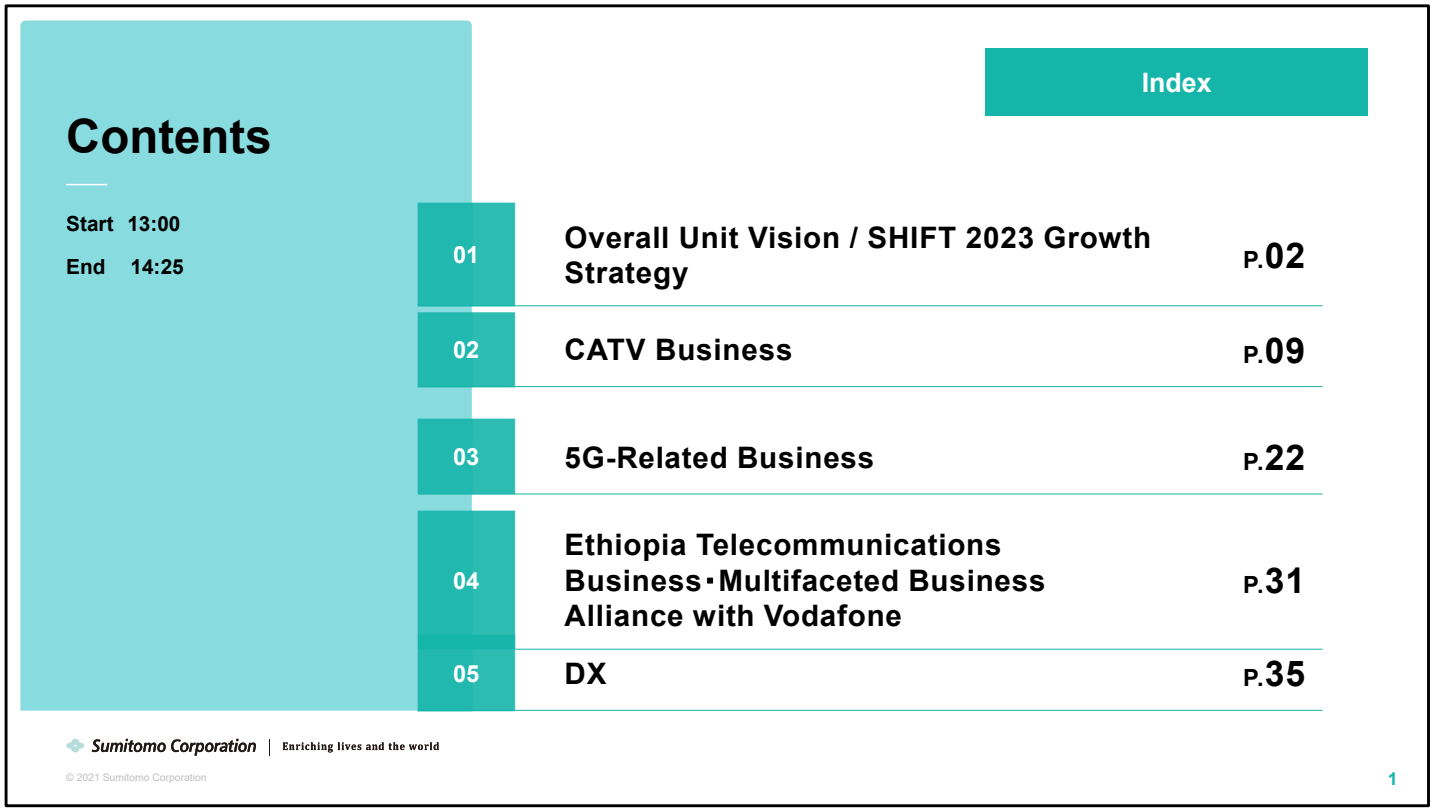
FY2021 Business Unit IR Meeting

SHIFT 2023
Growth Strategy

Media & Digital Business Unit

December 2, 2021



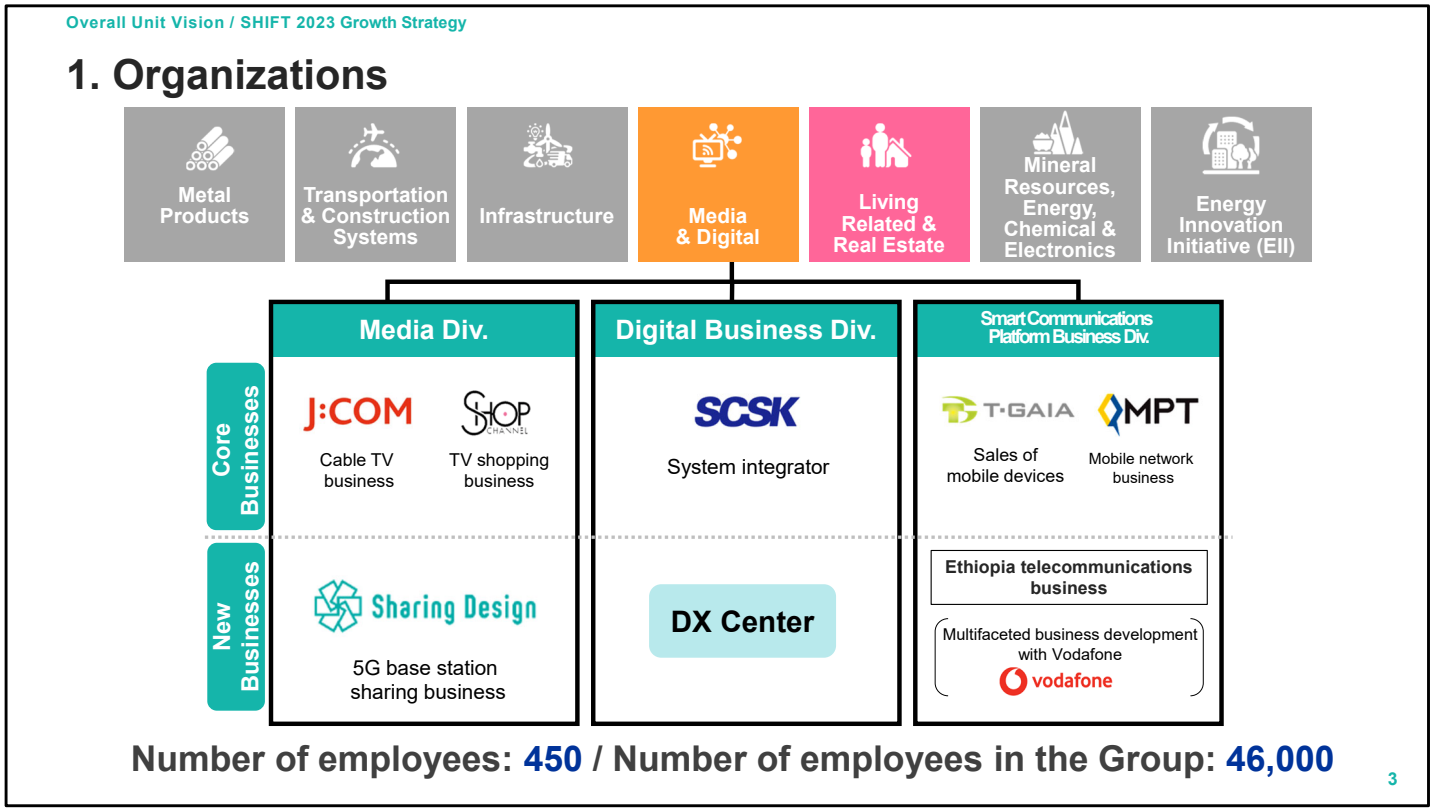
Hello, everyone. Thank you for taking time out of your busy schedules to join us today.
I'm Nambu, General Manager of the Media and Digital Business Unit.
Let us get started.

