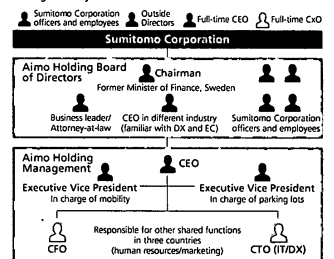
Main business
Operation and management of mostly off-street parking facilities

Main locations
Stockholm (Sweden)
Oslo (Norway)
Helsinki (Finland)

Vision
To be the most attractive mobility partner, striving to stay ahead, create value and contribute to society.

Mission
Enriching everyday life of people through smart parking and mobility solutions.

Management system



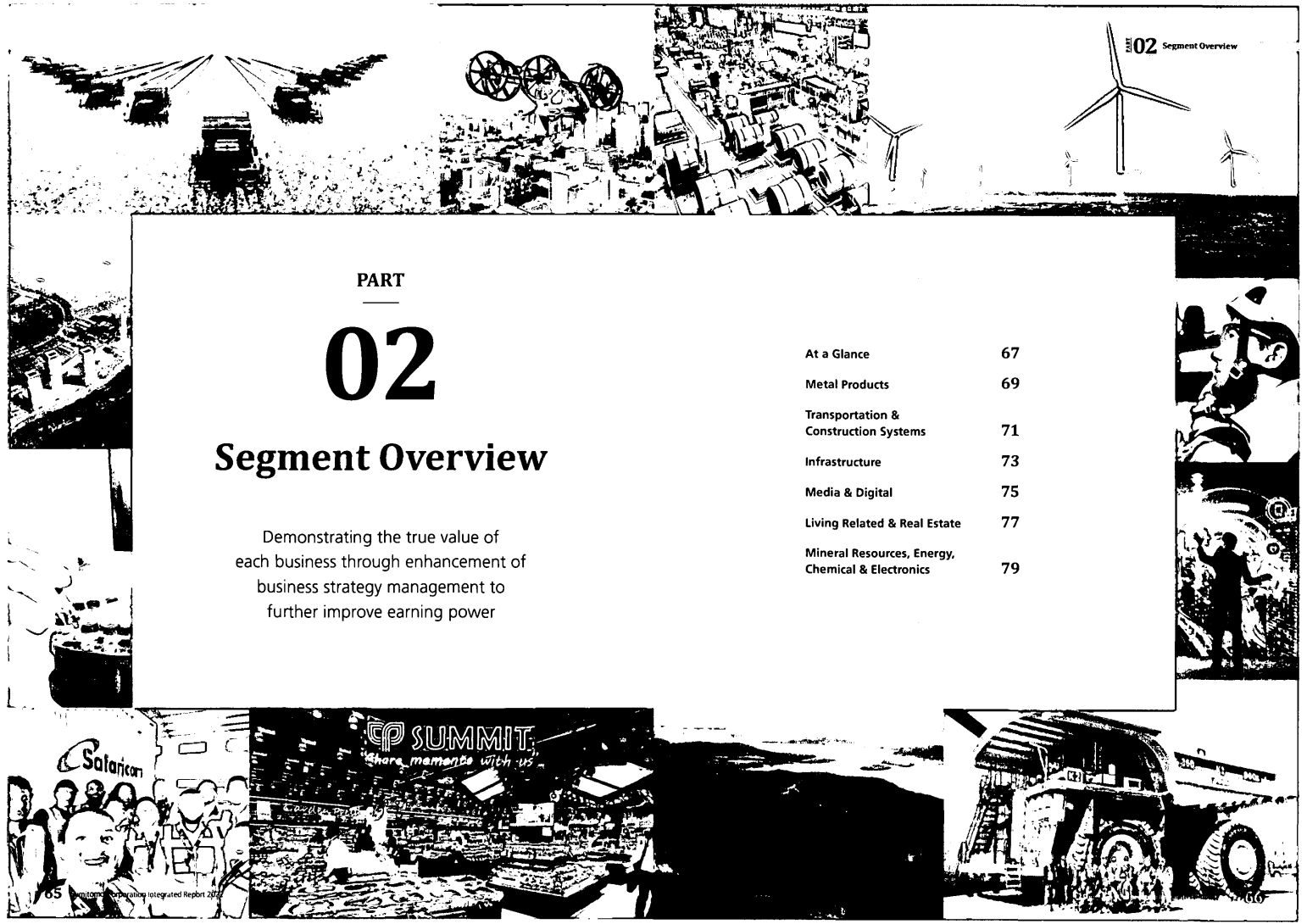
PART

02

Segment Overview

Demonstrating the true value of each business through enhancement of business strategy management to further improve earning power

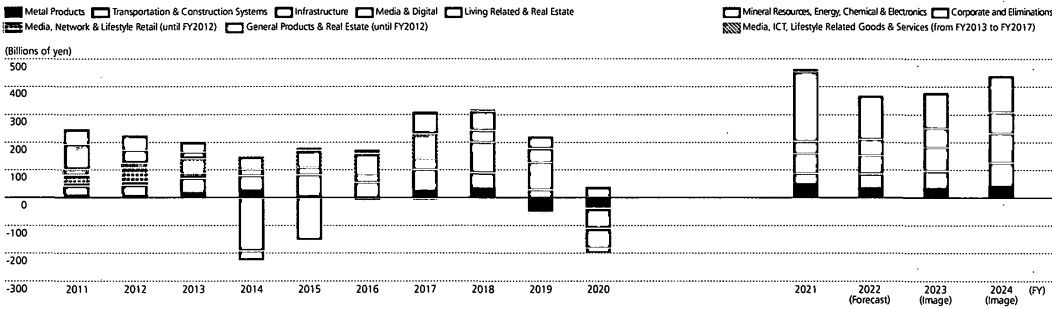
At a Glance	67
Metal Products	69
Transportation & Construction Systems	71
Infrastructure	73
Media & Digital	75
Living Related & Real Estate	77
Mineral Resources, Energy, Chemical & Electronics	79



	Metal Products		Transportation & Construction Systems		Infrastructure		Media & Digital		Living Related & Real Estate		Mineral Resources, Energy, Chemical & Electronics		Corporate and Eliminations		Total	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
(Billions of yen)																
Gross profit	66.2	140.3	140.4	189.4	15.5	71.5	105.3	111.0	235.4	222.7	160.1	271.2	6.5	3.6	729.5	1,009.6
Selling, general and administrative expenses	-78.6	-74.9	-140.1	-149.5	-57.3	-57.9	-79.3	-85.1	-191.4	-187.4	-119.2	-129.3	-9.5	-29.8	-678.9	-713.9
Share of profit (loss) of investments accounted for using the equity method	-9.2	8.2	-2.1	5.8	-3.6	10.0	40.4	36.0	4.5	8.0	-70.9	107.5	-0.5	1.3	-41.4	176.8
Profit (loss) for the year*1	-39.8	55.2	-17.5	34.9	-55.2	33.3	44.3	39.4	-4.8	44.0	-59.5	247.3	-20.6	9.5	-153.1	463.7
One-off profits (losses) Rounded figures	-46.0	-1.0	-43.0	-37.0	-94.0	3.0	0	1.0	-43.0	-10.0	-96.0	51.0	-28.0	0	-351.0	7.0
Profit (loss) excluding one-off effects Rounded figures	7.0	56.0	26.0	72.0	39.0	31.0	44.0	38.0	39.0	54.0	36.0	196.0	8.0	9.0	198.0	457.0
Basic profit cash flow*2	-3.3	53.0	14.9	41.5	-16.9	23.1	41.5	41.4	32.6	43.9	47.7	154.5	14.4	2.1	130.8	359.5
Investments and loans Rounded figures	6.0	3.0	83.0	43.0	64.0	122.0	27.0	50.0	35.0	37.0	40.0	28.0	—	—	260.0	290.0
Total assets	821.7	982.2	1,748.5	1,751.9	1,002.5	1,228.7	918.3	1,009.2	1,424.1	1,526.5	1,823.9	2,747.2	340.9	336.5	8,080.0	9,582.2
Trade and other receivables	329.6	341.0	291.6	290.3	275.0	313.3	81.6	86.4	153.5	155.1	484.5	748.0	-73.0	-96.3	1,543.0	1,837.8
Goodwill	4.6	5.1	52.8	46.6	1.0	—	13.9	13.9	30.3	32.6	7.1	7.2	0.1	0.1	109.8	105.5
Number of employees (Non-consolidated base)	625	517	686	650	629	633	501	509	534	459	890	899	1,375	1,483	5,240	5,150
Number of employees (Consolidated base)	7,054	5,938	19,666	18,978	3,698	3,666	15,148	15,557	16,674	16,595	9,717	10,313	2,963	3,206	74,920	74,253

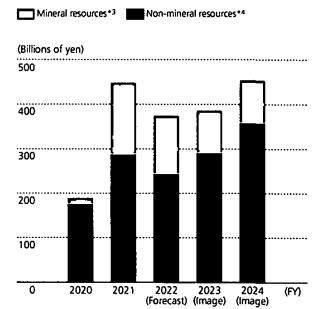
*1 Due to reorganization carried out as April 1, 2021, FY2020 results are described on a reclassified basis.
 *2 Basic profit cash flow = Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends × (1 - Tax rate) + Dividend from investments accounted for using the equity method

Profit (Loss) for the Year by Segment



Notes: 1 Effective April 1, 2018, the Environment & Infrastructure Business Unit was renamed the Infrastructure Business Unit.
 2 The business results of Domestic Regional Business Units and Offices as well as Overseas Subsidiaries and Branches were included in Corporate and Eliminations, but starting in FY2014 and FY2016, respectively, they have been included in the business results of each business unit.

Trend for Profit (Loss) for the Year Attributable to Owners of the Parent Excluding One-Off Effects



*3 Mineral resources: Represents the total of Mineral Resources Division No. 1, Mineral Resources Division No. 2, and the Energy Division.
 *4 Non-mineral resources: Calculated by subtracting Mineral Resources and Corporate and Eliminations from the total.

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.

Business overview

- Trade of steel products (steel sheets, plates, wires, tubular products such as oil country tubular goods (OCTG) and line pipe, etc.)
- Processing of steel sheets and tubular products, and other related businesses

Katsuya Inubushi
General Manager



Overview of FY2021 performance

In FY2021, the Metal Products Business Unit posted profit of ¥55.2 billion, an increase of ¥95.0 billion from the previous fiscal year. This was mainly due to an increase in earnings for the overseas steel service center business and the tubular products business in North America, in addition to the absence of impairment loss recorded in the tubular products business in the previous fiscal year.

SWOT

<p>Strengths</p> <ul style="list-style-type: none"> • 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 OCTG distribution businesses • Leading market shares in unique segments such as railway products and equipment 	
<p>Opportunities</p> <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 	<p>Examples of initiatives</p> <ul style="list-style-type: none"> • Expansion of sales of tubular products for CCS* • Development of construction steel sheet manufacturing business and delivery of railway products and equipment • Expansion of sales of steel products for EVs
<p>Risks</p> <ul style="list-style-type: none"> • Drastic fluctuations in mineral resource 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 environmental response 	<p>Measures</p> <ul style="list-style-type: none"> • Further strengthening of regional sales capabilities, including local production for local consumption, and resistance to market fluctuations • Cultivation and uncovering of new demand for existing products and companywide response to structural changes in the industry

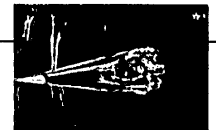
*CCS: Carbon dioxide Capture and Storage Technology for capturing CO₂, isolating and sequestering it in the ground or offshore, and storing it



Specialty steel business (India)



Steel service center (Thailand)



Special software for improving drilling efficiency (Norway)

Progress/achievement in main SBUs

Strategy Category	SBU	Progress/Achievement
Steady Business Growth	OCTG and Line Pipe	• Improved supply chain management for the energy industry and cultivated new demand for tubular products such as for CCS and hydrogen transportation
Value Creation	Steel Products	• Enhanced management efficiency through rigorous structural reform and accelerated the cultivation of environmental responses and regional strategies
	North America Tubular Product Group Companies	• Steady progress on activities for structural reform and enhancement of risk resistance at each group company
Securing	Tubular Business Development	• Continued to expand sales of software that contributes to automation and efficiency at energy development sites

Strategy and initiatives for solving key social issues

In Japan, approximately 70% of the steel products handled by the Metal Products Business Unit are manufactured via the blast furnace reduction method. Steel manufacturers have already started developing steelmaking technology for realizing carbon neutrality by 2050. As such, our business unit has also begun looking into the possibility of collaboration on such matters as improving the surrounding environment together with other business units.

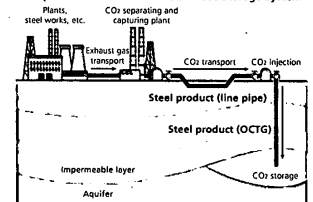
Up to now, we have played an important role in contributing to the stability and expansion of production activities by building a highly efficient supply chain and supplying high-quality steel products for various industries around the world. We are entering a period of great change in the business environment, and one of the prerequisites for business continuity is contributing to the realization of carbon neutrality in the area of the supply chain for steel products. At the same time, we believe this is an opportunity to create new functions and value.

