

(Translation)

## Corporate Governance Report

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**Sumitomo Corporation**

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The corporate governance of Sumitomo Corporation (the “Company” or “Sumitomo Corporation”) is described below.

### **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

#### **1. Basic Views**

The Company recognizes that the aims of corporate governance are improving management efficiency and maintaining sound management, while ensuring management transparency is important in order to secure these aims. Accordingly, the Company is endeavoring to establish corporate governance that will result in management serving the interests of shareholders and all other stakeholders. The Company has already taken steps to strengthen and enhance its corporate governance by such means as reinforcing its audit & supervisory board member system and improving the way it functions, optimizing the size of the Board of Directors, limiting the terms of office of the Chairman and the President and Chief Executive Officer, and introducing an executive officer system. It has also appointed five Outside Directors in order to ensure appropriate decision-making from diverse perspectives in board meetings and further enhancement of the supervisory function. The Company believes that through reinforcing management oversight by independent Outside Directors and Outside Audit & Supervisory Board Members, it will be even better able to achieve its corporate governance-related aims in terms of improving management efficiency, maintaining sound management, and ensuring management transparency. The Company has summarized its basic views and policy with regard to corporate governance as the Sumitomo Corporation Corporate Governance Principles, which it has made public on its website.

(<https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/principle.pdf?la=en>)

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company comply all Principles of the Corporate Governance Code.

#### **[Disclosure Based on the Principles of the Corporate Governance Code]**

New

[Principle 1-3]

The Company, guided by its basic management policy of aiming to continue to enhance corporate value in a

sustainable way, has a capital policy based on retaining an adequate level of shareholders' equity with a view to reinforcement of its financial soundness and effectiveness of its capital. In particular, the Company is working to achieve: (i) the goal of keeping risk-adjusted assets, which represent the maximum possible losses, within the scope of shareholders' equity, which is the core risk buffer and (ii) the targets for the capital efficiency indicators (such as ROE) given under the medium-term management plan.

The Company keeps interest-bearing debt at an appropriate level by paying attention to the balance between cash generated as a result of business activities and asset reduction, and cash necessary for returns to shareholders and loans and investments, etc. for the pursuit of growth strategies.

The Company's basic policy in relation to shareholder returns is to provide shareholders with stable dividends over the long term. We also aim to raise per-share dividend payments by pursuing the growth of profit in the medium to long term.

[Principle 1-4]

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

The Company also takes various considerations into account in accordance with the internal guidelines when making decisions about whether to exercise voting rights. Having fully considered a range of 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 that holds the Company's stock for purposes other than pure investment indicates to sell or dispose of its holdings, the Company respects such a decision in principle and ensures that their business relationship will not be influenced.

[Principle 1-7]

It is stipulated in laws and regulations and in the Company's internal rules entitled Matters Related to the Administration of Board of Directors that the approval of the Board of Directors must be obtained to conduct business transactions between the Company and its Directors that are competitive or involve conflicts of interest, and if such transactions are executed, key facts regarding the transactions must be reported to the Board of Directors.

[Principle 2-6]

The Company has adopted a defined benefit corporate pension plan (contact type).

It also deploys personnel with financial market and investment experience as investment managers and manages the investment operations of pension assets. When selecting an external asset manager, the Company sufficiently checks investment management track records and management structures including governance while periodically monitoring the conditions of them even after the commencement of investment management operations.

Furthermore, the Pension Management Committee, which is chaired by the Chief Administration Officer and comprised of managers in charge of human resources, finance and accounting organizations, verifies investment results and the financial position of pension assets, reports them to the Management Council and also discloses them to the pension holders.

[Principle 3-1]

(i) Refer to the Sumitomo Corporation Group Management Principles and Activity Guidelines—as well as Sumitomo's Business Philosophy, on which they are based—which the Company makes public on its website (<https://www.sumitomocorp.com/en/jp/about/policy/principles>).

Additionally, refer to the medium-term management plan, which the Company also makes public on its website (<https://www.sumitomocorp.com/en/jp/about/policy/mid-term>).

In April 2017, with growing expectations for businesses to play a role in addressing social issues, as well as the movement toward environment, society, and governance (ESG) factors having influence on the evaluation of and investment in businesses, the Company identified its “Six Material Issues to Achieve Sustainable Growth with Society”, a set of issues that it should prioritize addressing through its business activities taking advantage of its strengths, based on Sumitomo’s Business Philosophy and the Sumitomo Corporation Group’s Management Principles, as follows:

- 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.

- 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.

For more details of “Six Material Issues to Achieve Sustainable Growth with Society”, refer to the Company’s website (<https://www.sumitomocorp.com/en/jp/sustainability/material-issues>)

(ii) Refer to the Sumitomo Corporation Corporate Governance Principles, which summarize the Company’s basic views and policy with regard to corporate governance, and are made public on the Company’s website.

(<https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/principle.pdf?la=en>)

(iii) Refer to the policies and procedures of the Board of Directors for determining the remuneration of Directors and Executive Officers, which are disclosed in the Company’s annual securities report (yukashoken houkokusho), and in this corporate governance report in the section entitled “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” under “1. Organizational Composition and Operation [Director Remuneration]” and “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) [Remuneration Decision-making Function].”

(iv) Refer to the Company’s policies and procedures regarding appointment of Directors and Audit & Supervisory Board Members, which are disclosed in this corporate governance report in the section entitled “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” under “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current

Corporate Governance System) [Nomination Function, etc.]”

(v) Refer to the reasons for nominating candidates for the posts of Outside Director and Outside Audit & Supervisory Board Member, which are disclosed in the reference documents within the Notice of Convocation of the Ordinary General Meeting of Shareholders, and in this corporate governance report in the section entitled “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” under “1. Organizational Composition and Operation [Directors] and [Audit & Supervisory Board Members].” Refer also to the reasons for nominating candidates for the posts of internal Director and internal Audit & Supervisory Board Member, which are disclosed in the reference documents within the Notice of Convocation of the Ordinary General Meeting of Shareholders.

Refer to the Company’s policies and procedures regarding the selection of Executive Officers, which are disclosed in this corporate governance report in the section entitled “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” under “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) [Nomination Function, etc.]”

[Supplementary Principle 4-1-1]

The functions of the Board of Directors are to supervise business execution and to make decisions relating to important management matters including basic management policies such as business plans. The Board also makes decisions on important aspects of business execution required by laws and regulations and the Company’s Articles of Incorporation to be decided by the Board of Directors. Standards for such decision-making are stipulated in the Company’s internal rules, Matters Related to the Administration of Board of Directors.

Decision-making and execution regarding matters not required by the foregoing internal rules to be decided by the Board of Directors are delegated to the Management Council, the decision-making body at the operational execution level, and to the Executive Officers. Moreover, the foregoing internal rules specify that decisions and progress with execution relating to matters delegated to the Management Council and the Executive Officers should be reported to the Board of Directors. The Board of Directors uses such reports and related information as a means to supervise decision-making and business execution by the Management Council and the Executive Officers.

[Principle 4-8]

Of the eleven Directors, five are Outside Directors, and they meet the standards set by the Company for independence of Outside Directors, as well as the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges that the Company is listed on.

[Principle 4-9]

For details of standards related to the independence of Outside Directors and Outside Audit & Supervisory Board Members from the Company, refer to the Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members, which the Company has set down and made public on its website.

([https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/outdirec\\_independ.pdf?la=en](https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/outdirec_independ.pdf?la=en))

[Supplementary Principle 4-11-1]

For details of the appropriate balance between knowledge, experience, and skills of the Board of Directors as a whole, and the Company’s view with regard to the diversity and appropriate size of the Board of Directors, refer to the Sumitomo Corporation Corporate Governance Principles, which are made public on the Company’s website.

(<https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/principle.pdf?la=en>)

Refer to the Company’s policies and procedures regarding appointment of Directors, which are disclosed in this corporate governance report in the section entitled “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” under “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) [Nomination Function, etc.]”

[Supplementary Principle 4-11-2]

The Company discloses significant positions concurrently held by Directors, Audit & Supervisory Board

Members, and candidates for those posts on an annual basis in disclosure documents such as the reference documents within the Notice of Convocation of the Ordinary General Meeting of Shareholders, the business report, and the Company's annual securities report.

[Supplementary Principle 4-11-3]

To maintain and enhance the effectiveness of the Board of Directors, each year Directors and Audit & Supervisory Board Members engage in analysis and evaluation of the Board's effectiveness through self-evaluation and other methods. This is followed by the disclosure of overviews of the results. An overview of the Board of Directors' effectiveness evaluation and the results of such evaluation for fiscal 2017 are as follows:

#### 1. Evaluation Methods

##### (1) Evaluated persons

All 9 Directors and 5 Audit & Supervisory Board Members

##### (2) Implementation method

Questionnaire survey conducted during March and April of 2018 (anonymous).

Note: Implemented by a third party (external consultant).

##### (3) Evaluation items

(i) Roles and responsibilities of the Board of Directors

(ii) Composition of the Board of Directors

(iii) Roles and qualifications of each Director

(iv) Administration of the Board of Directors

##### (4) Evaluation process

The results of analysis of the questionnaire survey responses as evaluated by a third party (external consultant) were reported to the Board of Directors.

#### 2. Evaluation Results Overview

Generally, positive results were received for all evaluation items. Comments were received to the effect that a variety of reforms aimed at realizing an effective Board of Directors have been implemented, and these efforts are steadily producing results and are highly acclaimed by Outside Directors and Outside Audit & Supervisory Board Members.