Look at the first page. This is the agenda that we will explain today.
First of all, I would like to explain the overall growth strategy of the unit as outlined in SHIFT 2023. After that, the general managers of each division will explain the 4 business fields you see here.
The CATV business, which is the core business of the unit, and 2 new businesses:
the 5G-related business and the Ethiopia Telecommunications business, a multifaceted business alliance with Vodafone,

01

Overall Unit Vision / SHIFT 2023 Growth Strategy

Toshikazu Nambu, Chief Digital Officer, General Manager of Media & Digital Business Unit



First, the organization. Originally, this unit was the one unit with the Living Related and Real Estate Business Unit, which will be explained later.
Due to the expansion of business in scale, we divided it into 2 units in FY2018, but we continue to operate them collaboratively as one unit focusing on B2C business to share know-how and achieve synergy.
The unit has 3 divisions -- Media, Digital Business, and Smart Communications Platform Business -- with 5 core businesses driving the unit. We are also working on new businesses for the next generation.

The 5 core businesses are JCOM, CATV; SHOP CHANNEL, which is TV shopping; SCSK, system integrator; T-GAIA, which is retailer of mobile devices; and the Mobile Telecommunications business in Myanmar, as shown in the upper row.

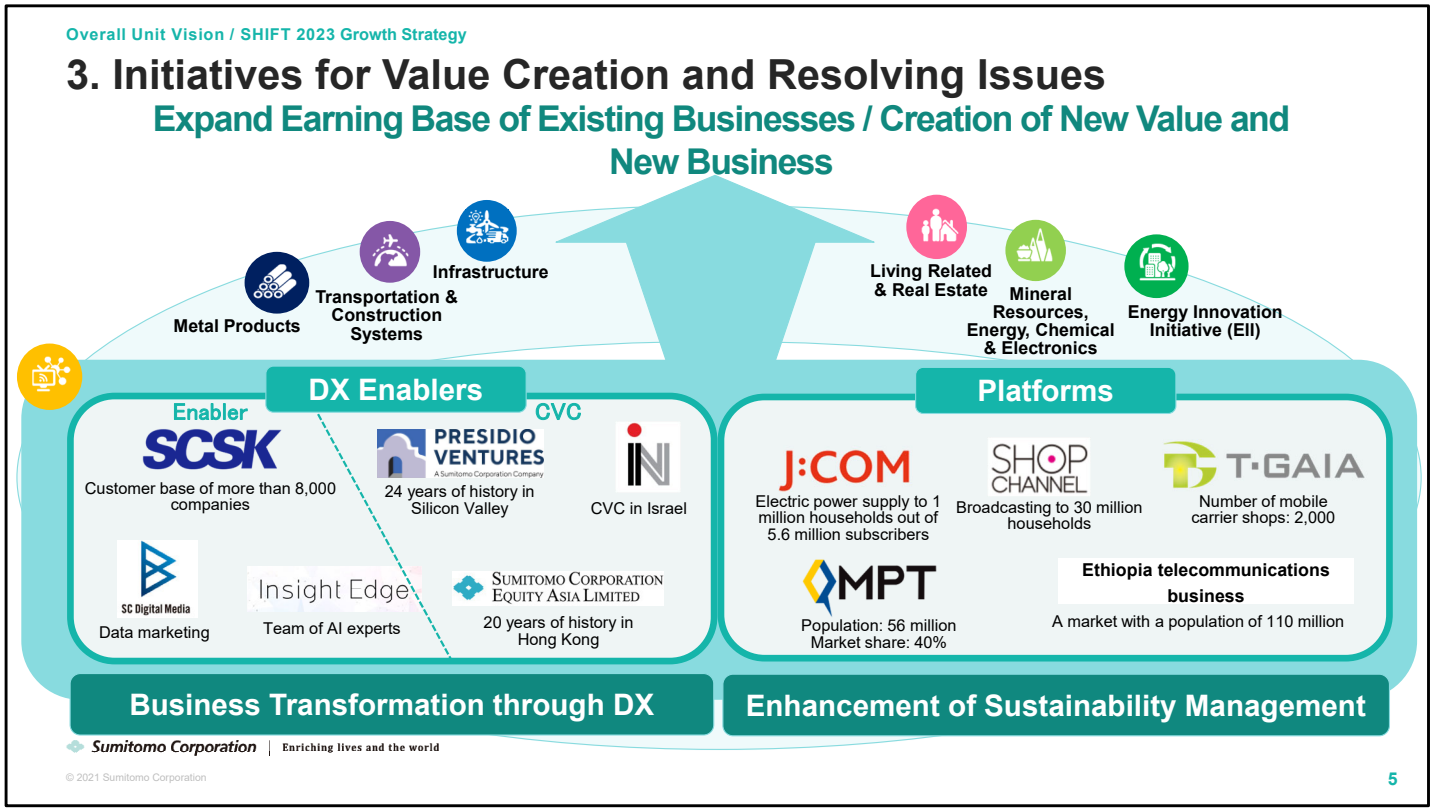
The new businesses in the bottom row, which will be explained in more detail later, are the 5G Base Station Sharing business and Company-wide DX promotion efforts centered on the DX Center.
We are also working with Vodafone to launch Ethiopia telecommunications services and are considering further multifaceted business development.