We will make full use of the knowledge cultivated in the iron & steel business and the extensive groupwide knowledge and network that we possess as an integrated trading company as we promote various initiatives. Examples of this include securing and supplying iron sources that will contribute to a reduction of CO₂ emissions in the manufacturing process of steel products, creating a new upcycling system to turn products that have

fulfilled their purpose back into materials, and cultivating the new demand required for decarbonization in CO₂ storage and hydrogen transportation.

In addition, on the demand side, we will make specific contributions to the efforts of society as a whole, for example, by expanding our lineup of steel products related to applications that contribute to the reduction of CO₂ emissions while utilizing the strategic partnerships with energy companies cultivated in the tubular products business.

Example Use of Tubular Products in CO₂ Storage System



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.

Business overview

- Trade of ships, aircraft, automobiles, motorcycles, construction and mining equipment, agricultural machinery, and industrial vehicles, and their related equipment and components as well as other associated businesses
- Leasing and financing business

Norihiko Nonaka
General Manager



Overview of FY2021 performance

In FY2021, the Transportation & Construction Systems Business Unit posted profit of ¥34.9 billion, an increase of ¥52.4 billion from the previous fiscal year. This was mainly due to an increase in earnings for the leasing business and the automotive-related business, in addition to the absence of one-off losses recorded in the automotive financing business in Indonesia in the previous fiscal year, while the aircraft leasing business recorded a loss related to the Russia-Ukraine situation.

SWOT

Strengths	Opportunities	Examples of initiatives	Risks	Measures
<ul style="list-style-type: none"> • Japan's leading general leasing and financing business • World-top-class aircraft leasing business 	<ul style="list-style-type: none"> • Utilizing the existing business foundation • New lifestyles and mobility patterns in the post-COVID-19 new normal • Accelerating evolution of new technologies and creation of new business models for realizing a decarbonized society • New business opportunities arising from utilization of DX 	<ul style="list-style-type: none"> • A value chain and business portfolio that covers business fields from manufacturing and sales to aftermarket, financing, and services on a global basis • General Leasing: Expansion of operating assets in the environmental, real estate, and other fields (utilization of financial business foundation) • Beyond Mobility: Consideration of starting an inter-company EV car sharing business (addressing the decreased operating ratio of company cars during the pandemic and corporate inclination toward decarbonization) • Ship: Development of low CO₂ emission ships • Fleet Management: Introduction of EV leasing and development of a car sharing environment or municipalities (decarbonization) • Construction Equipment Rental: Enhancement of business data analytics (reduction of delivery/repair costs and improvement in the operating ratio as well as the resale price of owned equipment) 	<ul style="list-style-type: none"> • Changes in market needs arising from movement restrictions and changes in dynamics of people and goods as a result of the COVID-19 pandemic • Geopolitical risks, including the Russia-Ukraine situation • Cyclical markets 	<ul style="list-style-type: none"> • Strengthening of earnings structure through cost reductions and improvement of products and services in anticipation of changes in market needs • Reduction of inventory and foreign exchange risks through review of the supply chain and alignment with the international community • Reduction of exposure to businesses with low market risk tolerance and strengthening of businesses that are less susceptible to market conditions



Ship business



Construction equipment business



Automotive business

Progress/achievement in main SBUs

Strategy Category	SBU	Progress/Achievement
Steady Business Growth	General Leasing	• Increasing prime assets and expanding business areas with a focus on global assets, real estate, environmental energy, etc.
	Construction Equipment Rental	• Improving the profitability and efficiency of existing operating assets, and expanding the earnings base by increasing the number of business sites and products and accumulating operating assets
Value Creation	Fleet Management	• Enhancing profitability in Japan's largest auto leasing business and promoting initiatives for new businesses in the mobility (movement of people and goods) domain
	Mobility Hubs	• Completing post-acquisition integration measures in the Northern Europe parking provider business and optimizing business sites in anticipation of changes in post-COVID-19 mobility demand
Seedling	Tires	• Promoting a turnaround through management and business structural reforms in the U.S. tire wholesale and retail business
	Beyond Mobility	• Creating new services related to mobility (movement of people and goods) that go beyond the boundaries of conventional business domains in anticipation of the evolution of technology and social issues

Initiatives utilizing management capital

The Transportation & Construction Systems Business Unit leverages the presence in a wide range of industries (business relationship capital) and multifaceted business expertise (intellectual capital) of Sumitomo Corporation and group companies to enhance profitability and promote business model reform.

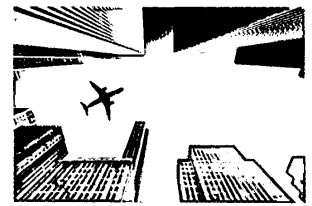
One example is how the Sumitomo Mitsui Finance and Leasing (SMFL) Group, which belongs to the General Leasing SBU, is focusing on expansion of its business domain and development of a new foundation for growth with the aim of transitioning from a company that mainly provides financial solutions to customers to a company that operates businesses with financial functions.

For example, to expand business in the environmental field, including decarbonization, the group is shifting the business model from that of financing transactions, such as conventional leasing of renewable energy equipment, to investment in and management of a power generation business based on renewable energy. Through this, the group contributes to decarbonized management among customers in various industries.

Moreover, in the real estate field, the SMFL Group is expanding its business domains to include asset management and operation on top of conventional leasing, including adding

Kenedix, Inc., the largest company in the real estate asset management industry, to the Group in FY2020.

We are also leveraging the expertise, network, and other assets cultivated by Sumitomo Corporation and the SMFL Group to work on new businesses in other fields and overseas markets based on our strength of having various industry, social, and community touch points.



Leasing business

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.

Business overview

- Social infrastructure businesses such as domestic electric retail, energy management, water supply, transportation systems & infrastructure, and airport, port, and Smart City development projects
- Electric power infrastructure businesses such as independent (water and) power producer (IW/IPP) and engineering, procurement, and construction (EPC) in both Japan and overseas, including renewable energy
- Logistics infrastructure businesses such as logistics, development and operation of overseas industrial parks, as well as the procurement and development-related business in insurance



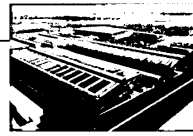
Yukihiro Honda
General Manager

Overview of FY2021 performance

In FY2021, the Infrastructure Business Unit posted profit of ¥33.3 billion, an increase of ¥8.5 billion from the previous fiscal year. This is mainly due to the absence of the additional cost accompanied by delay in construction of EPC projects which was recorded in the previous fiscal year, despite the decreased progress of those projects entering the final stage of construction. The increase is also attributable to the absence of one-off losses, including an impairment loss for the IPP business in Australia, in the previous fiscal year.

SWOT

Strengths	Opportunities	Examples of initiatives	Risks	Measures
<ul style="list-style-type: none"> • Market presence that has been cultivated over decades and the ability to communicate with markets that capture the overall needs of local societies • Project management capabilities backed by an extensive EPC track record • Project structuring capabilities to establish systems for stable business operation • Expertise in each business area and industry network 	<ul style="list-style-type: none"> • Increased demand for environment-friendly infrastructure businesses such as the renewable power generation business • Expansion of business opportunities addressing the overall needs of local societies and the privatization of public infrastructure • Increased needs for logistics and overseas industrial parks addressing changes in the supply chain such as the relocation of production sites in the manufacturing industry 	<ul style="list-style-type: none"> • Started construction for onshore wind power project in Abukuma, Fukushima, one of the largest in Japan, and purchased additional equity stake in Indonesian geothermal power project • Expansion of water infrastructure business in Shandong, China and initiatives for rooftop solar power generation in industrial parks • Development of new industrial park in Bangladesh 	<ul style="list-style-type: none"> • Changes in business conditions or tightened regulations for coal-fired power plants • Intensification of competitive business environment with the entry of manufacturers from emerging countries and new business operators • Fluctuations in resource prices and domestic electric power market 	<ul style="list-style-type: none"> • Promoting energy transition to achieve carbon neutrality by 2050 and new electric power and energy services business through co-creation with the Energy Innovation Initiative (EII) • Increasing of value through utilization of EPC functions, environmental value, and DX • Enhancement of supply-demand adjustment function through in-house power generation and electric power demand prediction, and thorough market risk management



Solar power generation in Thang Long Industrial Park (Vietnam)



Geothermal power plant in Muara Laboh (Indonesia)



Water infrastructure business in Shandong (China)

Progress/achievement in main SBUs

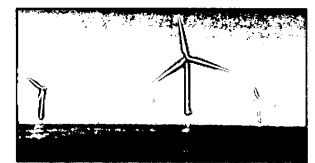
Strategy Category	SBU	Progress/Achievement
Steady Business Growth	Social Infrastructure	<ul style="list-style-type: none"> • Expanded high-quality infrastructure assets that contribute to solutions to the social challenges of local communities • Expanded water infrastructure business in China • Signed a memorandum of understanding (MOU) on infrastructure development in Da Nang, Vietnam
	Renewable Energy/IPP	<ul style="list-style-type: none"> • Expanded renewable energy business in Japan and overseas • Started construction for onshore wind power project in Abukuma, Fukushima • Purchased additional equity stake in Indonesian geothermal power project
	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 • Developed new industrial park in Bangladesh • Expanded rooftop solar power generation business
Value Creation	EPC (Trading/Transportation)	<ul style="list-style-type: none"> • Promoted deliveries of train cars and efforts to receive EPC orders • Received orders for new projects such as delivery of train cars for the project to extend the North-South commuter railway in the Philippines
	Integrated Logistics Services	<ul style="list-style-type: none"> • Utilized DX for business expansion to address various logistics needs • Worked on commercialization of budgetary control/personnel allocation optimization service for logistics centers
Seedling	Smart City	<ul style="list-style-type: none"> • Engaged in high-value urban development through introduction of smart services based on residential needs • Promoted consultation on Smart City town management in northern Hanoi, Vietnam

Strategy and initiatives for solving key social issues

The Infrastructure Business Unit is contributing to solutions to key social issues through its business activities. Sumitomo Corporation is promoting initiatives for achieving carbon neutrality by 2050 and a sustainable energy cycle for society to help resolve climate change. In the power generation business, we are promoting a low-carbon power generation portfolio by focusing on generation of power from renewable energy and will not be involved in any new coal-fired power business. In addition, we are pursuing the realization of a carbon-neutral global society by working on energy transition to contribute to sustainable decarbonization balanced with the development of local communities. In the logistics business, Sumitomo Global Logistics Co., Ltd. is working on the calculation and qualification of CO₂ emissions in international transportation operations subcontracted to it by the Group. These emissions calculations are assured by a third party based on the International Standard on Assurance Engagements. We will further expand our services to include proposal and arrangement of transportation methods that will lead to reduction of CO₂ emissions, and strive to create new value in the logistics business.

In addition, as an initiative for the development of

local communities and economies, we are promoting the expansion of high-quality social infrastructure, including water infrastructure, transportation, airports, and container terminals. We see business opportunities in increased demand for basic infrastructure in conjunction with the rapid economic and population growth in emerging countries and the opening up of public infrastructure to private capital. As such, we will focus on the social infrastructure business to provide infrastructure for people's daily lives, thereby supporting the development of local communities and economies.



NorthWind offshore wind farm (Belgium)

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 corporate and social value by utilizing DX.

Business overview

- Media businesses such as the cable TV, multi-channel programming distribution, 5th Generation Mobile Communication System (5G) Related Business, TV shopping business, and digital media
- Digital solutions businesses such as information and communications technology (ICT) platform, IT solution business, and global corporate venture capital (CVC) business
- Smart platform businesses such as overseas telecommunications business and value-added service businesses

Masaki Nakajima
General Manager



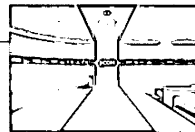
Overview of FY2021 performance

In FY2021, the Media & Digital Business Unit posted profit of ¥39.4 billion, a decrease of ¥4.9 billion from the previous fiscal year. This is mainly due to a decrease in earnings for the overseas telecommunications business, while major domestic group companies showed stable performance.