Meanwhile, there were recommendations to further enhance discussions at Board meetings, and to improve information provided to directors.

[Major Initiatives in Fiscal 2018 Addressing Board of Directors Evaluations for Fiscal 2017]

With regard to the aforementioned recommendations to further enhance discussions at Board meetings, and to improve information provided to directors etc., we carried out the following improvement measures to further enhance the effectiveness of the Board of Directors during fiscal 2018:

(i) At a Board meeting, the proposer of an agenda is required to explain about the content of discussions at the Management Council and the movement of deliberation to reach the resolutions at the Management Council etc.;

(ii) For the purpose of timely and appropriate monitoring of the situation pertaining to business execution across the Company, one business unit is required to report on its strategy, specific initiatives and the progress status at each Board meeting; and

(iii) An executive summary, which compiles key points, is required to be added to the materials distributed at Board meetings for projects proposed by business units in order to clarify discussion points.

Going forward, initiatives will continue to be advanced in the interest of raising the effectiveness of the Board of Directors.

[Supplementary Principle 4-14-2]

The Company provides its Outside Directors and Outside Audit & Supervisory Board Members with information as required in order to deepen their understanding of the Sumitomo Corporation Group

Management Principles, as well as the Company's business management, activities, organization, and related matters. In addition, for its Directors and Audit & Supervisory Board Members, including Outside Directors and Outside Audit & Supervisory Board Members, the Company provides, arranges, and covers expenses for opportunities to acquire knowledge of its business, finances, organization and other matters necessary for them to fulfill their roles and responsibilities.

[Principle 5-1]

The Company endeavors to explain its business management and activities, holding a range of meetings as opportunities for communication with shareholders and investors. These include the general meeting of shareholders, quarterly financial results briefings, and individual meetings.

Dialogue with shareholders and investors is supervised by Executive Officers assigned to act as the persons responsible for such dialogue, while the relevant departments within the Company liaise to distribute information and gather opinions from shareholders and investors.

When conducting dialogue with shareholders and investors, insider information is managed appropriately in accordance with the internal Rules for the Prevention of Insider Trading.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders] New

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	92,166,000	7.37
Japan Trustee Services Bank, Ltd. (trust account)	63,636,100	5.09
Sumitomo Life Insurance Company	30,855,000	2.47
JP Morgan Chase Bank 385632	29,301,082	2.34
Japan Trustee Services Bank, Ltd. (trust account 5)	23,458,400	1.88
Japan Trustee Services Bank, Ltd. (trust account 9)	22,771,800	1.82
Mitsui Sumitomo Insurance Company, Limited	20,000,000	1.60
State Street Bank West Client – Treaty 505234	18,054,724	1.44
Japan Trustee Services Bank, Ltd. (trust account 1)	17,584,900	1.40
Japan Trustee Services Bank, Ltd. (trust account 2)	17,333,400	1.39

Controlling Shareholder (except for Parent Company)	—
Parent Company	No

### Supplementary Explanation

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 (2,070,753 shares) from the total number of issued shares—and rounding to the nearest hundredth of a percent.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo (First Section), Nagoya (First Section), Fukuoka
Fiscal Year-End	March
Type of Business	Wholesale Trade

Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	More than 300

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

The Company has a listed subsidiary, SCSK Corporation (Tokyo Stock Exchange First Section). The Company respects the independence of this subsidiary, and has set down the Sumitomo Corporation Group Management Principles and Activity Guidelines as a means of sharing a set of values to be respected throughout the Group.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	N/A
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairperson (Excluding individual holding concurrent position as president)
Number of Directors	11
Appointment of Outside Directors	Yes
Number of Outside Directors	5
Number of Independent Directors	5

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yayoi Tanaka	Academic												
Nobuyoshi Ehara	From another company												
Koji Ishida	From another company					△							
Kimie Iwata	From another company												
Hisashi Yamazaki	Lawyer												

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/audit & supervisory board members are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)



k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yayoi Tanaka	○	—	<p>For many years Ms. Tanaka has engaged in specialist research in the fields of evaluation studies and civil society organizational theory at institutions including universities and the National Institution for Academic Degrees and University Evaluation (currently the National Institution for Academic Degrees and Quality Enhancement of Higher Education), and has served on various government committees including the Administrative Reform Promotion Council (private-sector member) and the Ministry of Finance Fiscal System Council (member). Through these roles, Ms. Tanaka has accumulated highly specialized knowledge and a wealth of experience, and she is also honest in character, as well as highly insightful and capable. Ms. Tanaka will contribute to the Company's aims of ensuring appropriate decision making from diverse perspectives in board meetings and further enhancing supervisory functions, and is thus judged to be qualified for the role of Outside Director of the Company and to be able to perform her duties properly in that position. For these reasons, she is appointed as the position of Outside Director.</p> <p>Ms. Tanaka meets the standards set by Sumitomo Corporation for Independence of Outside Directors, and also fulfills the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges. The Company has notified the exchanges of her status as an independent director.</p>
Nobuyoshi Ehara	○	—	<p>Mr. Ehara has wide-ranging knowledge and a wealth of experience in finance and business management accumulated through his many years working in important positions at a major US financial institution and managing a private equity firm, among other roles. He is also honest in character, as well as highly insightful and capable. Mr. Ehara will contribute to the Company's aims of ensuring appropriate decision making from diverse perspectives in board meetings and further enhancing supervisory functions, and is thus judged to be qualified for the role of Outside Director of the Company and to be able to perform his duties properly in that</p>

			<p>position. For these reasons, he is appointed as the position of Outside Director.</p> <p>Mr. Ehara meets the standards set by Sumitomo Corporation for Independence of Outside Directors, and also fulfills the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges. The Company has notified the exchanges of his status as an independent director.</p>
Koji Ishida	○	<p>Mr. Ishida served until June 2003 as an executive at Sumitomo Mitsui Banking Corporation (SMBC), one of the Company's principal lenders; until June 2005 as an executive at Sumitomo Mitsui Financial Group, Inc. (SMFG), SMBC's parent company; and until June 2006 as a corporate auditor at SMBC and SMFG. However, more than 12 years have now passed since Mr. Ishida's retirement from his positions as an executive at SMBC and SMFG, and he has not engaged in the execution of operations since his retirement. We have therefore determined that his independence is unaffected.</p>	<p>Mr. Ishida has wide-ranging knowledge and a wealth of experience in finance and business management, accumulated through his many years working in important positions in a major financial institution, and serving as a member of the Policy Board at the Bank of Japan, among other roles. He is also honest in character, as well as highly insightful and capable. Mr. Ishida will contribute to the Company's aims of ensuring appropriate decision-making from diverse perspectives in board meetings and further enhancing supervisory functions, and is thus judged to be qualified for the role of Outside Director of the Company and to be able to perform his duties properly in that position. For these reasons, he is appointed as the position of Outside Director.</p> <p>Mr. Ishida meets the standards set by Sumitomo Corporation for Independence of Outside Directors, and also fulfills the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges. The Company has notified the exchanges of his status as an independent director.</p>
Kimie Iwata	○	—	<p>Ms. Iwata served in several key positions for many years at the Ministry of Labour (currently Ministry of Health, Labour and Welfare), and after retiring from the ministry served in various executive and outside director positions for private companies. Through these and other roles, Ms. Iwata has accumulated wide-ranging knowledge and a wealth of experience in business management, corporate governance, corporate social responsibility, and diversity, etc.; she is also honest in character, as well as highly insightful and capable. Ms. Iwata will contribute to the Company's aims of ensuring appropriate decision-making from diverse perspectives in board meetings and further enhancing supervisory functions, and is thus judged to be</p>

			<p>qualified for the role of Outside Director of the Company and to be able to perform her duties properly in that position. For these reasons, she is appointed as the position of Outside Director.</p> <p>Ms. Iwata meets the standards set by Sumitomo Corporation for Independence of Outside Directors, and also meets the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges. The Company has notified the exchanges of her status as an independent director.</p>
Hisashi Yamazaki	○	—	<p>Mr. Yamazaki has highly specialized knowledge and a wealth of experience in law based on his career over many years as a judge and attorney at law. He is also honest in character, as well as highly insightful and capable. Mr. Yamazaki will contribute to the Company's aims of ensuring appropriate decision making from diverse perspectives in board meetings and further enhancing supervisory functions, and is thus judged to be qualified for the role of Outside Director of the Company and to be able to perform his duties properly in that position. For these reasons, he is appointed as the position of Outside Director.</p> <p>Mr. Yamazaki meets the standards set by Sumitomo Corporation for Independence of Outside Directors, and also meets the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges. The Company has notified the exchanges of his status as an independent director.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Advisory Committee	Nomination and Remuneration Advisory Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

The Nomination and Remuneration Advisory Committee is composed of the Chairman of the Board of Directors, the President and Chief Executive Officer and three outside directors, and meet as necessary. The Nomination and Remuneration Advisory Committee is in charge of reviewing (1) the selection criteria for the President and Chief Executive Officer, (2) nomination criteria for directors and audit & supervisory board members, (3) selection and dismissal of the President and Chief Executive Officer (including the nomination of a successor of the President and Chief Executive Officer), (4) nominations of candidates for directors and audit & supervisory board members (including determination of Representative Directors and Executive Directors), (5) selection of Management Council members, (6) the structures/levels of remuneration and bonuses for Directors and Executive Officers and the limit of remuneration for Audit & Supervisory Board Members, and (7) the policy relating to senior advisors and honorary advisors (including their duties, compensation and term), and will submit the results thereof as recommendations to the Board of Directors.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	N/A
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The Company has established an Internal Auditing Department under the direct supervision of the President and Chief Executive Officer as an independent body for company-wide monitoring of operations. The department maintains close contact with the Audit & Supervisory Board Members, such as by reporting auditing plans and the results of internal auditing to them in a timely manner, so as to contribute to effective auditing by the Audit & Supervisory Board Members.