The number of employees involved in these businesses is 450 for the Company on a non-consolidated basis and 46,000 for the Group as a whole, including equity method companies' employees.

2. Unit Vision

As a Digital Solution SOGO-SHOSHA, through the use of digital technology, create values with social impact and large scale businesses to solve social issues (SDGs, etc.) and make a smart society.

The unit vision is as shown.
By utilizing digital “technology” and “data”, we will work to transform our business both internally and externally to create values with scale and social impact and aim to become a “Digital Solutions Sogo-Shosha” as the future vision.



This is a conceptual diagram of the efforts to realize the unit vision.
The business of this unit can be cateforived into 2 major groups: the business group with DX Enabler functions on the left and the Platform business group on the right.
DX Enablers are providers of functions to promote DX. They include SCSK, an IT solutions company; “SC Digital Media”, a data marketing company; and “Insight Edge”, a group of AI experts.

We also have a group of CVC, or corporate venture capital, including Presidio that has a 24-year history in Silicon Valley. And we are expanding it globally.
By investing in start-up companies, CVC will act as the eyes and ears to pioneer new technologies and business models, which will also be used for DX.

On the right, the Platform business group has built a solid customer base with a sense of scale and is a treasure-trove of various data. As you can see, we are developing businesses with a sense of scale, including JCOM, which has 5.6 million subscribing households, or 10% of all households in Japan. We believe that there is great upside potential in utilizing the data generated from these businesses both internally and externally.

By making the most of the “digital technology” of DX Enablers and the “data lake” of the Platform business, this unit will aim to expand the revenue base of existing businesses and create new values.

I would appreciate it if you could listen to the explanation of the businesses by the general managers of each division while feeling the potential that I have just explained.