SWOT

Strengths	
<ul style="list-style-type: none"> 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., with the No. 1 share of the TV shopping market in Japan 	<ul style="list-style-type: none"> T-Gala Corporation, with the No. 1 share of the mobile phone distribution market in Japan Global footprint for DX promotion Access to cutting-edge technologies through our global CVC network Expertise and network through the overseas telecommunications business
Opportunities	
<ul style="list-style-type: none"> Expansion of opportunities to resolve social issues with digital technologies Increase in DX demand arising from accelerated transformation of social activities Creation and expansion of new markets with 5G mobile technologies Deregulation of online medical consultation in Japan Multifaceted development through business alliance in various fields with Vodafone Group Plc. 	<ul style="list-style-type: none"> DX solutions through collaboration with partners such as SCSK Enhancement of initiatives for the utilization of DX in all fields, especially in our next-generation growth fields Launched 5G base station sharing services business and local 5G business Launched JCOM online medical consultation service Joint venture in telecommunications business in Ethiopia
Risks	
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Utilization of cutting-edge technologies led by our global CVC bases Expansion of our technical and professional organization in DX and provision of DX development program for all employees Alignment with video streaming services, enhancement of mobile services Cooperation with national governments and international agencies
Examples of initiatives	
	<ul style="list-style-type: none"> DX solutions through collaboration with partners such as SCSK Enhancement of initiatives for the utilization of DX in all fields, especially in our next-generation growth fields Launched 5G base station sharing services business and local 5G business Launched JCOM online medical consultation service Joint venture in telecommunications business in Ethiopia
Measures	
	<ul style="list-style-type: none"> Utilization of cutting-edge technologies led by our global CVC bases Expansion of our technical and professional organization in DX and provision of DX development program for all employees Alignment with video streaming services, enhancement of mobile services Cooperation with national governments and international agencies

02 Segment Overview



JCOM headquarters



SCSK headquarters



Telecommunications business in Ethiopia

Progress/achievement in main SBUs

Strategy Category	SBU	Progress/Achievement
Steady Business Growth	Digital Solutions	<ul style="list-style-type: none"> Promoted joint DX projects with SCSK Enhanced DX capabilities Invested in start-up companies through our global CVC bases
	Overseas Telecommunications	<ul style="list-style-type: none"> Launched telecommunications services in Ethiopia
Value Creation	Cable TV	<ul style="list-style-type: none"> Enhanced core services (internet, video streaming, mobile phones) Expanded living-related services (insurance, online medical consultations, etc.)
	TV Shopping	<ul style="list-style-type: none"> Expanded live commerce with Jupiter Shop Channel Acquired younger generation customers through e-commerce
Steady	5G	<ul style="list-style-type: none"> Launched 5G base station sharing services business Promoted initiatives for local 5G business
	Data Utilization	<ul style="list-style-type: none"> Expanded data marketing capabilities Strengthened branding business

Strategy and initiatives for solving key social issues

The Media & Digital Business Unit positions 5G as a key technology in the promotion of DX and a key platform impacting society as a whole. The unit aligns with other business units and is working on the base station sharing service business and the local 5G business for the realization of a sustainable society that can help resolve various social issues.

In the base station sharing service business, we established Sharing Design Inc. together with Tokyu Corporation and are providing base station sharing services to mobile communications carriers, including 5G communications. The aim of this business is to quickly build a 5G network and to contribute to the reduction of environmental impact by reducing the construction of base stations while addressing issues such as the capital investment required of mobile communications carriers and land shortages.

In the local 5G business, we leveraged the community-based business foundation and communications infrastructure that we have long cultivated in the cable TV business, and provided local 5G infrastructure to municipalities and companies together with our group company GRAPE ONE Ltd.

This business unit aims to solve challenges in various fields, including plants, universities, seaports, and railways as well as

disaster prevention, by utilizing local 5G, starting with the field tests of the Ministry of Internal Affairs and Communications. At the same time, the unit strives to improve and advance convenience in local communities. We will contribute to regional revitalization through these initiatives.

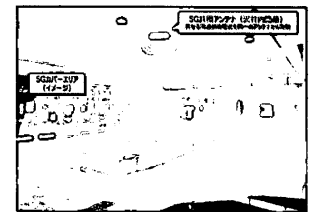


Image of 5G base station sharing coverage area

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.

Business overview

- Retail businesses such as supermarkets and healthcare businesses such as drugstores with dispensing pharmacy
- Food production, processing, and distribution businesses such as for fruits, vegetables, and meat as well as food materials such as grains, oils, and sweeteners
- Construction materials such as building materials and cement and real estate businesses

Kotaro Tameda
General Manager



Overview of FY2021 performance

In FY2021, the Living Related & Real Estate Business Unit posted profit of ¥44.0 billion, an increase of ¥48.8 billion from the previous fiscal year. This was primarily owing to the absence of an impairment loss recorded for the fresh produce business in Europe and the Americas in the previous fiscal year and an increase in earnings of such business due to market recovery in the United States. The increase was also attributable to large-scale earnings in the real estate business.

SWOT

Strengths	
<ul style="list-style-type: none"> • 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	
<ul style="list-style-type: none"> • Expansion of overseas retail market, primarily in emerging countries with 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 	<p>Examples of initiatives</p> <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 ESG-related certifications • Accumulation of prime assets and realization of profitable portfolio ▶ Refer to p. 49
Risks	
<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 	<p>Measures</p> <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.



Summit supermarket chain



Yongenton Silky Pork / Premium oil made by Summit Oil Mill



HARUMI FLAG complex urban development project

Progress/achievement 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 Summit stores • Enhanced profitability by promoting retail DX measures
	Domestic 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
	Overseas Healthcare	<ul style="list-style-type: none"> • 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
Value Creation	Domestic Real Estate	<ul style="list-style-type: none"> • Accumulated prime assets mainly in strategic areas, and steadily implemented BS management by utilizing external funds such as investment funds and REITs
	Global Fresh Produce	<ul style="list-style-type: none"> • Introduced new management team, established the Sustainability Policy, and exited from unprofitable businesses to complete the turnaround plan and further enhance profitability
	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
	Overseas Real Estate	<ul style="list-style-type: none"> • Exited from unprofitable businesses to reconstruct the portfolio, recovered capital, and executed new investments in priority fields

Strategy and initiatives for solving key social issues

The Living Related & Real Estate Business Unit has long supported the daily lives of consumers, operating retail businesses such as Summit, Tomod's, and commercial facilities primarily in the Tokyo metropolitan area. On the other hand, while there is a high level of interest in living a long and healthy life among consumers, there are more people who have difficulties shopping due to old age, and society has reached a turning point in terms of diversification of dietary habits, increased awareness of protecting the global environment, and more. As such, people are seeking the provision of new value for solving social issues that goes beyond the provision of products and services.

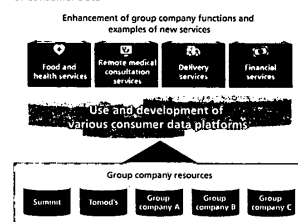
We believe that combining data with digital technology will provide a breakthrough for solving social issues, so we launched the Retail DX Project together with the Media & Digital Business Unit and are working on the creation of new value. This includes the following initiatives.

1. Improvement of AI analysis of purchase data (Improving customer satisfaction through optimization of the product lineup, reducing food loss, etc.)
2. Creation of new services (Services related to maintaining health, preventing disease, etc.)

3. Cross-industry collaboration (Coordination of DX in the retail businesses of the Sumitomo Corporation Group)

Through these initiatives, our aim is to improve convenience and solve social issues while listening to the feedback we receive from individual consumers.

Business Model Expanding through Sharing and Utilization of Consumer Data



The Mineral Resources, Energy, Chemical & Electronics Business Unit considers the changes brought about by social demand and megatrends for sustainability as 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 and chemical & electronics.

Business overview

- Businesses related to non-ferrous metal materials and their finished products, coal, iron ore, petroleum, natural gas, and carbon-related materials and their finished products
- Businesses related to basic chemicals (organic/inorganic chemicals, and biochemicals), battery materials, electronic materials, electronics, pharmaceuticals, cosmetics, crop protection products, fertilizers, and veterinary medicines

Yoshiyuki Sakamoto
General Manager



Overview of FY2021 performance

In FY2021, the Mineral Resources, Energy, Chemical & Electronics Business Unit posted profit of ¥247.3 billion, an increase of ¥306.8 billion from the previous fiscal year. This was primarily owing to an increase in earnings stemming from the increase in sales volume due to resumption of operation in March 2021 and one-off profits stemming from restructuring of project finance in the nickel mining and refining business in Madagascar, in addition to the absence of impairment loss recorded in the previous fiscal year in that business. The increase is also attributable to recording profit in the sale of the copper and molybdenum mining business in Chile, high mineral resources prices, and stable performance of the chemical trade and the agricultural input business.

SWOT

Strengths

- Experience and expertise 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 EMS, agricultural inputs, and aluminum smelting
- Sales network for crop protection products in countries worldwide
- Derivative trading function

Opportunities

- Global trend of energy transition
- Changes in demand for a decarbonized/recycling-oriented society
- Higher expectations for improved agricultural productivity

Risks

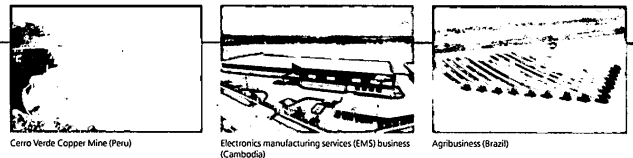
- Impact of the prolonged spread of COVID-19
- Further increase in awareness of the problem of climate change
- External factors such as geopolitical risks and climate

Examples of initiatives

- Identification of business model through participation in the energy transition business in the United Kingdom
- Green initiatives (green aluminum, green steel, green chemicals)
- Geographic expansion of the agricultural input & service business and enhancement of functions through utilization of DX

Measures

- Continuation of operations putting safety and security first, leveraging experience with the business continuity plan (BCP) response in the manufacturing business in each region
- Downsizing and withdrawal from the fossil fuel upstream business
- Diversification of exposure through multiregional development and strengthening of risk tolerance through optimization of product and service portfolios



Progress/achievement in main SBUs

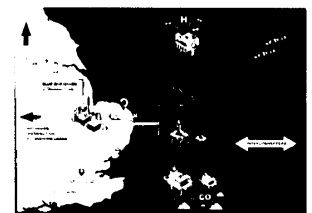
Strategy Category	SBU	Progress/Achievement
Steady Business Growth	Aluminum Value Chain	• Rolled out a business model that generates profit from both aluminum smelting investment and base metal trading to Europe and the United States
	Agribusiness	• Strengthened existing businesses through the expansion of products and functions in agricultural material trades and direct sales as well as geographic expansion
	EMS	• Further enhanced BCP response capabilities, a strength, and further improved production efficiency
Value Creation	Upstream of Metal Resources	• Shifted management resources to copper, nickel, and other products that are expected to grow in demand in the medium to long term from the perspective of sustainability, and promoted the optimization of the upstream asset portfolio
	Basic Chemicals	• Adjusted supply-demand balance and strengthened distribution services function by utilizing existing business foundation, including customers, suppliers, manufacturing business, and logistics assets
	Pharmaceuticals/Cosmetics	• Further expanded the pharmaceutical trade and expanded green materials for cosmetics by utilizing our global network

Strategy and initiatives for solving key social issues

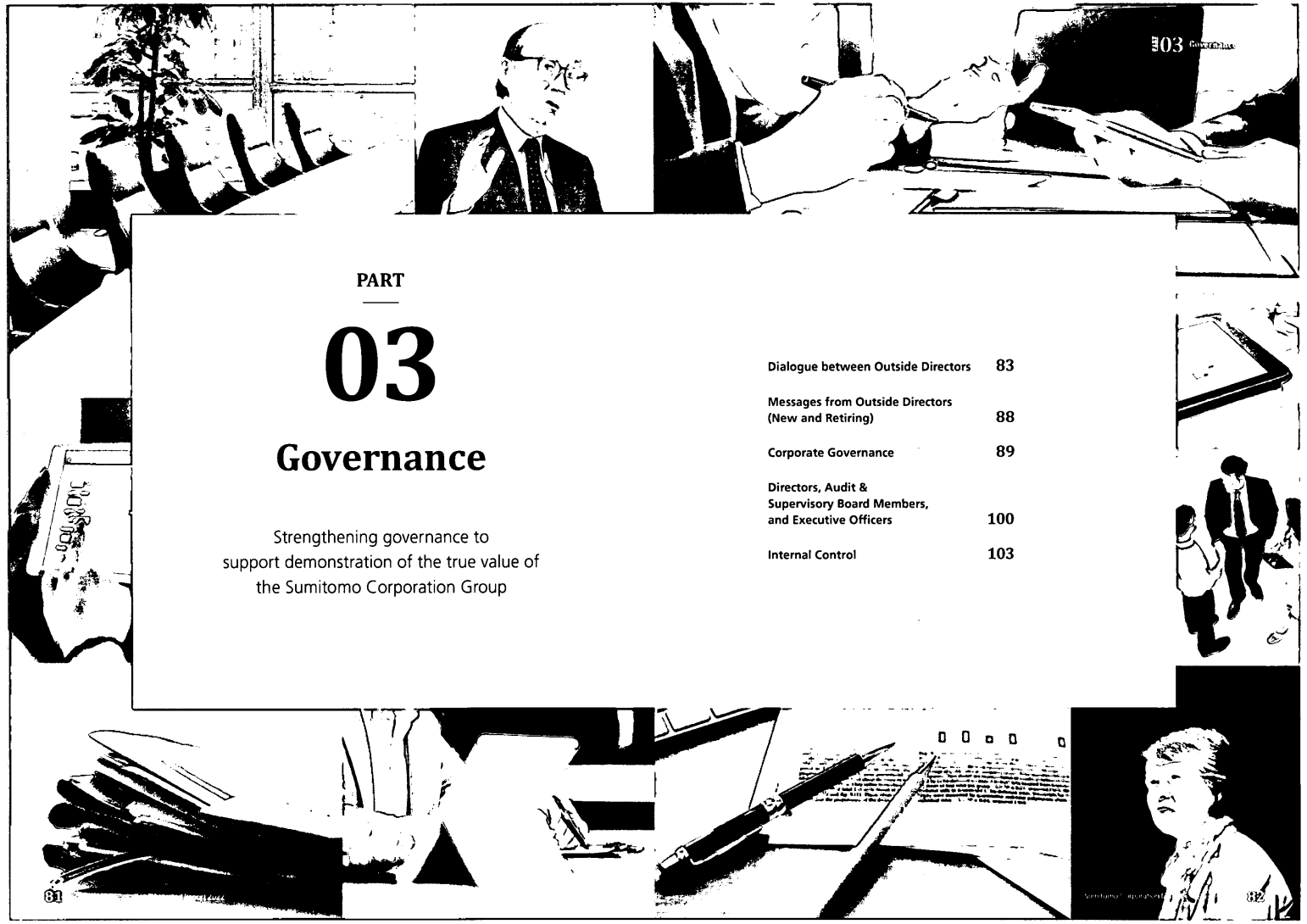
Situated in southeastern United Kingdom, the Bacton Gas Terminal is a large-scale natural gas gathering site that handles approximately one-third of the natural gas demand in the United Kingdom. As part of the U.K. government's efforts to shift to clean energy across the country, it is planning to establish a value chain encompassing manufacture, storage, and transportation of hydrogen at the Bacton Gas Terminal and its surrounding areas with the aim of promoting carbon neutrality. The project is planning to cover blue hydrogen production based on natural gas reforming and CCS, with incorporation later of green hydrogen production using offshore wind power. Early-stage hydrogen production is planned to commence in 2030. The Bacton Gas Terminal has pipelines, which will potentially allow hydrogen to be exported to the European continent in the future.