The Audit & Supervisory Board Members endeavor to ascertain the audit activities of the Accounting Auditor and to exchange information with the Accounting Auditor by holding regular meetings; they also strive to improve the efficiency and quality of their own audit activities, such as by attending the Accounting Auditor's audit review meetings, and being present for inventory audits.

In FY2017, the remuneration paid to KPMG AZSA LLC, the Company's Accounting Auditor was as follows:  
 (a) Audit remuneration and other fees to be paid to Accounting Auditors by the Company...¥513 million  
 (b) Total amount of cash and other financial benefits payable by the Company and its consolidated subsidiaries to Accounting Auditors (including (A))...¥1,062 million

Notes:

1. In line with the "Practical Guidelines for Collaboration with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, the Company's Audit & Supervisory Board checks the details of auditing plans, the performance of duties during the preceding fiscal year, the calculation bases for remuneration estimates, etc., and gives due consideration to these findings when approving compensation, etc. for the Accounting Auditor, as stipulated in Article 399, Paragraph 1 of the Companies Act.
2. The Company pays remuneration to the Accounting Auditor for accounting advisory services, etc. in addition to the service defined in Article 2, Paragraph 1 of the Certified Public Accountants Act.
3. Some of the consolidated subsidiaries are audited by audit firms other than the Company's Accounting

Auditor.

4. The audit agreement between the Company and the Accounting Auditor does not differentiate audit remuneration and other fees based on the Companies Act from audit remuneration and other fees based on the Financial Instruments and Exchange Act, and the two types of remuneration cannot actually be differentiated. Therefore, the above amounts show the total of these two types of remuneration and other fees.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Haruo Kasama	Lawyer													
Toshio Nagai	Lawyer													
Yoshitaka Kato	CPA													

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)

k. Executive of a company, between which and the Company outside directors/audit & supervisory board members are mutually appointed (the audit & supervisory board member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)

m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Members	Supplementary Explanation of the Relationship	Reasons of Appointment
Haruo Kasama	○	—	<p>Mr. Kasama has highly specialized knowledge and a wealth of experience in law based on his career over many years as a public prosecutor and attorney at law. He is also honest in character, as well as highly insightful and capable. Mr. Nagai will contribute to the Company's aim of conducting audits from diverse perspectives, and is thus judged to be qualified for the role of Outside Audit &amp; Supervisory Board Member of the Company and to be able to perform his duties properly in that position. For these reasons, he is appointed as the position of Outside Audit &amp; Supervisory Board Member.</p> <p>Mr. Kasama meets the standards set by Sumitomo Corporation for Independence of Outside Audit &amp; Supervisory Board Members, and also fulfills the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges. The Company has notified the exchanges of his status as an independent audit &amp; supervisory board member.</p>
Toshio Nagai	○	—	<p>Mr. Nagai has highly specialized knowledge and a wealth of experience in law based on his career over many years as a judge and attorney at law. He is also honest in character, as well as highly insightful and capable. Mr. Nagai will contribute to the Company's aim of conducting audits from diverse perspectives, and is thus judged to be qualified for the role of Outside Audit &amp; Supervisory Board Member of the Company and to be able to perform his duties properly in that position. For these reasons, he is appointed as the position of Outside Audit &amp; Supervisory Board Member.</p> <p>Mr. Nagai meets the standards set by Sumitomo Corporation for Independence of Outside Audit &amp; Supervisory Board Members, and also fulfills the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges. The Company has notified the exchanges of his status as an independent audit &amp; supervisory board member.</p>
Yoshitaka Kato	○	—	<p>Mr. Kato has highly specialized knowledge and a wealth of experience in finance, accounting, and corporate auditing based on his career over many years as a certified public accountant. He is also</p>

			<p>honest in character, as well as highly insightful and capable. Mr. Kato will contribute to the Company's aim of conducting audits from diverse perspectives, and is thus judged to be qualified for the role of Outside Audit &amp; Supervisory Board Member of the Company and to be able to perform his duties properly in that position. For these reasons, he is appointed as the position of Outside Audit &amp; Supervisory Board Member.</p> <p>Mr. Kato meets the standards set by Sumitomo Corporation for Independence of Outside Audit &amp; Supervisory Board Members, and also fulfills the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges. The Company has notified the exchanges of his status as an independent audit &amp; supervisory board member.</p>
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**[Independent Directors/Audit & Supervisory Board Members]**

Number of Independent Directors/Audit & Supervisory Board Members	8
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Matters relating to Independent Directors/Audit & Supervisory Board Members

All of Outside Directors and Outside Audit & Supervisory Board Members in the Company meet the Company's internal rule of Standards for Appointment and Independence, and also the criteria for independence set by the Tokyo Stock Exchange and other exchanges on which the Company is listed. The Company has registered all these individuals as independent executives based on the exchanges' respective provisions.

([https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/outdirec\\_independ.pdf?la=en](https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/outdirec_independ.pdf?la=en))

**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration, Stock Options, Others
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Supplementary Explanation

- Performance-linked bonuses  
From the viewpoint of strengthening the correlation with the management strategy, the total amount of performance-linked bonuses to be paid to directors and executive officers is determined based on the consolidated net income attributable to the owners of the parent company and the basic profit cash flow for the applicable fiscal year using a calculation method determined by the Board of Directors. The specific amounts to be allocated to individual officers will be determined based on their positions and personal performance and will be paid after the closing of the applicable fiscal year.  
To promote personal commitment to the business strategy and corporate performance of the Company, the personal performance of individual directors and executive officers is evaluated based on both financial indicators (to evaluate attainment of the business plan and other activities of the business segment they are in charge of) and non-financial indicators (to evaluate their effort on materiality [key issues] to achieve the sustainable growth of the Sumitomo Corporation Group).
- Stock-linked remuneration  
With the aim of strengthening the link with shareholder value and promoting their commitment to

improvement of the medium- and long-term corporate value and the sharing of a common interest with shareholders, the Company grants to directors and executive officers common shares of the Company with a transfer restriction period (“Restricted Stocks”) and performance-linked stock remuneration in which the number of shares issued to them will vary depending on the attainment rate of the predetermined stock performance index (stock price) (“Performance Share Units”).

As directors and executive officers will retain common shares of the Company granted under these stock remuneration plan while they serve as officers of the Company, these plans will encourage them to share the same values as other shareholders.

(a) Restricted stock-based remuneration (Restricted Stock) plan

In principle, each year the Company enters into a transfer restriction agreement (Agreement on Allotment of Restricted Stocks) with each recipient and issues to the recipient a number of shares of the Company determined based on his/her position.

To realize the sharing of shareholder value over the medium and long term, the recipient is restricted in transferring these shares during the period from their issuance to the later of the date when such recipient resigns from all of positions as director, executive officer or any other position designated by the Board of Directors or the date of his/her separation from the Company.

(b) Performance-linked stock remuneration (Performance Share Unit) plan

Based on the calculation method determined by the Board of Directors and affirmed as appropriate by the Audit & Supervisory Board Members, in principle each year the Company grants to directors and executive officers the number of common shares of the Company determined by that calculation method based on the attainment rate of the stock index during the evaluation period of three years (the growth rate of the price of the Company shares during that period).

Recipients of Stock Options	Internal Directors, Employee, Other
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Supplementary Explanation

New Share Acquisition Rights to the Company’s Directors, Executive Officers and Corporate Officers under the qualification system of the Company.

[Summary of the new share acquisition rights]

- 2013 Fiscal Year 1,980 new share acquisition rights  
(Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1,312)
- 2014 Fiscal Year 2,020 new share acquisition rights  
(Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1,441)
- 2015 Fiscal Year 1,780 new share acquisition rights  
(Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1,532)
- 2016 Fiscal Year 1,820 new share acquisition rights  
(Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1,124)
- 2017 Fiscal Year 2,050 new share acquisition rights  
(Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1,516)

New Share Acquisition Rights in the Form of Stock Options for a Stock-Linked Compensation Plan to the Company’s Directors and Executive Officers.

[Summary of the new share acquisition rights]

- 2006 Fiscal Year 111 new share acquisition rights  
(Number of shares for each new share acquisition right: 1,000 shares Exercise price per share: ¥1)
- 2007 Fiscal Year 944 new share acquisition rights



- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)  
 • 2008 Fiscal Year 1,430 new share acquisition rights
- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)  
 • 2009 Fiscal Year 1,875 new share acquisition rights
- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)  
 • 2010 Fiscal Year 2,172 new share acquisition rights
- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)  
 • 2011 Fiscal Year 2,024 new share acquisition rights
- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)  
 • 2012 Fiscal Year 2,053 new share acquisition rights
- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)  
 • 2013 Fiscal Year 1,569 new share acquisition rights
- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)  
 • 2014 Fiscal Year 1,511 new share acquisition rights
- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)  
 • 2015 Fiscal Year 1,277 new share acquisition rights
- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)  
 • 2016 Fiscal Year 1,695 new share acquisition rights
- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)  
 • 2017 Fiscal Year 1,370 new share acquisition rights
- (Number of shares for each new share acquisition right: 100 shares Exercise price per share: ¥1)

The Company will not issue new stock options in and after fiscal 2018. Stock options issued in previous years will remain effective.

