

Systems Necessary to Ensure the Properness of Operations of the Company (Internal Control Systems)

The Company will establish and implement the following 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 as described in the Companies Act and the Regulations for Enforcement of the Companies Act (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 “Sumitomo Corporation Group Compliance Policy” 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 Group 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 Department, the Audit & Supervisory Committee, outside professionals 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 Committee Member.

3. Rules and other systems pertaining to the management of risk of loss:

- The Company defines "risk" as "the possibility of losses due to the occurrence of anticipated or unanticipated situations," and also as "the possibility of not achieving the expected return on business activities." The Company has set the following three items: "stabilize performance," "strengthen financial base" and "maintain corporate reputation" as the goals of its risk management activities. The Company categorizes its business activities into investments and commercial transactions and manages risk after identifying both common and category specific risk factors. Furthermore, the Company will continue to evolve its risk management activities in order to adequately respond to changes in external environment and the development of new business models.
- 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 including the Business Group will carry out risk management required for the conduct of individual cases under this company-wide framework.

- An “Internal Control Committee” will be established and will work to develop, operate, monitor, evaluate, and improve effective internal controls across the Sumitomo Corporation Group as a whole, as well as to identify important issues relating to internal controls within the Group and plan and promote policies for improvement. In addition, the Internal Audit Department will, with a view to ensuring sound execution of management and strengthening group governance and internal controls, provide independent and objective audit functions by appropriately identifying issues from a Group-wide perspective and taking necessary actions, thereby establishing a more effective and consistent internal control PDCA cycle throughout the Group.
- 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.
- A “Global Innovation & Portfolio Committee (GIPC)” will be established as an advisory organ to the “Management Council”, which discuss and make recommendations on matters that should be considered and proposed from a company-wide perspective, such as areas in which management resources should be allocated with priority and cross-organizational strategies. Also, GIPC will monitor the status of the company-wide business portfolio and make recommendations as necessary.
- A “Corporate Sustainability Committee” will be established as an advisory body to the “Management Council”, which serves as a decision-making body and discusses important policies, measures, and initiatives relating to the promotion of sustainability.
- The Company will develop and maintain the resilient system to ensure the safety of its Group members, rapid recovery and continuity of its business under the crisis such as natural disasters (Earthquake, Windstorm, Flood, etc.), infection disease, terrorism or riot, etc.
- The “Internal Audit Department” will be established 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 who do not serve as Audit & Supervisory Committee Member 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 who do not serve as Audit & Supervisory Committee Member 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 deliberate on the matters (1) through (9) below and will submit the results thereof as recommendations to the Board of Directors. Additionally, the committee shall also deliberate and determine any matters delegated by the Board of Directors that are not included in following matters, and report the outcome of such deliberation or decision to the Board of Directors:
 - (1) Policy and procedure for appointment and dismissal of the President and Chief Executive Officer
 - (2) Policy and procedure for appointment and dismissal of the Chairman
 - (3) Nomination criteria for Directors (including Directors who serve as Audit & Supervisory Committee Member)
 - (4) Appointment and dismissal of the President and Chief Executive Officer (including nominating successors to the President and Chief Executive Officer)
 - (5) Nominations of candidates for Directors who do not serve as Audit & Supervisory Committee Member (including deciding representative directors and executive directors)
 - (6) Nominations of candidates for Directors who serve as Audit & Supervisory Committee Member
 - (7) Appointment of members of the Management Council
 - (8) Structure and level of remuneration and bonuses for Directors who do not serve as Audit & Supervisory Committee Member and Executive Officers, as well as limits for remuneration of Directors who serve as Audit & Supervisory Committee Member

(9) Advisor system.

- A dedicated organization will be established to strengthen the support functions of the Board of Directors, such as communication between the Board of Directors and the executing persons (executive officers, etc.), selection of agenda items to be discussed at the Board of Directors meetings, and organization of issues, to improve the quality of discussions at the Board of Directors meetings.
- 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 Business Group CEO’s 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.
- For the purpose of sharing and implementing its approaches to group management, the Company will establish the Group Management Policy (GMP) and set Jiritsu (working toward one’s own goals subject to Group rules and accountability), dialogue, and collaboration as the three principles of group management. Through this, the Company will aim to enhance the corporate value of its Group as a whole.
- In order to ensure that appropriate institutional decisions which contribute to maintaining and enhancing enterprise value of its subsidiaries and other consolidated companies are made, the Company shall – based on agreements with such group companies – obtain enough information and request prior consultation on “important management matters”. In addition, the Company will manage its subsidiaries and other consolidated companies through the dispatch of directors, audit & supervisory board members, and employees and other personnel assigned who execute business operations – in line with the businesses and situations of such group companies.

- 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 supported to develop systems for complying with laws and regulations in the same strict manner as the Company, including through aiming to familiarize and implement “Sumitomo Corporation Group Compliance Policy”, the expansion of the “SC Global Speak-UP” system (an internal whistle-blowing system for Sumitomo Corporation group companies), the establishment of a Compliance Committee, and the preparation/distribution of a Compliance Manual.
- The Company will timely ascertain the business performance of the Group, including that of its subsidiaries, and will conduct appropriate performance management.

6. Matters regarding personnel assigned to support the operations of Audit & Supervisory

Committee :

- A Department will be established to support the operations of the Audit & Supervisory Committee, and several full-time staffers will be assigned to this department.
- Internal rules will clearly stipulate those persons authorized to issue instructions to the Department and the responsibilities of the Department, and will clearly define the purpose of the Department as an organization for assisting the Audit & Supervisory Committee in their operations.
- The personnel evaluations of the members of the Department will be conducted by the Audit & Supervisory Committee or an Audit & Supervisory Committee Member appointed by the Audit & Supervisory Committee. In addition, the personnel transfers shall be consulted in advance with the Audit & Supervisory Committee or an Audit & Supervisory Committee Member appointed by the Audit & Supervisory Committee and the consent thereof shall be obtained.

7. Systems for reporting to Audit & Supervisory Committee:

- Audit & Supervisory Committee 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 Audit & Supervisory Committee 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 Committee, and officers and employees will report and give briefings to the Audit & Supervisory Committee 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 Committee:

- The outside Directors who serve as Audit & Supervisory Committee Member will be experts on law, accounting, and the like, and auditing will be implemented from diverse points of view.
- The Internal Audit Department will maintain close contact with the Audit & Supervisory Committee so as to contribute to effective auditing by the Audit & Supervisory Committee, such as by reporting the plans and results of internal audits to the Audit & Supervisory Committee in a timely manner.
- The Audit & Supervisory Committee 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 Committee 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 financial obligations incurred by Audit & Supervisory Committee Members in the execution of the Audit & Supervisory Committee's duties.

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