The Sumitomo Corporation Group has been selected to participate in the feasibility study for the project through a public solicitation issued by the Oil and Gas Authority, the U.K.'s administrative authority responsible for the U.K.'s oil and gas industry. Starting in 2022, five Special Interest Groups (SIGs) will research regional hydrogen supply scenarios, formulate hydrogen demand models, and verify major infrastructure toward the goal of reaching a decision to commercialize the project in 2025. The Sumitomo Corporation Group will proactively contribute as the lead company of the Hydrogen Supply SIG and as a core member of the Hydrogen Demand SIG.

By collaborating with energy businesses and others around the world, the Sumitomo Corporation Group will work toward regional carbon neutrality in the United Kingdom, the world's leader in decarbonization, utilizing the many years of experience, knowledge, and network acquired through the upstream oil and gas business in the North Sea and the United States. Additionally, the Group will take further steps to accumulate knowledge and experience in the business for Energy Innovation, which is one of its next-generation growth strategy themes, and accelerate the creation of new businesses, while also endeavoring to contribute to resolving social issues.



Project concept



PART

03

Governance

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

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Corporate Reform—Where We Are Now

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

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



Hisashi Yamazaki, Outside Director

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

Akiko Ide, Outside Director

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Improving the effectiveness of the Board of Directors and key issues

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

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



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

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

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

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

Enhancing sustainability management and non-financial capital

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

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

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

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

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

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

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



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

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

Yamazaki Many discussions are taking place at Board of Directors' meetings according to the ever-changing situation with respect to climate change, and policies aiming for decarbonization are being enhanced at an accelerated pace. I can also commend the Company for its review of its Policies on Climate Change Issues announced in FY2021, but this, too, is only a waypoint. The Company will set its sights not only on a shift in its power generation portfolio of coal, gas, and renewable energy but also on transitioning to hydrogen, ammonia, synthetic methane, and other such fuels as well as evolution and development of effective technologies such as energy storage, CO₂ absorption, and Carbon dioxide Capture, Utilization and Storage (CCUS). I firmly believe that creating and seizing further business opportunities through participation and investment in businesses and research related to these initiatives will contribute to the Company's growth.

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

Dialogue between Outside Directors

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

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

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

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

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

In conclusion

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

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

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

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



Messages from Outside Directors (New and Retiring)

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



Nobuyoshi Ehara, Former Outside Director (2016–2022)

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

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

significant advances made in that area.

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

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

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

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



Takashi Mitachi, Outside Director (2022–)

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

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

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

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

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

I look forward to your support.

Corporate governance principles

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

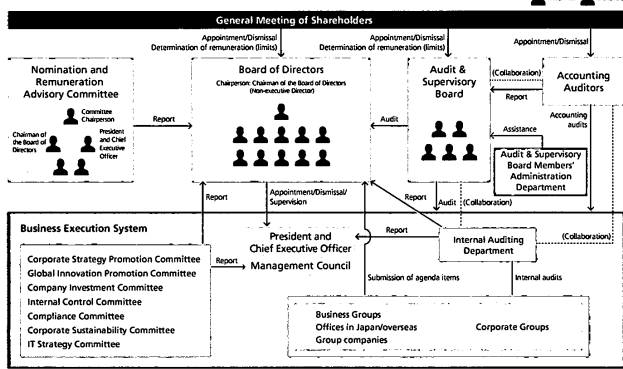
to secure the first two. Efforts to build a better corporate governance system and carry out business activities following these principles help the Company to achieve sustainable growth, enhance corporate value over the medium to long term, and fulfill its mission as a good corporate citizen, as well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

System of corporate governance

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

and authority of business execution and the establishment of the Management Council are among the measures designed to promote speedier and more efficient decision-making and execution of business as part of the effective corporate governance system we have put into place. The Management Council is the highest executive-level decision-making body that takes into account diverse opinions and multifaceted discussions in regard to specific key matters related to management, within the scope of the mandate conferred by the Board of Directors. It meets in principle weekly, and its members include the President and Chief Executive Officer, Officers in charge of each Corporate Group, Officers responsible for each Business Group, and General Managers of each Business Unit.

Corporate Governance System (Company with Audit & Supervisory Board)



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

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

Strengthening corporate governance

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

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

History of Strengthening Corporate Governance

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

Board of Directors

Composition of the Board of Directors
The membership of the Board of Directors is appropriate in numerical terms to facilitate adequate discussion and speedy and rational decision-making, and provides diversity in terms of experience, knowledge, specialization, gender, and other characteristics. Moreover, out of the 11 Directors appointed, five are independent Outside Directors with differing experiences and specializations to ensure appropriate decision-making from more diverse perspectives and to further strengthen the supervisory functions of the Board of Directors. The Chairman of the Board of Directors convenes meetings of the Board of

Directors and presides over them as Chairperson. The Chairman of the Board of Directors supervises management but does not engage in routine operations and has no authority to represent the Company. Furthermore, to allow mutual checks and balances, the posts of Chairman of the Board of Directors and President and Chief Executive Officer are in principle separate and not to be held concurrently by the same individual. The knowledge, experience, and skills which the Board of Directors is required to possess and the skills of each Director or Audit & Supervisory Board Member are listed on the next page.

Skills of Directors and Audit & Supervisory Board Members

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

Notes: 1 This table identifies the types of knowledge, experience and competencies, etc. (individually, "Skill" and collectively, "Skills") that the Board of Directors is required to possess for fulfilling its roles, and indicates which Directors or Audit & Supervisory Board Members currently in office possess such Skills. In our view, it is important that the Board of Directors as a whole possess these Skills.
 2 Since the Company is active in investing in various businesses, we consider "Corporate management" and "Investment/M&A" Skills to be particularly important. Under the ongoing medium-term management plan, "SHIFT 2023," we are promoting a business portfolio shift with a focus on DX (digital transformation) and the enhancement of sustainability management as two investing trends. In the end, we emphasize the Skill of "ICT/DX/Technology" for business reforms or business development through exploring digital solutions or the mixture of technology and innovation solutions and the Skill of "ESG/sustainability" for optimizing 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 assisting Directors' 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 Green Skills that are indicated in the table and referred in note 2 above.
 5 The Skills that the Board of Directors are required to possess may vary according to business strategies or changes in the external environment. This table will be updated from time to time based on the Board of Directors' review and discussions on required Skills.

Adequate deliberation and enhancement of monitoring function

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

To further strengthen its business execution monitoring functions, the Board receives regular progress reports on each business unit/initiative strategy and on the activities of important committees** 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** after in-person Board meetings to more actively discuss important management topics, including management policy and plans as well as ESG issues. In FY2021, off-site meetings were held 13 times, with a total of 9.4 hours spent on discussions.

** Compliance Committee, Internal Control Committee, IR Committee, Corporate Sustainability Committee, IT Strategy Committee, etc.
 *2 A venue involving all members of the Board of Directors that encourages free and frank discussions

Discussions on sustainability

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

Seven Topics Selected Based on Agenda Setting

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

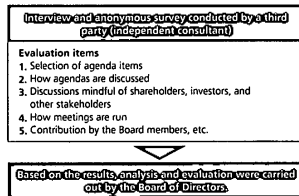
Topic	Examples of main agenda items	July-September 2021	October-December 2021	January-March 2022	April-June 2022	Total
1 Progress review of SHIFT 2023	• Overall management review • Full Potential Plan • Investment Selection Guidelines	□□	□□	□	□□	6
2 DX	• Current situation and issues concerning DX promotion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

Evaluation of the effectiveness of the Board of Directors

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

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

Evaluation Process



Overview of Evaluation Results and Future Response

1. Positive points

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

2. Points needing improvement

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

Support system for Outside Officers

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

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

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

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

* Beshi Copper Mine (Shima), Sumitomo Yuhon (Kyoto), Sumitomo Kakken (Shiga)

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

- Playing an active role outside of the Board of Directors

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



Site visit to the Beshi Copper Mine (July 2022)



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

Establishment of an advisory body to the Board of Directors

The Nomination and Remuneration Advisory Committee, which is composed, in the majority, of Outside Directors and chaired by an Outside Director, operates as an advisory body to the Board of Directors. The committee is charged with the following items and reports the results thereof to the Board of Directors: (1) Policy and procedure for the appointment and dismissal of the President and

Chief Executive Officer; (2) Policy and procedure for the appointment and dismissal of the Chairman of the Board of Directors; (3) Nomination criteria for Directors and Audit & Supervisory Board Members; (4) Appointment and dismissal of the President and Chief Executive Officer (including nomination of successor); (5) Nomination of candidates for Director and Audit & Supervisory Board Member

(including deciding Representative and Executive Directors); (6) Appointment of Management Council members; (7) System and level of remuneration and bonus payments for Directors and Executive Officers and remuneration range for Audit & Supervisory Board Members; and (8) Consultation on the advisor system. An overview of the activities of the Nomination and Remuneration Advisory Committee in FY2021 is provided below.

Overview of Nomination and Remuneration Advisory Committee Activities

Composition of the Nomination and Remuneration Advisory Committee	Number of meetings/ Attendance rate	Main discussion items
Outside Directors		<ul style="list-style-type: none"> FY2022 Director/Audit & Supervisory Board Member/Executive Officer HR management (Selection of Management Council members and allocation of human resources based on successor plan) Selection of candidates for Outside Director FY2021 evaluations of individual Executive Officers Review of Internal Director/Executive Officer remuneration (Review of pay level/composition ratio and performance-linked bonuses) Review of remuneration levels of Outside Directors and Outside Audit & Supervisory Board Members
Nobuyoshi Ehara (Chairperson)	7/7 (100%)	
Koji Ishida	7/7 (100%)	
Kimie Iwata	7/7 (100%)	
Internal Directors		
Kuniharu Nakamura	7/7 (100%)	
Masayuki Hyodo	7/7 (100%)	

Audit & Supervisory Board Members and the Audit & Supervisory Board

Enhancement of auditing capabilities

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

Ensuring audit effectiveness

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

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

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

Collaboration with the Internal Auditing Department and accounting auditors

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

Remuneration of Directors and Audit & Supervisory Board Members

Executive remuneration system

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

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

Revisions to executive remuneration

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

Key Points of Revision

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

▶ For details, please see the next page.

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

We changed executive remuneration after thorough discussion by the committee.

Kimie Iwata, Outside Director



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

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

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

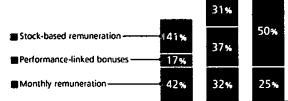
In FY2022, I will continue looking into the remaining issues pertaining to executive remuneration and to devote plenty of time to the training and promotion of executives, including future successors to the Company President.