#### [Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
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#### Supplementary Explanation

The Company states the total remuneration for Directors and Audit & Supervisory Board Members in its annual securities report and business report, and makes these publicly accessible by posting them on its website.

Total Amount of remuneration of the fifteen Company's Directors in the 2017 Fiscal Year is 810 million yen. The breakdown of the remuneration is as follows.

- Monthly remuneration ... ¥571 million
- The amounts of Bonuses approved at the 150th Ordinary General Meeting of Shareholders ... ¥174 million or less
- The total amount recorded as expenses in this fiscal year for granting the Sixteenth New Share Acquisition Rights (issued on July 31, 2017) ... ¥6 million
- The total amount recorded as expenses in this fiscal year for granting the Twelfth New Share Acquisition Rights (stock-linked compensation) (issued on July 31, 2017) ... ¥41 million
- The total amount recorded as expenses in this fiscal year for granting the Eleventh New Share Acquisition Rights (stock-linked compensation) (issued on August 2, 2016) ... ¥17 million

For individuals whose total remuneration is 100 million yen or more, the total remuneration and its breakdown are stated in the annual securities report.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company's policy for deciding the details of remuneration to be paid to its Directors and Audit & Supervisory Board Members is as follows:

##### 1. Directors' Remuneration

The Company has formulated its executive remuneration plan according to the following basic policy to realize a plan with the aim of reinforcing our group's governance and increasing our corporate value over medium- to long-term, and promoting the Company's sustainable growth in link with our management strategy.

##### Basic Policy

- By appropriately setting the ratio of fixed remuneration (monthly remuneration) and variable remuneration (performance-linked bonus which is linked to short-term results and share-based remuneration which is linked to medium- to long-term results and shareholder value), the plan shall function as a robust incentive for achieving sustainable growth.
- By reinforcing the relation between our group's management strategy and performance-linked bonus, the plan shall promote the execution of duties that coincide with our management strategy and offer strong motivation for achieving specific business objectives.
- By further reinforcing the interrelation with shareholder value regarding the stock remuneration plan, the plan shall promote efforts to improve our corporate value over medium- to long term and create greater shared values with our shareholders.

##### Remuneration composition ratios and remuneration standards

- Appropriate ratios should be maintained between the fixed remuneration and the variable remuneration to strengthen their function as incentives to improve the corporate performance and medium/long-term corporate value based on the management strategy of the Company.
- Appropriate remuneration standards should be established based on objective market research data on officer remuneration conducted by an independent research organization and in consideration of the business environment surrounding the Company.

##### Process to decide officers' remuneration

Regarding remuneration for directors of the Company, the maximum total amount (1,200 million yen in

a year, including 100 million yen to be paid to outside directors in a year) was approved at the 150th general meeting of shareholders held on June 22, 2018. The total amount includes the monthly remuneration, the stock-based remuneration with transfer restriction (Restricted Stocks) and the performance-linked stock remuneration (Performance Share Unit). The specific amount of remuneration to be paid to each director was determined and approved by resolution of the Board of Directors. To further enhance the transparency and objectivity of the decision-making process, details of the remuneration are studied by the Nomination and Remuneration Advisory Committee, an advisory body to the Board of Directors comprising a majority of outside directors. The Board of Directors makes its resolution based on the Committee's proposal.

(1) Remuneration for directors (excluding the Chairman of the Board of Directors and outside directors) Directors' remuneration comprises: monthly remuneration, stock-based remuneration with transfer restriction (Restricted Stocks) and performance-linked stock remuneration (Performance Share Unit).

#### Monthly Remuneration

Granted each month at a fixed amount to directors according to their position

#### Directors' Bonuses

From the viewpoint of strengthening the correlation with the management strategy, the total amount of performance-linked bonuses to be paid to directors and executive officers is determined based on the consolidated net income attributable to the owners of the parent company and the basic profit cash flow for the applicable fiscal year using a calculation method determined by the Board of Directors. The specific amounts to be allocated to individual officers will be determined based on their position and personal performance and will be paid after the closing of the applicable fiscal year.

To promote personal commitment to the business strategy and corporate performance of the Company, the personal performance of individual directors and executive officers is evaluated based on both financial indicators (to evaluate attainment of the business plan and other activities of the business segment they are in charge of) and non-financial indicators (to evaluate their effort on materiality [key issues] to achieve the sustainable growth of the Sumitomo Corporation Group).

The specific calculation method is described in [Calculation Method of Remuneration] below.

#### Stock-linked compensation

With the aim of strengthening the link with shareholder value and promoting their commitment to the improvement of the medium- and long-term corporate value and the sharing of a common interest with shareholders, the Company grants to directors and executive officers common shares of the Company with a transfer restriction period (Restricted Stocks) and performance-linked stock remuneration in which the number of shares issued to them will vary depending on the attainment rate of the predetermined stock performance index (stock price) (Performance Share Units).

As directors and executive officers will retain common shares of the Company granted under these stock remuneration plans while they serve as officers of the Company, these plans will encourage them to share the same values as other shareholders.

- Stock-based remuneration with transfer restriction (Restricted Stock) plan

In principle, each year the Company enters into a transfer restriction agreement (Agreement on Allotment of Restricted Stocks) with each recipient and issues to the recipient a number of shares of the Company determined based on his/her position.

To realize the sharing of shareholder value over the medium and long term, the recipient is restricted in transferring these shares during the period from their issuance to the later of the date when such recipient resigns from all positions as director, executive officer or any other position designated by the Board of Directors or the date of his/her separation from the Company.

- Performance-linked stock remuneration (Performance Share Unit) plan

Based on the calculation method determined by the Board of Directors and affirmed as appropriate by the Audit & Supervisory Board Members, in principle, each year the Company grants to directors and executive officers the number of common shares of the Company determined by that calculation method based on the attainment rate of the stock index during the evaluation period of three years (the growth rate of the price of the Company shares during that period). The specific calculation method is described in [Calculation Method of Remuneration] below.

## (2) Chairman's Remuneration

The Chairman's remuneration comprises: monthly remuneration, stock-based remuneration with transfer restriction (Restricted Stocks) and performance-linked stock remuneration (Performance Share Unit).

## (3) Outside Directors' Remuneration

The remuneration for outside directors is comprised solely of a fixed amount of monthly remuneration, which is paid on a monthly basis.

## 2. Audit & Supervisory Board Members' Remuneration

The maximum amount of monthly remuneration to be paid to Audit & Supervisory Board Members is 180 million yen per year, as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013. Specific amounts for individual Audit & Supervisory Board Members were decided by conference with the Audit & Supervisory Board Members within this limit.

The remuneration for Audit & Supervisory Board Members is comprised solely of a fixed amount of monthly remuneration, which is paid on a monthly basis.

[Calculation Method of Remuneration]

1. Directors' Bonuses

The following calculation formula applies to bonuses paid to directors excluding the Chairman of the Board and outside directors (hereinafter referred to "recipient directors"):

(1) Total amount

The total amount to be paid to directors shall be the lower of (i) and (ii) as follows:

(i)  $(X1 + X2 + Y1 + Y2) \times (\text{total position points of all recipient directors divided by } 36.31)$  (any fractional amount less than one million yen shall be rounded down)

X1 = The portion of consolidated net income attributable to owners of the parent company not exceeding 300,000 million yen  $\times 50\% \times 0.37\%$

X2 = The portion of consolidated net income attributable to owners of the parent company exceeding 300,000 million yen  $\times 50\% \times 1.11\%$

Y1 = The portion of basic profit cash flow not exceeding 300,000 million yen  $\times 50\% \times 0.37\%$

Y2 = The portion of basic profit cash flow exceeding 300,000 million yen  $\times 50\% \times 1.11\%$ ; or

(ii) 2,600 million yen

(Note)

1. If the consolidated net income for the year attributable to owners of the parent is negative (i.e., a net loss), or the basic profit cash flow is negative (i.e., net expenditure of cash), the consolidated net income or the basic profit cash flow should be deemed to be "0" for the purpose of this calculation.

2. Basic profit cash flow = Basic profit + Equity in earnings of affiliates + Equity in dividends of affiliates

(2) Specific amount of bonus paid to each director

The total amount of directors' bonuses will be distributed to individual recipient directors proportionately according to the following points designated to individual positions and evaluation of their personal performance (any fractional amount less than 1,000 yen shall be rounded down):

(Bonus for each director = Total amount of directors' bonuses  $\times$  adjusted position points of each director reflecting personal performance evaluation / total adjusted position points reflecting personal performance evaluation of all recipient directors)

(Note) Adjusted position points reflecting personal performance evaluation = Position points  $\times$  Personal performance evaluation

Position points

Director, President and Chief Executive Officer: 22.1

Director, Executive Vice President: 12.1

Director, Senior Managing Executive Officer: 10

Director, Managing Executive Officer: 8.5

Based on the constituents of directors as of the date of the issuance of this report, the maximum amount that may be paid to each position excluding the personal performance evaluation of each director is as follows:

Director, President and Chief Executive Officer: 158.2 million yen

Director, Executive Vice President: 86.6 million yen

Director, Senior Managing Executive Officer: 71.6 million yen

Director, Managing Executive Officer: 60.9 million yen

## 2. Performance-linked stock remuneration (Performance Share Unit) plan

The number of shares to be issued to each recipient director is determined by the following formula:

(i) The number of shares to be issued to each recipient (fractions of less than 100 shares are discarded) (hereinafter “shares to be issued”)

Basic shares to be issued  $\times$  share issue ratio  $\times$  service period ratio

The upper limit for the total number of Company shares to be issued to recipient directors corresponding to each year included in the service period is 180,000 shares per year. If the total number of issued and outstanding shares of the Company increases or decreases as a result of any share consolidation or split (including allotment of shares without contribution), this upper limit of the total numbers of shares to be issued will be adjusted in proportion to such consolidation or split.