Remuneration standards and remuneration composition ratios Key points of revision 1 and 2

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

*1 WTW's Executive Compensation Database

Breakdown of Representative Director, President and Chief Executive Officer Remuneration



Consolidated net income and basic profit cash flow
 Stock price growth rate and stock growth rate*2

Year	2020	2021	2022
Consolidated net income and basic profit cash flow (Billion of yen)	¥200 billion	¥400 billion	¥600 billion
Stock price growth rate and stock growth rate*	100%	100%	100%

Note: Stock price growth rate is reflected in performance-linked bonuses and stock growth rate in stock-based remuneration.
 *2 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)
 Stock growth rate = (Average price of Company's common shares in the month of termination of Evaluation Period) ÷ Total amount of dividends during Evaluation Period ÷ (Average price of Company's common shares in the month of commencement of Evaluation Period) + (Average of TOPIX in the month of termination of Evaluation Period) ÷ (Average of TOPIX in the month of commencement of Evaluation Period)

Performance-linked bonuses Key points of revision 1 and 3

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

Calculation formula for total amount of performance-linked bonuses
 Amount calculated from consolidated net income and basic profit cash flow × The Company's stock price growth rate: 80% to 120% range

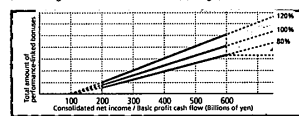
Change of potential range of business results

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

Introduction of stock price growth rate

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

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



Personal evaluations

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

Breakdown of Financial and Non-financial Indicators in Personal Evaluations

Category	Ratio
Financial indicators	50%
Non-financial indicators	50%
Business reform through DX	20%
Enhancement of sustainability management	30%
Promotion of D&I	30%

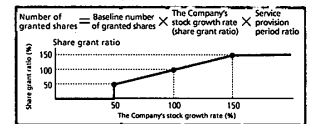
Restricted performance share unit-based remuneration No change

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

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



Method for Calculating the Number of Granted Shares



Cross-shareholdings

As a general rule, the Company will neither acquire nor hold shares in other listed companies for purposes other than pure investment. However, the Company may decide to hold shares in listed companies in some exceptional cases when the Company determines that it is appropriate. For such determination, the Company will comprehensively assess and verify the capital cost of individual stocks and economic rationality and significance of holding the stocks in light of the necessity of partnering or other business needs. Each year, the Board of Directors reviews whether or not the Company's holding of listed shares is appropriate. If such annual review concludes that specific shareholdings are of little significance, the Company will push ahead with the sale of the shares.

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

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

The Company also takes various considerations into account under the internal guidelines when making decisions in exercising its voting rights. Having fully considered issues from both quantitative and qualitative standpoints, it adequately exercises voting rights for each agenda based on whether exercising voting rights will lead to enhanced medium- to long-term corporate value at the investee company and the Company and to enhanced value for its own shareholders.

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

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 our Corporate Disclosure Policy, please visit our corporate website.
<https://www.sumitomo-corp.com/en/jp/about/governance/detail/disclosurepolicy>

Measures relating to the General Meeting of Shareholders

The Company sends out a Notice of Convocation to shareholders approximately three weeks prior to each regularly scheduled General Meeting of Shareholders. For the convenience of overseas shareholders, the Company also provides an English-language translation of the notice on our corporate website in advance of

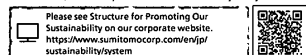
sending a Notice of Convocation. This early sending and posting of the Notice of Convocation gives shareholders and institutional investors adequate time to study the content of the agenda items. In addition, we live stream to shareholders who cannot attend the General Meeting of Shareholders and provide a video of the meeting on our corporate website for viewing for a certain period following the meeting. 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.

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

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

Sustainability governance

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

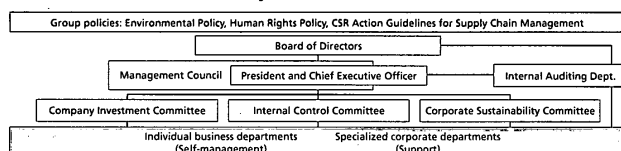


participate in the Company Investment Committee as a specialist organization that addresses social issues. We also engage outside experts to check that the business is soundly managed and does not have serious impacts on stakeholders by using environmental assessment by an environmental consultant and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

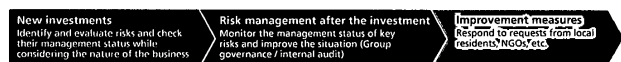
Social and environmental risk management as part of sustainability management

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

Framework for Social and Environmental Risk Management









Risk Management Activities through Companywide Framework



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

Directors






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

 <p>Kuniharu Makamura Chairman ■ 165,700 shares ■ 22/22 Apr. 1974 Entered the Company Jun. 2012 Representative Director, President and CEO Jun. 2017 Representative Director, President and Chief Executive Officer Jun. 2018 Chairman of the Board of Directors (present position)</p>	 <p>Masayuki Hyodo Representative Director ■ 52,900 shares ■ 22/22 Apr. 1984 Entered the Company Jun. 2018 Representative Director, President and Chief Executive Officer (present position)</p>
 <p>Toshiyuki Nambu Representative Director ■ 72,300 shares ■ 22/22 Apr. 1982 Entered the Company Apr. 2022 Representative Director, Executive Vice President, Chief Digital Officer (Media & Digital Business Unit and Living Related & Real Estate Business Unit) (present position)</p>	 <p>Takayuki Setshima Representative Director ■ 33,300 shares ■ 22/22 Apr. 1984 Entered the Company Apr. 2021 Representative Director, Senior Managing Executive Officer, Chief Administration Officer and Chief Compliance Officer (present position)</p>
 <p>Reiji Morooka Representative Director ■ 26,100 shares ■ 4- Apr. 1984 Entered the Company Jun. 2022 Representative Director, Senior Managing Executive Officer, Chief Financial Officer (present position)</p>	 <p>Hirokazu Higashino Representative Director ■ 23,100 shares ■ 4- Apr. 1982 Entered the Company Jun. 2022 Representative Director, Managing Executive Officer, Chief Strategy Officer and Chief Information Officer (present position)</p>

Directors, Audit & Supervisory Board Members, and Executive Officers



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




Outside Directors

 <p>Koji Ishida Outside Director ■ 0 shares ■ 22/22</p>	<p>May 1970 Entered The Sumitomo Bank, Limited Apr. 2004 Representative Director, Senior Managing Director, Sumitomo Mitsui Financial Group, Inc. (SMFG) (retired in June 2016) Jun. 2005 Standing Corporate Auditor, SMFG (retired in June 2006) Corporate Auditor, Sumitomo Mitsui Banking Corporation (retired in June 2006)</p>	<p>Oct. 2007 President, Sumitomo Mitsui Finance and Leasing Co., Ltd. (retired in June 2011) Jun. 2011 Member of the Policy Board, the Bank of Japan (retired in June 2016) Jun. 2017 Outside Director, Sumitomo Corporation (present position) Jul. 2017 Member of the Public Interest Oversight Committee, SMFG ASIA LLC (present position)</p>
 <p>Kimie Iwata Outside Director ■ 0 shares ■ 22/22</p>	<p>Apr. 1971 Entered the Ministry of Labour (currently Ministry of Health, Labour and Welfare) Jun. 2001 Director-General of Equal Employment, Children and Families Bureau (retired in August 2003) Jun. 2008 Representative Director, Executive Vice President, Daiichi Kangaroo 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)</p>	<p>Oct. 2015 Audit and Inspection Commissioner, the Tokyo Metropolitan Government (present position) Mar. 2016 Outside Director, Saini Holdings Company, Limited (retired in March 2019) Jun. 2018 Outside Director, Sumitomo Corporation (present position) Jun. 2019 Outside Director, Resona Holdings, Inc. (present position) Outside Director, Algoromo Co., Inc. (present position)</p>
 <p>Hisashi Yamazaki Outside Director ■ 0 shares ■ 22/22</p>	<p>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</p>	<p>Jun. 2018 Associations (present position) Outside Director, Sumitomo Corporation (present position) Outside Director, Tokyo Commodity Exchange, Inc. (retired in December 2019) Jun. 2020 Outside Director, JAPAN POST INSURANCE Co., Ltd. (present position)</p>
 <p>Atsiko Ide Outside Director ■ 0 shares ■ 22/22</p>	<p>Apr. 1977 Entered Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation) Jun. 2014 Executive Director, Director of Information Security, NTT DOCOMO, Inc. (currently NTT DOCOMO, INC.) May 2013 President and Chief Executive Officer, Radishboya Co., Ltd. (currently Oda ra dachin) (retired in May 2014) Jun. 2018 Executive Director, Senior Manager in Charge of Commerce Business Promotion, NTT DOCOMO, Inc. (currently NTT DOCOMO, INC.)</p>	<p>Jun. 2014 Full-Time Audit & Supervisory Board Member, Nippon Telegraph and Telephone Corporation (retired in June 2020) Aug. 2018 Audit & Supervisory Board Member, NTT, Inc. (retired in June 2020) Jun. 2020 Outside Director, Sumitomo Corporation (present position) Jun. 2021 Outside Director & Audit and Supervisory Committee Member, Tohoku Electric Power Co., Inc. (present position)</p>
 <p>Takashi Mitsuhashi Outside Director ■ 0 shares ■ -/-</p>	<p>Apr. 1979 Entered Japan Airlines Co., Ltd. Oct. 1993 Entered Boston Consulting Group Jan. 2003 Japan Co-chair, Boston Consulting Group May 2005 Managing Director & Senior Partner, Boston Consulting Group Mar. 2016 Outside Director, Rakuten, Inc. (currently Rakuten Group, Inc.) (present position) Jun. 2016 Outside Director, Let's Holdings Co., Ltd. (present position) Mar. 2017 Outside Director, JMG MORI CO., LTD. (present position) Outside Director, RMC Co., Ltd. (currently RMC Technologies Inc.) (retired in March 2020)</p>	<p>(retired in June 2014) Jun. 2014 Outside Director, Audit and Supervisory Committee Member, Hitachi Corporation (retired in March 2021) Jun. 2017 Outside Director, Iseki Marine Holdings, Inc. (present position) Oct. 2017 Senior Advisor, Boston Consulting Group (retired in December 2021) Apr. 2020 Professor, Graduate School of Management, Fyoto University (present position) Jun. 2022 Outside Director, Sumitomo Corporation (present position)</p>

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

Audit & Supervisory Board Members

 <p>Michihiko Hosono Senior Audit & Supervisory Board Member (Full-Time) ■ 42,300 shares ■ 22/22 □ 17/17</p>	<p>Apr. 1981 Entered the Company Apr. 2019 Managing Executive Officer Apr. 2019 Auditor Jun. 2019 Senior Audit & Supervisory Board Member (present position)</p>
 <p>Kazunari Sakata Audit & Supervisory Board Member (Full-Time) ■ 14,200 shares ■ -/- □ -/-</p>	<p>Apr. 1985 Entered the Company Apr. 2022 Executive Officer Apr. 2022 Auditor Jun. 2022 Audit & Supervisory Board Member (present position)</p>

 <p>Toshio Nagai Outside Audit & Supervisory Board Member (Lawyer) Independent ■ 0 shares ■ 22/22 □ 17/17</p>	<p>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, Itoyu Industries, Inc. (present position)</p>	<p>Jun. 2016 Outside Audit & Supervisory Board Member, Sumitomo Corporation (present position)</p>
 <p>Yoshihisa Kato Outside Audit & Supervisory Board Member (Certified Public Accountant) Independent ■ 0 shares ■ 20/22 □ 17/17</p>	<p>Sep. 1978 Certified Public Accountant (present position) Aug. 2008 CIO, Ernst & Young Shinohara LLC (retired in June 2014) Jun. 2019 Outside Corporate Auditor, Sumitomo Chemical Company, Limited (present position) Outside Corporate Auditor, Mitsui Fubon Co., Ltd. (present position)</p>	<p>Auditor, the General Insurance Rating Organization of Japan (present position) Jun. 2016 Outside Audit & Supervisory Board Member, Sumitomo Corporation (present position)</p>
 <p>Yukiko Nagashima Outside Audit & Supervisory Board Member Independent ■ 0 shares ■ 19/19 □ 12/12</p>	<p>Apr. 1998 Entered Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) Apr. 2006 Corporate Executive Officer, Recruit Co., Ltd. Jan. 2008 President and Representative Director, Recruit Staffing Co., Ltd. (retired in April 2018) Oct. 2016 Corporate Executive Officer, Recruit Holdings Co., Ltd. Jun. 2016 Standing Audit & Supervisory Board Member, Recruit Holdings Co., Ltd. (present position)</p>	<p>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)</p>

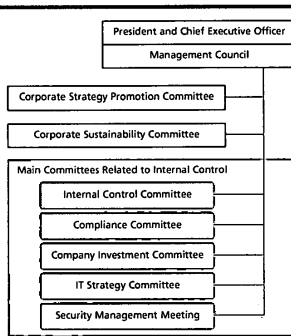
Executive Officers

<p>President and Chief Executive Officer Masayuki Hyodo Chief Executive Officer</p> <p>Executive Vice Presidents Toshihisa Nambu Chief Digital Officer (Media & Digital Business Unit and Living Related & Real Estate Business Unit) Shingo Ueno (Metal Products Business Unit and Mineral Resources, Energy, Chemical & Electronics Business Unit) Head of Energy Innovation Initiative</p> <p>Senior Managing Executive Officers Takayuki Setihima Chief Administration Officer and Chief Compliance Officer Masahi Nakajima General Manager, Media & Digital Business Unit Daisuke Mikogami General Manager for East Asia; CEO of Sumitomo Corporation China Group, Sumitomo Corporation (Shanghai) Limited, General Manager, Sumitomo Corporation (China) Holding Ltd. Reiji Morooka Chief Financial Officer Yoshiyuki Sakamoto General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit</p>	<p>Managing Executive Officers Keiji Tanaka General Manager for Japan Region, General Manager, Kansai Office Keigo Shiomi General Manager for Asia & Oceania; CEO of Sumitomo Corporation Asia & Oceania Group, President and CEO, Sumitomo Corporation Asia & Oceania Pte. Ltd. Masaru Shiomi Representative Director, Senior Managing Executive Officer, Sumitomo Mitsui Finance and Leasing Co., Ltd. Iehisa Nakamura General Manager for Europe & CIS Group; Chairman and Managing Director, Sumitomo Corporation Europe Limited Hirohiko Honoka General Manager, Transportation & Construction Systems Business Unit; Director, Sumitomo Mitsui Finance and Leasing Co., Ltd. Shinji Nakano Assistant C&O, Secretary & Human Resources Mitsuhiko Takeda Director, Executive Vice President, JCOM Co., Ltd. Hirokazu Higashino Chief Strategy Officer and Chief Information Officer Katsuya Imubashi General Manager, Metal Products Business Unit</p>	<p>Shinichi Kato Assistant General Manager for the Americas; Sumitomo Corporation of Americas; CAO, TBC Corporation Yoshihiro Mukaide Assistant CIO, 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 Yukihiko Honda General Manager, Infrastructure Business Unit Kotaro Tameda General Manager, Living Related & Real Estate Business Unit</p> <p>Executive Officers Haruo Matsuzaki Assistant General Manager for Europe & CIS; General Manager for CIS; Deputy CEO of Sumitomo Corporation Europe & CIS Group; President and CEO, Sumitomo Corporation (Central Europe) LLC Haruhiko Aritomo General Manager, Mineral Resources Division No. 1 Eiji Ishida Director, Senior Managing Executive Officer, Sumitomo Mitsui Finance and Leasing Co., Ltd.</p>	<p>Nobuhiko Yoshida Assistant General Manager for the Americas; General Manager for South America; President of Sumitomo Corporation do Brasil S.A. Hiroyuki Kashi Assistant General Manager for the Americas; Executive Vice President, CIO and Chief Business Development Officer of Sumitomo Corporation of Americas Group; Executive Vice President and CIO of Sumitomo Corporation of Americas Tatsuma Ozaki General Manager, Planning & Coordination Dept., Media & Digital Business Unit Takashi Yamana President and Representative Director, Sumitomo Shoji Machine Co., Ltd. Tatsuro Tamura Assistant General Manager for Europe & CIS; Deputy CEO & CFO of Sumitomo Corporation Europe & CIS Group; General Manager, Corporate Management Unit in Sumitomo Corporation Europe & CIS Group; CFO, Sumitomo Corporation Europe Limited Kazumasa Watanabe General Manager, Media Division Masahiko Yokohama General Manager, Planning & Coordination Dept., Metal Products Business Unit Takayuki Sumita President and CEO, SUMITOMO CORPORATION GLOBAL RESEARCH CO. LTD.; Assistant CSO; Energy Innovation Initiative Design & Strategy Dept.</p>	<p>Koji Aso Assistant CSO, Investor Relations, Corporate Communications & Corporate Sustainability, General Manager, Corporate Sustainability Dept. Yusaku Ujimoto Managing Corporate Officer, JCOM Co., Ltd. Hirotaki Takano General Manager, Lifestyle Business Division Tadayuki Ueno Assistant CFO, R&A Management Yasuhiro Yoshida Assistant CFO, Accounting Kimihiko Sato General Manager, Internal Auditing Dept. Hirosi 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 Hirotaki Murata General Manager, Construction Material & Real Estate Business Division Aki Tomita Assistant General Manager for East Asia; General Manager, Corporate Unit in Sumitomo Corporation China Group; General Manager, Corporate Coordinator Group in Sumitomo Corporation China Group; General Manager, Sumitomo Corporation (Shanghai) Limited</p>
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Internal control

Basic principles and system

In order to realize sustainable growth and development for the Sumitomo Corporation Group by enhancing the operational quality of each of the group companies, we stipulate basic regulations for internal control, develop and conduct appropriate internal control, and access the effectiveness and take action to improve it. To rationally ensure compliance with laws and regulations throughout the entire Group in relation to business activities, safeguarding assets against loss, effectiveness and efficiency of operations, and reliability of financial reporting, initiatives are being taken to improve group governance.



Compliance

Basic policy

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

Accordingly, we follow our principles of "Compliance as Top Priority," which means compliance takes priority over all activities of the Group and that we must never violate compliance as a result of giving priority to the pursuit of profit, and "Immediate Report," which means, in the

event of a compliance problem, employees must report the situation without delay to their line manager including the management-level personnel and to the relevant department of the corporate group.

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

Compliance system

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

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

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

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

Initiatives to ensure compliance

■ Appropriate responses to compliance violations and preventive measures

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

imposed, and measures to prevent recurrence are applied.

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

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

■ Continuous education program initiatives

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

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

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

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



Risk management

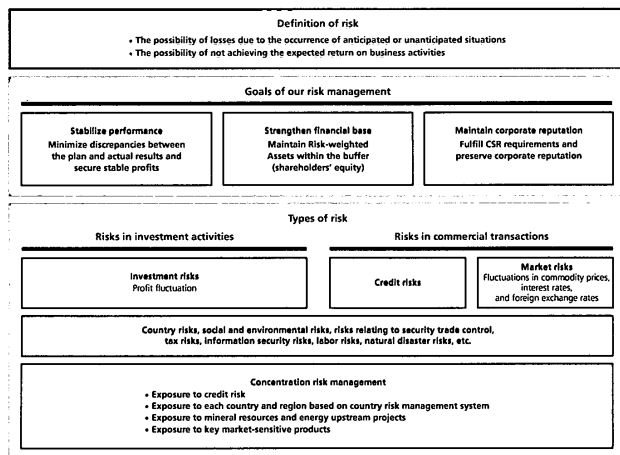
Basic policy and framework

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

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

We categorize our business activities into investments and commercial transactions and manage risk after identifying both common and category-specific risk factors. We, by studying advanced methods and processes, have created an effective risk management framework that

anticipates changes in the external environment. Our goal is to implement the best practice in risk management while maintaining the flexibility to adapt to changes in the business environment. The business environment is continually altering, and new business models that we could never have imagined are emerging on a daily basis. To respond to such situations in a timely and effective manner, we continue to evolve our risk management activities under the leadership of senior management. As an example, we have established rigorous investment discipline as the common basis of judgment to select more appropriate investments among diverse investment opportunities in a wide range of business domains. At the same time, we have built an optimal governance structure for improving the value of each business after investment and introduced an incentive plan linked to investment performance.



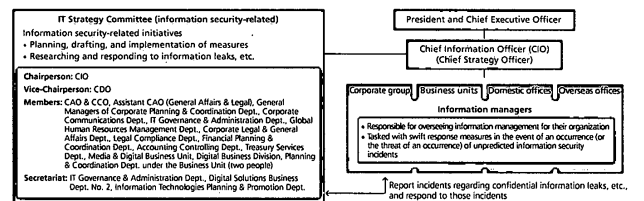
Information security

Basic policy and framework

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

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

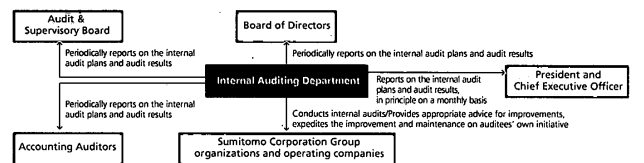
Information Management System



Internal audits

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

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



For further details on internal control, please visit our corporate website. <https://www.sumitomocorp.com/en/ir/sbcou/governance/sic>



Data Section

Summary of Key Financial Indicators

For the years ended March 31
We have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

Financial data	(Billions of yen)									
	(¥)	BBBO2014			BBBO2017			Medium-term Management Plan 2020		
(P)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Results of operations:										
Gross profit	¥ 827.0	¥ 894.4	¥ 952.9	¥ 894.1	¥ 842.7	¥ 956.5	¥ 923.2	¥ 873.7	¥ 729.5	¥ 1,009.6
Selling, general and administrative expenses	-657.1	-706.4	-755.2	-762.7	-693.8	-731.6	-647.6	-677.4	-678.9	-713.9
Interest expense, net	-15.8	-17.4	-13.0	-2.6	-1.7	-5.8	-11.6	-15.6	-5.5	-1.2
Dividends	13.4	14.9	17.2	10.6	9.4	10.7	12.1	11.1	8.6	27.3
Share of profit (loss) of investments accounted for using the equity method	107.4	126.2	49.1	-53.8	83.5	149.7	127.1	84.8	-41.4	176.8
Profit (loss) for the year attributable to owners of the parent	232.5	223.1	-73.2	74.5	170.9	308.5	320.5	171.4	-153.1	463.7
Financial position at year-end:										
Total assets	7,832.8	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
Equity attributable to owners of the parent	2,052.8	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
Interest-bearing liabilities (net)*1	2,930.3	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
Cash flows:										
Net cash provided by (used in) operating activities	280.3	278.2	243.7	599.7	345.8	295.3	268.9	326.6	467.1	194.1
Net cash provided by (used in) investing activities	-185.2	-249.9	-399.6	-85.4	-180.7	-155.8	-51.3	-203.4	-120.1	49.0
Free cash flow	94.1	28.4	-155.9	514.3	165.1	139.5	217.6	123.2	347.0	243.1
Net cash provided by (used in) financing activities	-24.7	145.9	-74.8	-507.2	-254.4	-229.6	-233.2	-57.7	-466.4	-139.9
Amounts per share:										
Profit (loss) for the year attributable to owners of the parent:										
Basic	¥ 185.92	¥ 178.59	¥ -58.64	¥ 59.73	¥ 136.91	¥ 247.13	¥ 256.68	¥ 137.18	¥ -122.42	¥ 370.79
Diluted	185.79	178.46	-58.64	59.69	136.81	246.91	256.41	137.03	-122.42	370.53
Equity attributable to owners of the parent	1,641.60	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
Cash dividends declared for the year**	46.00	47.00	50.00	50.00	50.00	62.00	75.00	80.00	70.00	110.00
Ratios:										
Equity attributable to owners of the parent ratio (%)	26.2	27.7	27.5	28.8	30.5	32.9	35.0	31.3	31.3	33.4
ROE (%)	12.4	10.0	—	3.2	7.4	12.5	12.0	6.4	—	16.2
ROA (%)	3.1	2.7	—	0.9	2.2	4.0	4.1	2.1	—	5.3
Debt-equity ratio (net) (times)	1.4	1.3	1.4	1.2	1.1	1.0	0.9	1.0	0.9	0.7

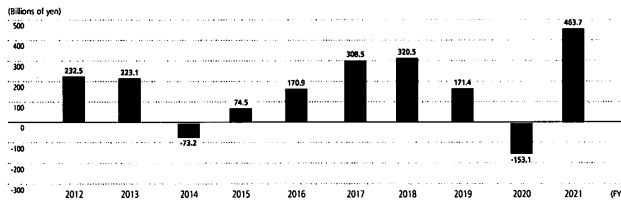
*1 Interest-bearing liabilities (net) excludes cash and cash equivalents and time deposits from interest-bearing liabilities.
*2 Cash dividends per share represents the cash dividends declared applicable to each respective year, including dividends paid after the year-end.

Data Section

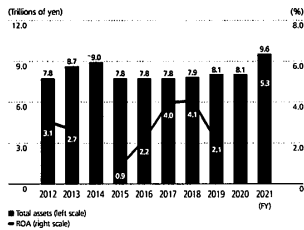
Financial Highlights

We have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

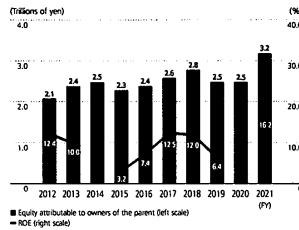
Profit (loss) for the year attributable to owners of the parent



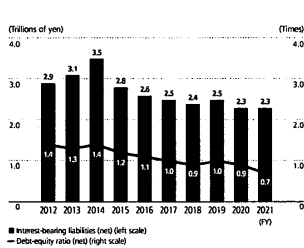
Total assets and ROA



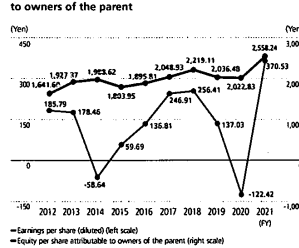
Equity attributable to owners of the parent and ROE



Interest-bearing liabilities (net) and DER (net)



Earnings per share (diluted) / Equity per share attributable to owners of the parent



ESG Highlights

Environmental data

	(FY)	2018	2019	2020	2021 ^{*1}
CO ₂ Emissions (Scope 1, 2) ^{**} (1,000 t-CO ₂ e)		1,570	1,475	2,175	2,062
Electricity Consumption (MWh)		1,412,661	1,534,809	1,525,641	1,645,278
Water Consumption (1,000 m ³)		118,236	20,144	93,120	78,107
Waste Emissions (t)		44,381	33,305	36,480	36,413

^{*1} For details on environmental data, please see our ESG Communication Book. <https://www.sumitomo-corp.com/en/ir/sustainability/report>
^{**} CO₂ emission 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 2019 listed in "Emissions Factors 2021," published by the International Energy Agency (IEA). The amount of 2,062,000 t-CO₂e for FY2021 is the total of 1,995,000 t-CO₂e for the power generation business and 67,000 t-CO₂e for businesses other than the power generation business.