The Company will provide monetary remuneration receivables to recipient directors to allot the performance-linked shares, and issue or dispose the Company’s common shares to the recipient directors by making them pay the entire amount of such monetary remuneration receivables as contribution in-kind.

The upper limit for the total amount of cash remuneration paid to recipient directors in each year included in the service period) is 430 million yen.

(ii) Definition of elements used in the calculation of shares issued to each recipient

a. Basic shares to be issued (fractions of less than one share are discarded)

Basic shares to be issued are calculated by: dividing (a) the base amount for each position in the following table by (b) the simple average of the closing price of the Company shares at the Tokyo Stock Exchange during the first month of the evaluation period (June each year)

Position	Base Amount
Chairman of the Board of Directors	22,500,000 yen
Director, President and Chief Executive Officer	22,500,000 yen
Director, Executive Vice President	12,500,000 yen
Director, Senior Managing Executive Officer	10,000,000 yen

## b. Share issue ratio (Performance goal attainment level)

As shown in the calculation formula below, the share issue ratio is determined based on the ratio of the Total Shareholder Return of the Company shares during the evaluation period to the growth rate of the TSE stock index (by using the average closing price) during the same period (hereinafter the “growth rate of the Company share price”).

$$\begin{aligned} \text{Growth rate of the Company share price} &= \frac{\text{TSR (Total Shareholder Return) of Company shares during the evaluation period}}{\text{Growth rate of the TSE stock index during the evaluation period}} \\ &= \frac{(B + C) / A}{E / D} \end{aligned}$$

A: Simple average of closing price of the Company shares at the Tokyo Stock Exchange during the first month of the evaluation period (June each year) (\*)

B: Simple average of closing price of the Company shares at the Tokyo Stock Exchange during the last month of the evaluation period (June after three years) (\*)

C: Total dividends of surplus per share during the evaluation period

D: Simple average of the TSE stock index during the first month of the evaluation period (June each year)

E: Simple average of the TSE stock index during the last month of the evaluation period (June after three years)

(Note) If the total number of issued and outstanding shares of the Company increases or decreases as a result of share consolidation or split (including allotment of shares without contribution), this will be adjusted in proportion to such consolidation or split.

Growth rate of the Company share price	Share issue ratio
Lower than 50%	0%
50% to 150% (inclusive)	Growth rate of the Company share price
Higher than 150%	150%

### [Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

The Company supports its Outside Directors by tasking the Board of Directors secretariat with distributing and explaining in advance documents to be presented at meetings of the Board of Directors, and it has appointed a secretary with responsibility for providing the support necessary for Outside Directors to execute their duties. The Company has also established the Audit & Supervisory Board Members' Administration Department as an entity dedicated specifically to assisting all Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members with their duties. The department provides the necessary support by distributing and explaining in advance documents to be presented at meetings of the Board of Directors, and by furnishing information on the Company that the Audit & Supervisory Board Members require, among other forms of assistance.

**[Status of persons retired from Representative Director and President, etc.]**

[Names, etc., of advisors (“*sodanyaku*,” “*komon*,” etc.) who have formerly served as Representative Director and President, etc.]

Name	Title/Position	Duties	Working Arrangement / Conditions ( Full-time / Part-time, Compensation etc.)	Date of Retirement from President, etc.	Term
Tomiichi Akiyama	Honorary Advisor	Engagement in external activities	Part-time Paid	1996/6/27	Undetermined
Kenji Miyahara	Honorary Advisor	Engagement in external activities	Part-time Paid	2001/6/22	Undetermined
Motoyuki Oka	Honorary Advisor	Engagement in external activities	Part-time Paid	2003/6/22	Undetermined

[Total number of advisors (“ <i>sodanyaku</i> ,” “ <i>komon</i> ,” etc.) who have formerly served as Representative Director and President, etc.]	3
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**[Other Matters]**

- There are some cases where former President and Chief Executive Officers and Chairmen of the Board of Directors are appointed as senior advisors, and where they are appointed as honorary advisors after retiring as senior advisors.
- The duties of senior advisors and honorary advisors are stipulated under Company regulation as follows, and they are never involved in Company business execution or decision-making:
  - Upon the request of the President and Chief Executive Officer, senior advisors are to engage in external activities and respond to consultation by the President and Chief Executive Officer.
  - Upon the request of the President and Chief Executive Officer, honorary advisors are to engage in external activities.
- The Nomination and Remuneration Advisory Committee is chaired by an Outside Director and its majority is comprised of Outside Directors. It carries out reviews of the policy relating to senior advisors and honorary



advisors (including their duties, compensation and term), and submits the results thereof as recommendations to the Board of Directors. The policy is adopted by resolution of the Board of Directors based on the recommendations from the Nomination and Remuneration Advisory Committee.

- Senior advisors engage in external activities on a full-time basis instead of the President and Chief Executive Officer and the Chairman of the Board of Directors so that the President and Chief Executive Officer and the Chairman of the Board of Directors can concentrate on company management working towards increasing corporate value and receive compensation commensurate with their duties.
- If required, honorary advisors engage in external activities on a part-time basis instead of the President and Chief Executive Officer and the Chairman of the Board of Directors, and receive compensation commensurate with their duties.
- Mr. Kazuo Omori, a senior advisor, is not referred to in the chart above because he has not formerly served as Representative Director or President, etc., however, his duties are the same as those for senior advisors as stated above and he receives compensation commensurate with his duties.
- Where someone is to newly serve as a senior advisor or honorary advisor hereafter, their term of office shall be as follows:
  - Senior advisors : 3 years.
  - Honorary advisors : Until the honorary advisor is 80 years old.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) New

### [Business Execution]

- The Company has introduced an executive officer system with the aim of clarifying the responsibilities and authority for business execution.
- The Company currently has 11 Directors; this means that the structure of the Board of Directors (the functions of which are to supervise business execution and make decisions relating to important management matters) is such that it can conduct substantive, lively discussions and make appropriate decisions speedily. In addition, management responsibilities are made clear each business year, and the term of office for Directors is set at one year so as to respond speedily to changes in the business environment.
- The Company ensures that the composition of the Board of Directors is diverse in terms of experience, knowledge, specialty, gender, and other attributes. It appoints five Outside Directors among its 11 Directors so that through their diverse perspectives, it can ensure appropriate decision-making in meetings of the Board of Directors and further enhancement of the supervisory function.
- In July 2015 the Company changed the Management Council to a decision-making body at the operational execution level. Its aim in so doing was to incorporate diverse opinions and multilateral discussions into the decision-making process on specific key matters related to management within the scope of its mandate from the Board of Directors. The Management Council, comprising the President and Chief Executive Officer, all the chief officers in the Corporate Group, and all the General Managers of business units, meets once a week in principle. In addition, the Company has established a range of committees to act as advisory bodies to the President and Chief Executive Officer and the Management Council with regard to specific matters that are particularly important from the perspective of The Company as a whole. The committees include the Company-wide Loan and Investment Committee, the Medium-term Management Plan Promotion Support Committee, the Internal Control Committee, and the Compliance Committee.
- The Company has appointed a Chief Compliance Officer, who has ultimate responsibility for compliance matters. The Chief Compliance Officer supervises the handling of potential and verified compliance violations, implements measures to ensure compliance, and deals with matters brought to light via the Speak-Up System described below. Furthermore, the Company has established the Compliance Committee and the Compliance Committee formulates and proposes compliance-related measures, and offers advice to

the Chief Compliance Officer on the implementation of these compliance-related measures. The Company has also appointed Compliance Leaders in each business unit and domestic and overseas office.

- These organizations and personnel are playing a central role in assuring rigorous compliance and in conducting educational programs so that all officers and employees of the Company are aware of the need for compliance. The Compliance Committee distributes a compliance manual to all officers and employees to help them understand issues relating to compliance, while members of top management use every possible opportunity to keep reminding personnel to prioritize compliance first and to ensure prompt reporting and a rapid response. By these means, the Company endeavors to enforce internal compliance.
- In case a compliance-related problem arises and circumstances make it difficult to report or deal with the problem through the normal reporting lines, the Company has introduced the Speak-Up System enabling the person who noticed the issue to communicate information directly to the Chief Compliance Officer, with the Legal Compliance Department, Audit & Supervisory Board Members, and outside attorneys serving as liaisons.

#### [Auditing and Supervisory Functions]

The Audit & Supervisory Board Members audit the performance of duties by the Directors by attending meetings of the Board of Directors and other important internal meetings. They examine the status of operations and the financial status in accordance with the auditing policy and plan drawn up by the Audit & Supervisory Board and reported to the Board of Directors. The Company's accounting audit was conducted by Masahiro Mekada, Atsuji Maeno, and Isao Kamizuka. All three are certified public accountants at KPMG AZSA LLC, and each has audited the Company's accounts continuously for no more than seven years. A total of 64 people assisted with the accounting audit; they comprised 26 certified public accountants, 16 assistant accountants (who have passed the CPA examination) and others, and an additional 22 people. For further details refer also to the sections of this report entitled "Cooperation among Audit & Supervisory Board Members, Accounting Auditors, and Internal Audit Departments" and "Supporting System for Outside Directors and/or Audit & Supervisory Board Members."