Employee data (As of March 31 of each fiscal year)

	(FY)	2018	2019	2020	2021	
Employee	Number of Employees (Consolidated Basis)	65,862	72,642	74,920	74,253	
Data	Number of Employees (Non-Consolidated Basis) ^{*3}	5,295	5,375	5,390	5,300	
	Number of Employees Dispatched Overseas	1,153	1,144	1,098	976	
	Number of New Employees	162	209	153	105	
	Men/Women	104/58	118/91	102/51	75/30	
	Number of Mid-career Employees	37	32	27	18	
	Ratio of Differently Aabled Employees to Total Employees ^{*4} (%)	2.24	2.24	2.11	2.20	
	Number of Female Managers ^{*5}	169	186	202	208	
	Ratio of Female Managers to Total Managers ^{*5} (%)	6.60	6.71	7.20	7.50	
	Average Age	42.6	42.5	42.7	43.1	
	Average Years of Service (Years/person)	18.2	18	18.4	19.4	
	Men	18.8	18.7	19.1	19.4	
	Women	16	15.6	16.3	16.5	
	Working Styles	Average Monthly Overtime Hours (Hours/minutes)	9/53	7/47	12/49	12/20
	Average Annual Days of Paid Vacation Acquired	16.9	17.1	12.9	12.8	
Spouse Maternity Leave	90	92	83	70		
Leave to Look After a Sick Child	237	225	173	169		
Number of Individuals Acquiring Childcare Leave	81	65	107	103		
Men/Women	10/71	9/56	34/73	41/60		
Number of Individuals Using Shortened Work Hour System	136	165	173	200		
Skills Development	Number of Employees Undergoing Training Overseas	96	67	34	76	
Training ^{*6}	Total Number of Lectures	340	286	255	919	
Number of Employees Participating in Training	14,646	14,963	12,211	44,876		
Total Training Hours	75,089	65,652	50,806	119,894		
Average Hours per Employee	14.7	12.7	9.7	23.4		

^{*3} Figures include employees at overseas offices of the Company. ^{*4} Figures are as of June 1 of each fiscal year.
^{*5} For further details, please visit our corporate website for Encouraging More Active Involvement of Women in Business. <https://www.sumitomo-corp.com/en/ir/about/activities/encouragingwomen>
^{*6} 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.

Corporate governance data (As of March 31 of each fiscal year)

	(FY)	2018	2019	2020	2021 ^{*7}
Number of Directors		11	10	11	11
Number of Internal Directors		6	6	6	6
Number of Outside Directors		5	4	5	5

^{*7} We have 11 Directors (including 5 Outside Directors), as resolved at the 154th Ordinary General Meeting of Shareholders held in June 2022.

Data Section

Consolidated Statement of Financial Position

Sumitomo Corporation and Subsidiaries
As of March 31, 2018, 2019, 2020, 2021, and 2022

ASSETS	(¥)	2017	2018	2019	2020	2021
(Millions of yen)						
Current assets:						¥ 733,824
Cash and cash equivalents	¥	667,152	¥ 660,359	¥ 710,371	¥ 599,013	13,847
Time deposits		15,187	10,492	10,262	12,751	2,308
Marketable securities		1,361	1,989	2,014	1,621	1,621
Trade and other receivables		1,266,782	1,340,451	1,231,088	1,303,621	1,621,862
Contract assets		—	—	117,230	188,812	300,539
Other financial assets		66,885	62,692	112,723	115,041	250,892
Inventories		877,808	925,204	929,981	793,279	1,058,003
Advance payments to suppliers		137,675	161,037	131,520	135,217	116,795
Assets classified as held for sale		247,677	56,034	—	24,718	33,815
Other current assets		196,759	329,392	291,202	323,511	513,598
Total current assets		3,477,286	3,547,650	3,536,391	3,497,584	4,645,483
Non-current assets:						2,356,984
Investments accounted for using the equity method		1,994,366	2,130,517	2,025,255	2,102,139	416,667
Other investments		462,841	429,532	358,961	416,934	215,941
Trade and other receivables		381,120	371,420	331,871	239,348	204,415
Other financial assets		80,214	75,576	94,981	87,422	1,023,733
Property, plant and equipment		750,226	746,647	1,054,042	1,050,648	339,336
Intangible assets		264,477	259,759	288,913	255,961	40,241
Investment property		278,026	275,273	355,844	340,451	26,660
Biological assets		16,057	22,858	21,075	26,183	57,740
Deferred tax assets		42,202	36,248	38,077	23,821	—
Other non-current assets		23,817	21,043	23,186	39,493	—
Total non-current assets		4,293,346	4,368,873	4,592,205	4,582,400	4,936,683
Total assets		¥7,770,632	¥7,916,523	¥8,128,596	¥8,079,984	¥9,582,166

We have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).
Please refer to the annual financial report for detailed information of financial situation.
<https://www.sumitomocorp.com/en/globalreport/yaka/2021>

LIABILITIES AND EQUITY	(¥)	2017	2018	2019	2020	2021
(Millions of yen)						
Current liabilities:						¥ 608,031
Bonds and borrowings	¥	603,249	¥ 682,349	¥ 754,696	¥ 477,927	1,269,631
Trade and other payables		1,038,657	1,178,542	1,079,099	1,269,631	65,871
Lease liabilities		—	11,717	65,871	71,141	292,185
Other financial liabilities		59,413	50,787	87,578	90,402	63,373
Income tax payables		39,639	28,467	25,785	31,655	119,979
Accrued expenses		89,778	94,019	95,318	95,926	155,651
Contract liabilities		—	132,693	98,951	137,915	6,429
Provisions		5,711	8,356	4,837	6,578	—
Liabilities associated with assets classified as held for sale		74,207	8,841	—	6,295	16,917
Other current liabilities		87,599	82,935	84,411	80,937	127,925
Total current liabilities		2,158,149	2,278,706	2,296,546	2,268,407	3,076,790
Non-current liabilities:						2,413,343
Bonds and borrowings		2,600,616	2,415,606	2,434,696	2,434,285	50,651
Trade and other payables		104,108	57,775	57,189	53,176	410,027
Lease liabilities		—	56,637	426,080	430,257	95,764
Other financial liabilities		33,853	23,660	46,051	36,404	20,743
Accrued pension and retirement benefits		27,362	34,869	44,946	29,619	55,969
Provisions		40,503	46,364	46,248	53,186	77,595
Deferred tax liabilities		111,720	96,707	84,252	79,100	—
Total non-current liabilities		2,918,162	2,731,618	3,139,462	3,116,027	3,124,091
Total liabilities		5,076,311	5,010,324	5,436,009	5,384,434	6,200,881
Equity:						219,894
Common stock		219,279	219,449	219,613	219,781	255,996
Additional paid-in capital		265,126	258,292	256,966	251,781	-1,871
Treasury stock		-2,796	-2,501	-2,276	-2,063	454,136
Other components of equity		248,564	234,937	-4,054	187,041	2,269,661
Retained earnings		1,827,987	2,061,306	2,073,884	1,871,411	3,197,816
Equity attributable to owners of the parent		2,558,160	2,771,483	2,544,133	2,527,951	183,469
Non-controlling interests		136,161	134,716	148,454	167,599	—
Total equity		2,694,321	2,906,199	2,692,587	2,695,550	3,381,285
Total liabilities and equity		¥7,770,632	¥7,916,523	¥8,128,596	¥8,079,984	¥9,582,166

Data Section

Consolidated Statement of Comprehensive Income

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2018, 2019, 2020, 2021, and 2022

	(¥)	2017	2018	2019	2020	2021
(Millions of yen)						
Revenues:						
Sales of tangible products	¥4,333,190	¥4,920,772	¥4,822,984	¥4,187,392	¥4,997,278	
Sales of services and others	494,133	418,466	476,830	457,667	497,737	
Total revenues	4,827,323	5,339,238	5,299,814	4,645,059	5,495,015	
Cost:						
Cost of tangible products sold	-3,581,975	-4,151,165	-4,180,175	-3,666,589	-4,219,322	
Cost of services and others	-288,875	-264,880	-245,976	-249,009	-266,090	
Total cost	-3,870,850	-4,416,045	-4,426,151	-3,915,598	-4,485,412	
Gross profit	956,473	923,193	873,663	729,461	1,009,603	
Other income (expenses):						
Selling, general and administrative expenses	-731,616	-647,553	-677,430	-678,935	-713,941	
Impairment reversal (loss) on long-lived assets	-7,226	-7,567	-65,286	-80,967	-17,887	
Gain (loss) on sale of long-lived assets, net	2,859	3,581	3,507	-4,679	5,244	
Other, net	9,419	2,502	16,436	-23,762	55,881	
Total other income (expenses)	-726,564	-649,037	-722,773	-788,343	-670,703	
Finance income (costs):						
Interest income	27,530	28,975	30,621	25,159	28,989	
Interest expense	-33,297	-40,535	-46,191	-30,679	-30,194	
Dividends	10,652	12,107	11,099	8,643	27,255	
Gain (loss) on securities and other investments, net	27,767	2,204	20,712	2,911	48,238	
Finance income (costs), net	32,652	2,751	16,241	6,034	74,288	
Share of profit (loss) of investments accounted for using the equity method	149,734	127,110	84,791	-41,367	176,831	
Profit (loss) before tax	412,295	404,017	251,922	-94,215	590,019	
Income tax expense	-78,385	-66,230	-62,405	-40,269	-105,452	
Profit (loss) for the year	333,910	337,787	189,517	-134,484	484,567	
Profit (loss) for the year attributable to:						
Owners of the parent	¥ 308,521	¥ 320,523	¥ 171,359	¥ -153,067	¥ 463,694	
Non-controlling interests	25,389	17,264	18,158	18,583	20,873	
Other comprehensive income:						
Items that will not be reclassified to profit or loss						
Financial assets measured at fair value through other comprehensive income	21,073	-20,646	-47,001	74,747	14,188	
Remeasurements of defined benefit pension plans	3,219	-10,799	-1,536	24,306	10,577	
Share of other comprehensive income of investments accounted for using the equity method	1,292	-1,453	-6,903	7,711	-1,646	
Total items that will not be reclassified to profit or loss	25,584	-32,898	-55,440	106,764	23,119	
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations	-77,122	18,784	-133,359	98,096	246,071	
Cash-flow hedges	-2,722	5,183	-11,769	12,450	19,354	
Hedging cost	—	—	—	2,654	-2,209	
Share of other comprehensive income of investments accounted for using the equity method	2,399	-6,887	-43,410	-15,665	20,363	
Total items that may be reclassified subsequently to profit or loss	-77,445	17,080	-188,538	128,865	283,579	
Other comprehensive income, net of tax	-51,861	-15,818	-243,978	235,629	306,698	
Comprehensive income for the year	282,049	321,969	-54,461	101,145	791,265	
Comprehensive income for the year attributable to:						
Owners of the parent	¥ 256,329	¥ 305,075	¥ -69,413	¥ 76,083	¥ 765,330	
Non-controlling interests	25,720	16,894	14,952	25,062	25,935	
Earnings (loss) per share:						
Basic	¥ 247.13	¥ 256.68	¥ 137.18	¥ -122.42	¥ 370.79	
Diluted	246.91	256.41	137.03	-122.42	370.53	

We have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).
Please refer to the annual financial report for detailed information of financial situation.
<https://www.sumitomocorp.com/en/ir/report/ya/2021>

Consolidated Statement of Cash Flows

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2018, 2019, 2020, 2021, and 2022