#### [Nomination Function, etc.]

##### [Overall]

- In November 2015, the Company established the Nomination and Remuneration Advisory Committee, an advisory body to the Board of Directors chaired by an Outside Director, within which Outside Directors comprise a majority. The Committee is in charge of reviewing (1) the selection criteria for the President and Chief Executive Officer, (2) nomination criteria for directors and audit & supervisory board members, (3) selection and dismissal of the President and Chief Executive Officer (including the nomination of a successor of the President and Chief Executive Officer), (4) nominations of candidates for directors and audit & supervisory board members (including determination of Representative Directors and Executive Directors), and (5) selection of Management Council members, and will submit the results thereof as recommendations to the Board of Directors.
- Refer to the Company's standards related to the independence of Outside Directors and Outside Audit & Supervisory Board Members from the Company, which are made public on its website.  
([https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/outdirec\\_independ.pdf?la=en](https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/outdirec_independ.pdf?la=en))

##### [President and Chief Executive Officer]

- Selection criteria (qualification, capabilities, experience, etc.) for the President and Chief Executive Officer are determined by a resolution of the Board of Directors following deliberations by the Nomination and Remuneration Advisory Committee and submission of deliberation results to the Board of Directors.
- A new President and Chief Executive Officer is selected by a resolution of the Board of Directors after the Nomination and Remuneration Advisory Committee nominates candidates for the post of President and Chief Executive Officer based on the aforementioned selection criteria at the appropriate timing in light of the term of the President and Chief Executive Officer (not exceeding six years in principle) and submits nominations to the Board of Directors as recommendations.
- In the case where it is deemed that a new President and Chief Executive Officer has not fulfilled his/her functions in light of appropriate evaluation of corporate earnings, etc., the dismissal of said President and Chief Executive Officer is determined by a resolution of the Board of Directors following deliberations by the Nomination and Remuneration Advisory Committee convened by the Chairperson (not attended by said President and Chief Executive Officer) on whether or not to dismiss said President and Chief Executive Officer and the submission of the deliberation results to the Board of Directors.

▪ The appointment of a successor following the aforementioned dismissal is determined by a resolution of the Board of Directors after the Nomination and Remuneration Advisory Committee nominates candidates for the post of a new President and Chief Executive Officer and submits nominations to the Board of Directors as recommendations. However, in the case where a successor cannot be appointed immediately, such proxy as stipulated under Company regulations engages in business execution on behalf of the President and Chief Executive Officer, and processes to select a new President and Chief Executive Officer are proceeded as soon as possible.

[Executive Officers]

▪ Executive Officers are in principle appointed by means of selection from among those holding managerial positions under the Company's employment grade system. The appointment is determined by a resolution of the Board of Directors based on recommendations from a superior.

▪ The dismissal of the Executive Officer is determined by a resolution of the Board of Directors as stipulated under Company regulations.

▪ Candidates for the post of Executive Officer are required to be honest in character, highly insightful and capable, and must have expert business knowledge and extensive experience, including management experience. Factors such as gender and nationality shall be of no consequence.

[Directors]

▪ In order to ensure objectivity and transparency of procedures, the nomination of a candidate for the post of Director is deliberated by the Nomination and Remuneration Advisory Committee, resolved by the Board of Directors following the submission of deliberation results by the committee and then proposed at the general meeting of shareholders as an agenda item.

▪ Candidates for the post of internal Director are required to be honest in character, highly insightful and capable, and must have expert business knowledge and extensive experience, including management experience. Factors such as gender and nationality shall be of no consequence.

▪ Candidates for the post of Outside Director are required to be honest in character, highly insightful and capable and with a view to bringing in diverse perspectives, must have a track record within their particular area of business, as well as extensive knowledge and experience. Factors such as gender and nationality shall be of no consequence.

[Audit & Supervisory Board Members]

▪ In order to ensure objectivity and transparency of procedures, the nomination of a candidate for the post of Audit & Supervisory Board Member is deliberated by the Nomination and Remuneration Advisory Committee, resolved by the Board of Directors following the submission of deliberation results by the committee and proposed at the general meeting of shareholders as an agenda item after obtaining the approval of the Audit & Supervisory Board.

▪ Candidates for the post of internal Audit & Supervisory Board Member are required to be honest in character, highly insightful and capable, and must have expert business knowledge and extensive experience. Factors such as gender and nationality shall be of no consequence.

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

[Remuneration Decision-making Function]

▪ Remuneration for the Company's Directors is decided by the Board of Directors within the scope of the overall amount approved by resolution of the general meeting of shareholders.

▪ In November 2015, the Company dissolved the Remuneration Committee for constructive reasons and replaced it with a new Nomination and Remuneration Advisory Committee chaired by an Outside Director, within which Outside Directors comprise a majority, to serve as an advisory body to the Board of Directors. The committee reviews the formula and level of remuneration and bonuses for Directors and Executive Officers, and reports the results of its review to the Board of Directors.

### 3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the audit & supervisory board member system believing that the most legitimate means of improving the effectiveness of its corporate governance is to further reinforce and enhance its corporate auditing framework. As a company with audit & supervisory board members, it has created an auditing system that incorporates a diversity of perspectives in order to reinforce its capacity for conducting checks from an external perspective. To that end, the Company has ensured that three of its five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, of whom two are legal experts—a former Prosecutor-General and a former President of Osaka High Court—and one is an accounting expert. In addition to attending meetings of the Board of Directors, Audit & Supervisory Board Members are permitted to attend all internal meetings, enabling them to obtain sufficient information essential for auditing by always participating in important meetings. The Company also appoints five Outside Directors with a range of different experiences and specialties so their diverse perspectives can help ensure appropriate decision-making by the Board of Directors and further enhance the supervisory function. The Company believes that reinforcing management oversight by its independent Outside Directors and Outside Audit & Supervisory Board Members will enable it to better achieve its corporate governance-related aims in terms of improving management efficiency, maintaining sound management and ensuring management transparency.

Guided by Sumitomo's Business Philosophy, the Company set down the Sumitomo Corporation Group Management Principles and Activity Guidelines, with which it endeavors to familiarize all its officers and employees to ensure that they share a set of values—such as compliance with laws and regulations—to be respected throughout the Group. In addition, the Company addressed the issue of sound management, putting in place a framework for complying with laws and regulations by establishing a Compliance Committee and introducing the Speak-Up System, among other measures. Given that it is important for the Company's top executives themselves to demonstrate a lofty sense of ethics in running the Company, the Sumitomo Corporation Corporate Governance Principles specify that the terms of office for the Directors serving as the Chairman, and the President and Chief Executive Officer, should each be a maximum of six years in principle. While valuing its management culture as a Japanese corporation, the Company intends to continue deliberating on the most appropriate form of corporate governance for its own circumstances. In doing so, it will take into account global trends and developments in corporate legislation and use the best aspects of corporate governance in other countries for reference.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends out its Notice of Convocation for the general meeting of shareholders approximately three weeks prior to the meeting.
Scheduling AGMs Avoiding the Peak Day	The Company holds its general meeting of shareholders early, avoiding the “peak” day.
Allowing Electronic Exercise of Voting Rights	The Company has allowed shareholders to exercise their voting rights via the Internet since 2004, and via the Internet using mobile phones since 2005.
Participation in Electronic Voting Platform	The Company uses the Electronic Voting Platform for institutional investors operated by Investor Communication Japan, Inc. (ICJ), allowing institutional investors sufficient time to examine propositions.
Providing Convocation Notice in English	The Company prepares an English-language translation of the Notice of Convocation, which it posts on its website.
Other	Before sending its Notice of Convocation to shareholders by mail, the Company posts it on its website for their reference. In addition, we stream video of the General Meeting of Shareholders on our website for a set period following the close of the meeting.

#### 2. IR Activities New

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company has set down a Corporate Disclosure Policy and made it public in Japanese and English on the Company's website. ( <a href="https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/disclosurepolicy160701.pdf?la=en">https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/disclosurepolicy160701.pdf?la=en</a> )
Regular Investor Briefings for Individual Investors	The Company periodically holds briefings in various cities within Japan. In fiscal 2017, the Company held online briefings in addition to 11 briefings in 10 cities around Japan.
Regular Investor Briefings for Analysts and Institutional Investors	Following the announcement of financial results (at the end of each quarter and each fiscal year), the Company periodically holds briefings in Japan for analysts and institutional investors in a timely manner as well as small meetings hosted by the President and the Chief Financial Officer (CFO) on a biannual basis. In addition, the Company held site tours on the Company's businesses both inside and outside Japan and ESG briefings in fiscal 2017.
Regular Investor Briefings for Overseas Investors	The Company periodically visits institutional investors, primarily in Europe and the United States, to hold one-on-one meetings with the President, CFO and the General Manager of the Investor Relations Dept. (In fiscal 2017, the Company held 69 one-on-one meetings at a total of eight roadshows in North America, Europe and Asia.) It also holds briefings for institutional investors in major cities. Moreover, the Company also holds one-on-one meetings with proxies who are in charge of executing voting rights on behalf of institutional investors (Shareholder Relations activities) in Japan, Europe and North America.
Posting of IR Materials on Website	The Company posts materials that may be useful for investors to make investment decisions or otherwise on its website in a timely manner. These materials include financial results, Tokyo Stock Exchange filings other than financial results, annual securities reports, quarterly reports, company briefing materials, annual reports, Notices of Convocation for the general

	meetings of shareholders, and business reports.
Establishment of Department and/or Manager in Charge of IR	The Company has established an Investor Relations Department as the department in charge of IR activities, which is jointly managed by the CFO and the CSO (Chief Strategy Officer) and plans and implements a range of IR initiatives.
Other	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Sumitomo Corporation Corporate Governance Principles stipulate the Company's policy with regard to respecting the positions of stakeholders. The Disclosure Policy is also established. The Japanese version and the English version of the Policy are available on the website of the Company. ( <a href="https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/disclosurepolicy160701.pdf?la=en">https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/disclosurepolicy160701.pdf?la=en</a> )
Implementation of Environmental Activities, CSR Activities etc.	To achieve sustainable growth together with society, the Company is working to deliver and create new value through business activities in line with the first of the Sumitomo Corporation Group Management Principles, which sets out its commitment to achieving prosperity and realizing dreams through sound business activities. Specific details addressing environmental or social matters through business activities and CSR activities are made available via the Company's website and by other means.
Development of Policies on Information Provision to Stakeholders	The Sumitomo Corporation Corporate Governance Principles stipulate that the Company strives to actively disclose information to stakeholders and to ensure that information is disclosed in full. ( <a href="https://www.sumitomocorp.com/jp/-/media/Files/hq/ir/top/en/corporate_disclosure_policy1611.pdf?la=en">https://www.sumitomocorp.com/jp/-/media/Files/hq/ir/top/en/corporate_disclosure_policy1611.pdf?la=en</a> )
Other	<p>[Diversity &amp; Inclusion]</p> <p>With the Fourth Industrial Revolution underway, the structures of industries are changing and becoming more complex, and the borders between businesses are rapidly disappearing in all industries. Against this background, the Company has established "Diversity and Inclusion" as one of the key concepts included in the Medium-Term Management Plan 2020, aiming to implement an advanced personnel strategy to achieve sustainable growth and the development of its businesses. Specifically, the Company respects individual differences among Group employees, and provides and implements programs that provide each employee with opportunities to work on challenging tasks and maximize their strengths.</p> <p>[Active Participation by Women]</p> <p>The Company respects the individuality of employees and promotes their active participation in its business. Upholding the active participation of women as one of its key business strategies, the Company implements</p>

various programs to support women at work. Specifically, recognizing the need to support the balance between family and professional commitments, it provides extensive support systems that exceed legal requirements. Furthermore, it has introduced programs to encourage female employees to play active roles in the Company following their return from maternity and childcare leave. For example, in 2008, we established the Triton Sukusuku Square in-house nursery to provide childcare services for our employees; in 2014, we distributed a handbook to all employees that offers guidance on balancing a career and childcare; and in the same year, we introduced a support program for female employees taking their children with them on overseas assignments. Initiatives such as these have won acclaim and in June 2015 the Company was granted Platinum “Kurumin” certification (\*1).

Furthermore, the Company drew up an action plan based on Japan’s Act on Promotion of Women’s Participation and Advancement in the Workplace with the aim of facilitating even greater participation by its female employees. As a result, it was certified as an “Eruboshi” company of the second-highest class in May 2016 (\*2).

Details relating to the number and ratios of women working at the Company (parent company only) as of April 1, 2018 are as follows:

No. of female corporate officers: 1

Rate of female employees: 24.5%

Rate of women in key career track positions: 9.1%

Rate of women in managerial roles: 5.9%

The Company aims to increase the percentage of women in managerial roles to between 6% and 7% by the end of FY2019.

(\*1) The Platinum “Kurumin” certification system was established in conjunction with the revised Act on Advancement of Measures to Support Raising Next-Generation Children. It offers certification to companies that have already achieved certain standards in their measures to support parents, thereby earning “Kurumin” accreditation, and have gone beyond that to implement measures at an even higher level.

(\*2) The “Eruboshi” certification system offers three classes of certification

to companies that have met certain standards, qualifying them as outstanding in terms of promoting active participation by women, as set out in the Act on Promotion of Women's Participation and Advancement in the Workplace.

- Reform of work practices

To maximize the potential of a diverse workforce, it is necessary to support a diversity of work styles. The Company strives to offer work styles that enable employees to achieve fulfillment in both their personal and business life and deliver impressive results while maintaining and enhancing their personal health. To achieve these goals, the Company believes that the promotion of efficient work practices over the short, medium and long term is essential. For example, when young, a person may place greater emphasis on professional development. When older, that same person may place greater weight on his/her private life and life events, such as childcare or family care.

It is the Company's view that it will become increasingly necessary for employees to have flexible options that will allow them to work free of restrictions dictated by time or place, taking into account their work and life-stage situations at any particular time.

In addition, in the context of efficient daily work practice (short-term efficiency) that encourages a mindset of "work hard, rest well," the Company promotes the achievement of impressive business results (productivity improvement) within a finite amount of time, thereby encouraging employees to pursue a fulfilling private life and take care of their health.



## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

The Company's Board of Directors approved the development of the systems (internal control systems) set forth in the Companies Act, Article 362, Paragraph 4, Item 6, described below.

In addition, the Internal Control Committee assessed the implementation of the approved internal control systems, confirmed that these internal control systems are functioning effectively, and reported this fact at the Board of Directors' meeting.

The Company will establish and implement, as described in the following, systems to ensure that the Company's Directors comply with laws and regulations and the Company's Articles of Incorporation in the execution of their duties, and other systems necessary to ensure the properness of the operations of the Company and operations of group of enterprises consisting of the Company and its subsidiaries (these systems are hereinafter referred to collectively as the "Internal Control System").

The Internal Control System based on this resolution has already been established and implemented, but henceforth the Company will endeavor to establish a superior system in line with requests made from time to time based on ongoing reevaluations.

1. Systems for ensuring that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation:
  - In addition to explicitly requiring compliance with laws and regulations under the "Corporate Mission Statement" of the Sumitomo Corporation Group, the Company will set forth important items that are to be observed with particular strictness from the viewpoint of compliance as "Compliance Guiding Principles," and a "Compliance Manual" will be prepared and distributed to all officers and employees.
  - The Company will require all officers and employees to provide a written "Confirmation of Compliance" with the purport of rigorously assuring strict compliance with laws and regulations.
  - Based on the Company's internal rules, a "Chief Compliance Officer," a "Compliance Committee," "Compliance Leaders," and a "Speak-Up System" will be created.
  - The Chief Compliance Officer will supervise the handling of potential and verified compliance violations, will implement measures to ensure compliance, and will deal with matters brought to light via the "Speak-Up System."
  - The Compliance Committee will formulate and propose compliance-related measures, and will offer advice to the Chief Compliance Officer on the implementation of these compliance-related measures.
  - Compliance Leaders will rigorously assure compliance in each business unit and domestic and overseas office from a position close to the front lines, and they will also conduct activities relating to compliance enlightenment.
  - Routes will be secured via the Speak-Up System that enable employees and officers to communicate information on compliance directly to the Chief Compliance Officer, with the Legal Compliance Department, Audit & Supervisory Board Members, and outside attorneys serving as liaisons.
2. Systems for retaining and managing information pertaining to the Directors' execution of their duties:
  - Important documents with regard to meetings of each type, including minutes of meetings of the Board of Directors, and information pertaining to the execution of duties and decision-making will be properly preserved and managed under internal rules regarding the respective matters.
  - Steps will be taken under internal rules to prevent divulgence of information to third parties or other misuse of information.
  - Important documents pertaining to the Directors' execution of their duties will be made available for review in a timely manner when requested by an Audit & Supervisory Board Member.
3. Rules and other systems pertaining to the management of risk of loss:
  - The various risks associated with the Company's business will be categorized into two major types of risk and managed. The first type of risk is categorized as "quantifiable risk," including market risk, investment risk, and credit risk, with respect to which diligent efforts will be made to manage risk and pursue returns in line with such risk through the adoption of the concept of "risk asset management." The second type of risk is categorized as "non-quantifiable risk," including natural disasters, mistakes in

paperwork, and misconduct, with respect to which the Company will endeavor to limit risk through Company-wide countermeasures.