	(¥)	2017	2018	2019	2020	2021
(Millions of yen)						
Operating activities:						
Profit (loss) for the year	¥ 333,910	¥ 337,787	¥ 189,517	¥ -134,484	¥ 484,567	
Adjustments to reconcile profit (loss) for the year to net cash provided by operating activities:						
Depreciation and amortization	118,907	111,838	165,340	170,906	170,363	
Impairment reversal (loss) on long-lived assets	7,226	7,567	65,286	80,967	17,887	
Finance income, net	-32,652	-2,751	-16,241	-6,034	-74,288	
Share of (profit) loss of investments accounted for, using the equity method	-149,734	-127,110	-84,791	41,367	-176,831	
(Gain) loss on sale of long-lived assets, net	-2,859	-3,581	-3,507	4,679	-5,244	
Income tax expense	78,385	66,230	62,405	40,269	105,452	
Decrease (increase) in inventories	-126,008	-46,038	505	217,409	-148,056	
Decrease (increase) in trade and other receivables	-70,468	-60,634	127,337	-10,383	-200,792	
Increase in prepaid expenses	-5,939	-2,831	-7,228	-4,606	-28,476	
(Decrease) increase in trade and other payables	90,793	108,735	-97,292	138,399	251,924	
Other, net	-16,925	-133,370	-114,966	-91,962	-249,621	
Interest received	26,882	28,155	30,587	15,904	13,601	
Dividends received	128,723	108,909	114,401	97,149	142,767	
Interest paid	-32,079	-38,933	-45,458	-27,134	-22,650	
Income tax paid	-52,898	-85,090	-59,277	-65,349	-68,537	
Net cash provided by operating activities	295,264	268,883	326,618	467,097	194,066	
Investing activities:						
Proceeds from sale of property, plant and equipment	4,929	19,222	3,472	9,034	5,300	
Purchase of property, plant and equipment	-97,762	-110,028	-76,935	-66,342	-69,715	
Proceeds from sale of investment property	10,083	5,100	15,739	8,602	22,327	
Purchase of investment property	-4,341	-26,310	-42,424	-7,986	-7,576	
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	3,036	57,613	15,499	-1,700	63,737	
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-20,661	-12,033	-73,238	-13,962	-1,792	
Proceeds from sale of other investments	56,203	160,233	99,909	98,577	102,280	
Acquisition of other investments	-142,785	-170,566	-135,847	-123,271	-93,946	
Collection of loan receivables	110,901	63,407	42,145	23,249	50,942	
Increase in loan receivables	-52,898	-37,955	-51,737	-46,308	-22,067	
Net cash provided by (used in) investing activities	-155,766	-51,317	-203,417	-120,107	49,039	
Financing activities:						
Net increase (decrease) in short-term debt	-10,974	36,570	152,687	-201,485	55,708	
Proceeds from issuance of long-term debt	342,344	298,841	453,651	278,486	354,709	
Repayments of long-term debts	-484,871	-454,880	-547,690	-382,996	-369,915	
Repayments of lease liabilities	—	—	—	-62,586	-68,365	
Cash dividends paid	-66,160	-88,653	-103,675	-87,461	-99,985	
Capital contribution from non-controlling interests	348	3,806	2,824	375	758	
Payment for acquisition of subsidiary's interests from non-controlling interests	-2,778	-21,055	-3,798	-280	-2,178	
Payment of dividends to non-controlling interests	-7,697	-8,020	-11,821	-10,455	-10,708	
(Acquisition) disposal of treasury stock, net	178	195	80	34	52	
Net cash used in financing activities	-229,610	-233,196	-57,742	-466,368	-139,924	
Net increase (decrease) in cash and cash equivalents	-90,112	-15,630	65,459	-119,378	103,181	
Cash and cash equivalents at the beginning of year	776,464	667,152	660,359	710,371	599,013	
Effect of exchange rate changes on cash and cash equivalents	-14,688	4,821	-15,943	8,151	40,668	
Net increase (decrease) in cash and cash equivalents resulting from transfer to assets classified as held for sale	-4,512	4,016	496	-131	-9,038	
Cash and cash equivalents at the end of year	¥ 667,152	¥ 660,359	¥ 710,371	¥ 599,013	¥ 733,824	

We have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).
Please refer to the annual financial report for detailed information of financial situation.
<https://www.sumitomocorp.com/en/ir/report/ya/2021>

Company Information

Corporate Profile (As of March 31, 2022)

Trade Name	Sumitomo Corporation
Establishment Date	December 24, 1919
Paid-in Capital	¥219.9 billion
Fiscal Year	From April 1 of each year through March 31 of the following year
Number of Consolidated Subsidiaries	637 (Domestic 114, Overseas 523)
Associated Companies [Equity Method]	256 (Domestic 50, Overseas 206)
Total	893
Number of Employees	5,300* (Consolidated Base: 74,253)
Head Office	OTEMACHI PLACE EAST TOWER 3-2 Otemachi 2-Chome, Chiyoda-ku, Tokyo 100-8601, Japan
URL	https://www.sumitomocorp.com/en/jp

* Includes 150 staff employed by Company branches and offices overseas.

Stock Information (As of March 31, 2022)

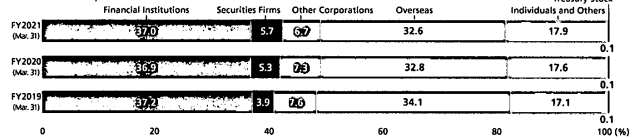
Stock Listings	Tokyo	Note: On December 30, 2021, Sumitomo Corporation was delisted from the Nagoya Stock Exchange and the Fukuoka Stock Exchange.
Securities Identification Code	8053	
Ratio	1ADR:1ORD	
American Depository Receipts	Exchange	OTC (Over-the-Counter)
	Symbol	SSUMY
	CUSIP Number	865613103
Depository and Registrar	Citibank, N.A. Depository Receipts Services, P.O. Box 43077, Providence, Rhode Island 02940-3077, U.S.A.	
Overseas Dial-in	1-781-575-4555	
Toll-Free Number	1-877-248-4237 (CITI-ADR)	
Number of Issued Shares	1,251,404,367 (Including 1,399,754 treasury stock)	
Number of Shareholders	224,261	

Major Shareholders

Rank	Name	Number of shares (Thousands of shares)	Shareholding ratio (%)*
1	The Master Trust Bank of Japan, Ltd. (trust account)	209,552	16.76
2	EUROCLEAR BANK S.A./N.V.	65,523	5.24
3	Custody Bank of Japan, Ltd. (trust account)	64,363	5.15
4	Sumitomo Life Insurance Company	30,855	2.47
5	STATE STREET BANK WEST CLIENT - TREATY 505234	18,516	1.48
6	Mitsui Sumitomo Insurance Company, Limited	17,000	1.36
7	JPMorgan Securities Japan Co., Ltd.	15,892	1.27
8	NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	15,559	1.24
9	Nippon Life Insurance Company	14,879	1.19
10	Custody Bank of Japan, Ltd. (trust account 4)	14,540	1.16

* The shareholding ratio is calculated by dividing the number of shares held by the number of shares outstanding—which is derived by deducting treasury stock (1,399,754 shares) from the total number of issued shares—and rounding to the nearest hundredth of a percent.

Shareholder Composition



Note: The total of the shareholding ratios may not equal 100% because of rounding to the first decimal place.

Stock Price and Trading Volume*



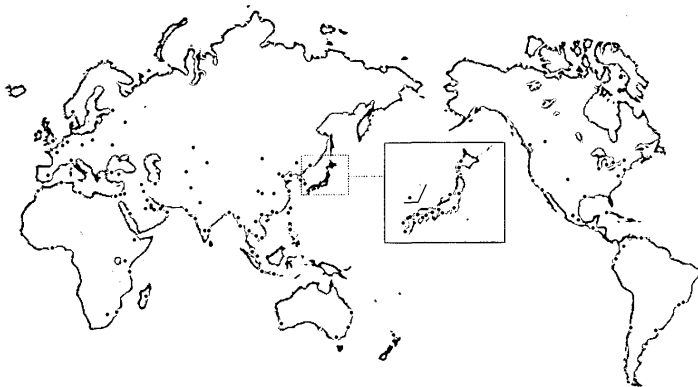
	21/4	5	6	7	8	9	10	11	12	22/1	2	3
Stock Closing Price	1,488	1,528	1,488	1,483	1,554	1,581	1,617	1,546	1,700	1,771	1,874	2,119
Price (Yen) High	1,586	1,578	1,579	1,513	1,588	1,661	1,658	1,703	1,717	1,778	1,914	2,238
Low	1,476	1,481	1,434	1,439	1,491	1,548	1,527	1,545	1,534	1,691	1,753	1,850
Trading Volume (in thousands of shares)	61,130	71,200	65,660	55,130	61,320	77,000	65,370	71,770	63,320	62,560	96,900	138,270

* The above stock prices and trading volume are based on Tokyo Stock Exchange data. The stock prices are rounded to the nearest yen.

Company Information

Global Networks (As of April 1, 2022)

Domestic and overseas offices
 * Indicates the cities in which our offices are located.



Overseas
65 countries and regions
 35 subsidiaries 84 locations
 2 branches 2 locations
 1 sub-branch 1 location
 24 offices 24 locations
Total 111 locations

Japan
 Headquarters
 3 subsidiaries 9 locations
 6 offices 10 locations
Total 20 locations

Offices
131 locations
66 countries and regions
Consolidated subsidiaries and associated companies
 (As of March 31, 2022)
893 companies
79 countries and regions

For further details, please visit our corporate website for Messages from Regional Heads.
<https://www.sumitomocorp.com/en/jp/about/point/area-organization#03>



IR/SR* Activities

We are working to build relationships with shareholders, investors, and other stakeholders outside the Company through fair disclosure. The Investor Relations Department has established four guidelines for its activities. These are Proactive Disclosure, Sincere Dialogue, Timely and Appropriate Sharing, and Constructive Proposals. Under the supervision of the executive officer with responsibility, the Investor Relations Department works with other relevant departments to disseminate information in a timely and appropriate manner and solicit the opinions of external stakeholders through active communication. These opinions are shared internally as feedback, based on which proposals are made and discussions

held that help to enhance management. Through this cycle of activities, we will deepen external stakeholders' understanding of the Group and also contribute to the strategy execution and value creation capabilities of all officers and employees as internal stakeholders, thereby increasing corporate value.

* SR: Shareholder Relations

For further details, please visit our corporate website for Investor Relations.
<https://www.sumitomocorp.com/en/jp/ir>



Guidelines and Activities



Proactive disclosure to and sincere dialogue with external stakeholders

We strive for appropriate disclosures and expanded explanations of both financial and non-financial information based on our Corporate Disclosure Policy. Additionally, we have established opportunities for proactive dialogue with shareholders and investors throughout the year to deepen understanding of the Group and solicit the opinions of stakeholders.

FY2021 Results

Number of individual meetings: Approx. **250**
 (58 of which were ESG/SR related)

Number of times management attended
 President: **11** CFO: **22** CSO: **6**

Business unit meetings Held

Investor Day 2021 Held

Number of online meetings held for individual investors
6

Total participation
4,838

Timely and appropriate sharing with and constructive proposals to internal stakeholders

We provide evaluations and opinions received from external stakeholders to internal stakeholders including management as feedback, which are used for proposals and discussions that help to improvement management.

FY2021 Results

Number of Management Council reports
2

Number of regular meetings with the President and Chief Executive Officer
4

IR Committee

Meets **1** time monthly in principle

IR quarterly report*

Published **Quarterly**

Internal IR meetings Held

* In-house IR activity report




Company Information

History


Sumitomo Corporation Group Milestones

1600s Around 1600 Starts copper mining




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

1910s 1919 The Osaka North Harbour Company Limited founded (the predecessor to today's Sumitomo Corporation)



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

1940s 1945 Renamed to Nippon Engineering Co., Ltd. Enters the trading business



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

1950s Early period—Establishment of management foundation

1950 Steadily expands our 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.

1960s Reorganization for expansion

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.

1970s Establishment of management foundation as an integrated trading company

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 Trends

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

1980s Integrated Business Enterprise corporate vision

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.

1990s Reinforcement of global consolidated management

Establishment of Corporate Mission Statement

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 Group's Corporate Mission Statement

Introduces the risk-adjusted return ratio as a management indicator

The Sumitomo Corporation Management Charter was revised, and a new Corporate Mission Statement was established. The risk-adjusted return ratio was introduced as a new management indicator to serve as a common benchmark for judging the profitability of projects based on the amount of returns generated compared with inherent risks.

2000s Implementation of Reform Package

—Heading for a new stage of growth


2000— Formulates and implements medium-term management plan

2001 Consolidates head offices into the Tokyo Head Office

2010s Toward the centennial and the next 100 years

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

2020s Enhancement of sustainability management and creation of next-generation businesses

2020 Identified six key social issues and long-term targets

2021 Established the new Energy Innovation Initiative (EII)

1980

- Iran-Iraq War

1985

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

1986

- Sharp rise in stock real estate prices contributes to creation of the Japanese asset price bubble

1989

- Consumption tax is introduced in Japan
- Nikkei 225 reaches record high of ¥38,915.87 in December
- End of Cold War, collapse of the Berlin Wall

1991

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

1996

- Launch of large-scale financial system reform ("Japanese Big Bang")

1997

- Asian financial crisis

1999

- Creation of Economic and Monetary Union
- Dot-com bubble

2001

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

2003

- Start of Iraq War
- Severe acute respiratory syndrome (SARS) outbreak, mad cow disease pandemic in the United States

2008

- Lehman Brothers bankruptcy

2010

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

2011

- Great East Japan Earthquake

2013

- "Abenomics" economic reforms

2020

- COVID-19 pandemic

2021

- Summer Olympics and Paralympics in Tokyo

Background photograph: Head Office of The Osaka North Harbour (Source: Sumitomo Historical Archives)