- The sections of the Corporate Group will build a framework, conduct monitoring, and implement improvements regarding risk management across all levels of the Company through the formulation of internal rules pertaining to the respective areas of operational responsibility and the formulation of risk management policies, methods, and guidelines. In addition, they will strive to improve risk management through the preparation and distribution of manuals and training activities as appropriate. All business units and other sections conducting business will carry out risk management required for the conduct of individual cases under this company-wide framework.
  - An “Internal Control Committee” will be instituted and will carry out overall management and timely evaluation of internal controls as a whole on a consolidated basis, along with the identification of important issues with respect to internal controls and the drafting and implementation of basic policies for improvement. In addition, this committee will maintain and improve the Internal Control System and deal with the internal control reporting system based on the Financial Instruments and Exchange Law.
  - A “Company-wide Loan and Investment Committee” will be established as an advisory organ to the “Management Council,” which serves as a decision-making body and will carry out deliberations regarding important rules, systems, and the like for risk management and regarding important investment and financing cases.
  - Plans for restoration of operations will be set forth to enhance preparedness for disasters and other crisis situations.
  - An “Internal Auditing Department” will be established under the direct supervision of the President and Chief Executive Officer as an independent body for company-wide monitoring of operations, and its auditing will apply to all organizations within the Company and in its domestic and overseas subsidiaries. The results of internal auditing will be reported directly to the President and Chief Executive Officer each month and will also be reported regularly to the Board of Directors.
4. Systems for ensuring the efficient execution of the Directors’ duties:
- The size of the Board of Directors will be sufficient to enable full discussions and speedy and reasonable decision-making.
  - Two or more Outside Directors will be elected so that through their diverse perspectives, the Company can ensure appropriate decision-making in the meeting of the Board of Directors and further enhancement of supervisory functions.
  - A system of Executive Officers will be introduced in order to clarify responsibility and authority for the execution of operations and to endeavor for the strengthening of the supervisory functions of the Board of Directors.
  - With the exceptions of the Chairman of the Board of Directors and Outside Directors, all Directors will, in principle, be Representative Directors, and will hold concurrent posts as Executive Officers.
  - Management responsibilities will be made clear each business year, and the term of office for Directors will be set at one year so as to respond speedily to changes in the management environment.
  - The terms of office of the director serving as the Chairman of the Board of Directors and of the executive officer serving as the President and Chief Executive Officer will not, in principle, exceed six years each.
  - A “Nomination and Remuneration Advisory Committee” composed of a majority of outside directors will be established as an advisory organ to the Board of Directors. The Nomination and Remuneration Advisory Committee will carry out reviews of selection criteria for directors and audit & supervisory board members, nominations of candidates for directors (including outside directors), Management Council members and Audit & Supervisory Board Members, and structures/levels of remuneration and bonuses for Directors and Executive Officers, and it will submit the results thereof as recommendations to the Board of Directors.
  - In addition to the Management Council as a decision-making body, various committees will be established as advisory organs. In addition, “Liaison Meetings” and various other conferences will be instituted for the exchange of information.
  - A medium-term management plan will be formulated and a budget will be compiled to set goals. In addition, a performance management system will be introduced in order to ascertain the state of General Managers’ execution of operations and to serve in the formulation of strategies for the future.
  - Under internal rules, agenda items requiring discussion by the Board of Directors will be specified in writing, and the job responsibilities of officers and employees will be made clear; in addition, the

decision-making authority of officers and employees regarding important matters will be specified in writing.

5. Systems for ensuring the properness of operations by the corporate group comprising the Company and its subsidiaries:
  - The Corporate Mission Statement of the Sumitomo Corporation Group promotes compliance with laws and regulations and the sharing of values to be respected throughout the Group.
  - Under internal rules, the Company will set forth the “important management issues” regarding which subsidiaries and other consolidated companies are to report to and consult with the Company. In addition, the Company will manage subsidiaries and other consolidated companies through the dispatch of directors, audit & supervisory board members, and employees and other personnel assigned to execute operations.
  - The Company will carry out support so that internal controls are created, operated, evaluated, and improved appropriately at its subsidiaries and other consolidated companies.
  - Internal audits of subsidiaries and other consolidated companies of which the Company is the managing entity will be conducted in accordance with internal rules.
  - The Company will support its subsidiaries and other consolidated companies to construct a framework for risk management, including risk management policies, methods, guidelines, regulations, etc., and to make necessary improvements thereto.
  - Subsidiaries will be instructed to develop systems for complying with laws and regulations in the same strict manner as the Company, including through the establishment of a Compliance Committee, the implementation of a Speak-Up System, and the preparation/distribution of a Compliance Manual.
  - The Company will ascertain its consolidated performance, including that of subsidiaries, promptly and accurately on a monthly basis, and it will carry out performance management in detail.
6. Matters regarding personnel assigned to support the operations of Audit & Supervisory Board Members:
  - An “Audit & Supervisory Board Members’ Administration Department” will be established to support the operations of the Audit & Supervisory Board Members, and several full-time staffers will be assigned to this department.
  - Internal rules will clearly stipulate those persons authorized to issue instructions to the Audit & Supervisory Board Members’ Administration Department and the responsibilities of the Audit & Supervisory Board Members’ Administration Department, and will clearly define the purpose of the Audit & Supervisory Board Members’ Administration Department as an organization for assisting the Audit & Supervisory Board Members in their operations.
  - The personnel evaluations of the members of the Audit & Supervisory Board Members’ Administration Department will be conducted by the Audit & Supervisory Board or an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board. In addition, the Directors shall consult in advance with the Audit & Supervisory Board or an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board and obtain the consent thereof regarding personnel transfers.
7. Systems for reporting to Audit & Supervisory Board Members:
  - Audit & Supervisory Board Members may attend all meetings, including those of the Management Council. In addition, the Chairman of the Board of Directors, the President and Chief Executive Officer, and the Audit & Supervisory Board Members will meet regularly.
  - Important materials pertaining to the execution of operations involving the Company, its subsidiaries and other consolidated companies will be delivered to the Audit & Supervisory Board Members, and officers and employees will report and give briefings to the Audit & Supervisory Board Members as necessary.
  - Persons submitting the aforementioned reports and persons making contact via the Speak-Up System will not be subjected to adverse treatment due to such reports/contact.
8. Other systems for ensuring that auditing will be carried out effectively by the Audit & Supervisory Board Members:
  - The Outside Audit & Supervisory Board Members will be experts on law, accounting, and the like, and auditing will be implemented from diverse points of view.
  - The Internal Auditing Department will maintain close contact with the Audit & Supervisory Board Members so as to contribute to effective auditing by the Audit & Supervisory Board Members, such as

by reporting the plans and results of internal audits to the Audit & Supervisory Board Members in a timely manner.

- The Audit & Supervisory Board Members will endeavor to ascertain the audit activities of the Accounting Auditor responsible for auditing the Company's financial results and exchange information by holding regular meetings, and will endeavor to efficiently and qualitatively improve the audit activities of the Accounting Auditor such as by attending audit evaluation meetings, and being present for inventory audits.
- In order to pursue their duties appropriately, the Audit & Supervisory Board Members will endeavor to communicate and exchange information with the subsidiaries' audit & supervisory board members, such as by conducting liaison meetings with them.
- Internal rules will clearly stipulate the methods for handling the expenses and liabilities incurred by Audit & Supervisory Board Members in the execution of their duties.

## 2. Basic Views on Eliminating Anti-Social Forces

One of Sumitomo Corporation's Activity Guidelines is "to comply with laws and regulations while maintaining the highest ethical standards." To ensure that this is put into practice, the Company makes all personnel aware of its basic policy of not yielding to anti-social forces\*, but confronting them resolutely, which is set out in the compliance manual distributed to all officers and employees. In line with this basic policy, the Company has put an internal system in place to preclude relationships with anti-social forces, as detailed below.

- Within the department in charge of general affairs, the Company has appointed an individual responsible for handling unreasonable demands from anti-social forces. This individual oversees the response if any unreasonable demands are received, while gathering and centrally managing related information.
- The Company has prepared a manual on responding to anti-social forces, and provides relevant educational programs for its personnel including regular training sessions.
- The Company has forged close partnerships with external specialists, such as the police and attorneys. It monitors and manages compliance when individual organizational units respond to anti-social forces.

\* "Anti-social forces" is the term used in Japan to refer to organized crime groups and similar entities.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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### 2. Other Matters Concerning to Corporate Governance System New

The Sumitomo Corporation Corporate Governance Principles stipulate that the essence of corporate governance is improving management efficiency and maintaining sound management, while ensuring management transparency in order to secure these two aims. Furthermore, the Company makes proactive efforts to disclose corporate information in a timely and appropriate manner. Its Corporate Governance Principles state, “In an effort to bring an accurate understanding of the Company’s management policies and business activities to all stakeholders, the Company shall strive to make full disclosure, not limiting itself to the disclosure of information required by law, but also actively pursuing the voluntary disclosure of information.” In accordance with this fundamental approach, the Company has instituted internal rules relating to the handling and disclosure of corporate information. In specific terms, these rules stipulate points to bear in mind and internal procedures relating to timely disclosure as prescribed in the timely disclosure rules of the Tokyo Stock Exchange. The Company also endeavors to ensure appropriate management of corporate information, having instituted internal rules to prevent insider trading, among other measures. As a framework for internal information management, it has put an internal system in place to ensure timely and appropriate disclosure by appointing an individual responsible for information handling in the Corporate Group to gather and centrally manage information.

To provide a means of communicating corporate information internally, the Company has enabled business units and other operating entities to enter information related to financial results directly into the accounting system, from which the data is immediately transmitted and aggregated. Moreover, information related to consolidated financial results from subsidiaries and other consolidated companies can also be entered directly into the Company’s consolidated financial results system by those companies, enabling rapid transmission and aggregation of the data. The reliability of such information is assured by checking it using appropriate business procedures and internal accounting rules based on generally accepted corporate accounting standards.

Other material corporate information is transmitted to and aggregated in the Corporate Group pursuant to internal rules, and using previously determined means. Information thus gathered is promptly reported to the Executive Officer in charge of information disclosure, and depending on the nature of the information, including its content and materiality, the Executive Officer issues instructions to the individual responsible for information handling regarding whether the information in question requires timely disclosure, and if so, the method to be used. If any inadequacies or difficulties arise with regard to the internal procedures or organization, the relevant departments consult with each other and promptly enact countermeasures.

The Company’s internal systems with regard to transmission, and timely and appropriate disclosure, of material corporate information are as detailed above, but the Company is continuing efforts to further improve its internal control systems.