4. Strategy of Each Business Unit

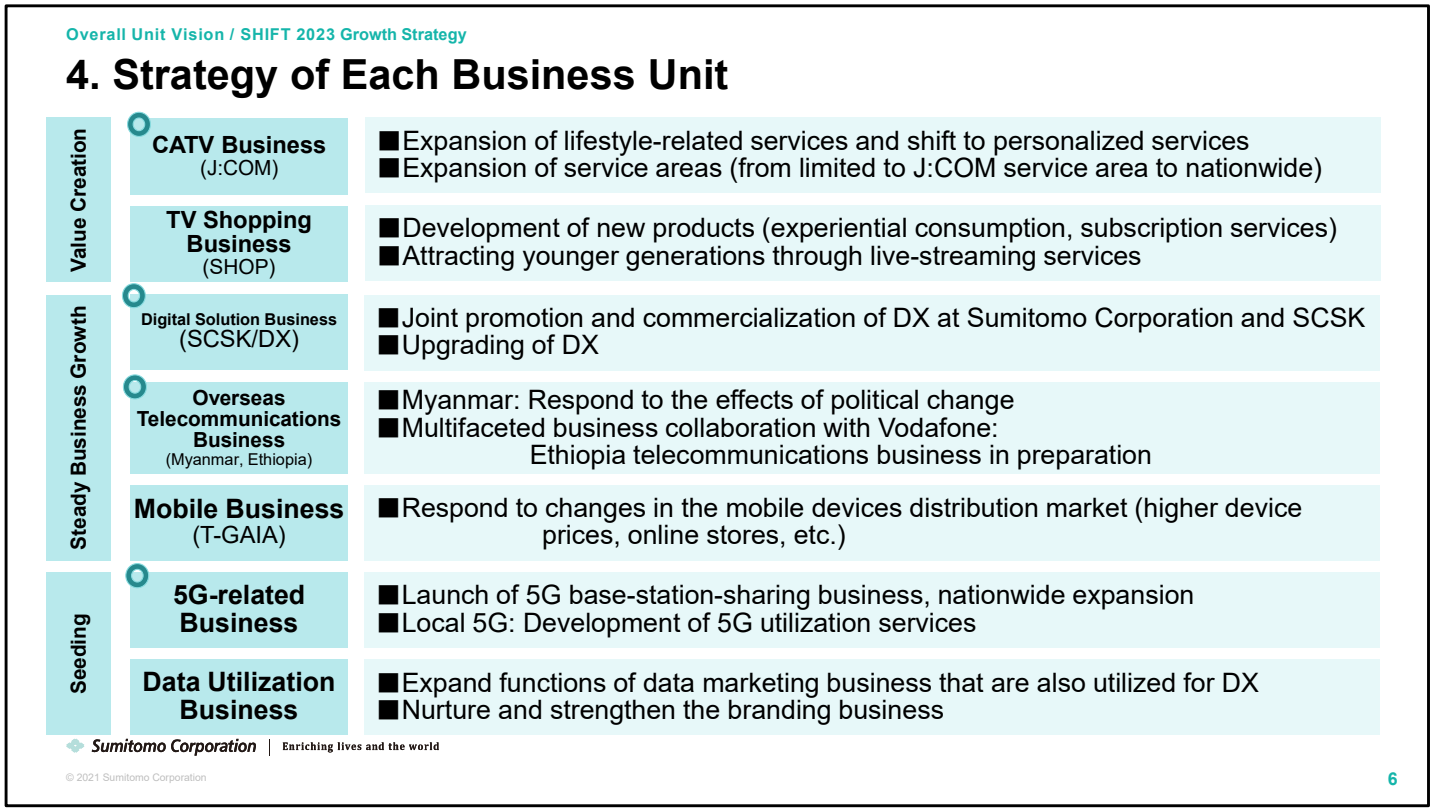
Value Creation	**CATV Business** (J:COM)	■Expansion of lifestyle-related services and shift to personalized services ■Expansion of service areas (from limited to J:COM service area to nationwide)
	TV Shopping Business (SHOP)	■Development of new products (experiential consumption, subscription services) ■Attracting younger generations through live-streaming services
Steady Business Growth	**Digital Solution Business** (SCSK/DX)	■Joint promotion and commercialization of DX at Sumitomo Corporation and SCSK ■Upgrading of DX
	Overseas Telecommunications Business (Myanmar, Ethiopia)	■Myanmar: Respond to the effects of political change ■Multifaceted business collaboration with Vodafone: Ethiopia telecommunications business in preparation
	Mobile Business (T-GAIA)	■Respond to changes in the mobile devices distribution market (higher device prices, online stores, etc.)
Seeding	**5G-related Business**	■Launch of 5G base-station-sharing business, nationwide expansion ■Local 5G: Development of 5G utilization services
	Data Utilization Business	■Expand functions of data marketing business that are also utilized for DX ■Nurture and strengthen the branding business

The following is an overview of the strategy of each business in this unit. The businesses circled in the upper-left corner will be explained in detail later.
Firstly, JCOM, the CATV Business, will expand the lifestyle-related services it already provides such as electricity, gas, and insurance, in addition to TV, Internet, and telephone services to support the lives of its customers.
In addition, we will shift from providing services on a per-subscribing household basis to personalized services linked to individuals in each household. We will also expand the service areas of some services to nationwide by collaborating with other vendors, etc..

Next, the TV Shopping Business. SHOP Channel will aim to attract younger customers by strengthening EC, such as live commerce on the Internet, in addition to working on new products including intangible goods consumption and monthly billing services to expand its customer base.

In the Digital Solutions Business, we are mainly promoting DX with SCSK. We will strengthen the collaboration between us and SCSK to jointly promote DX.

Next is the Overseas Telecommunications Business. In the Telecommunications business in Myanmar, the outlook remains uncertain due to the political change in February, but we will continue to closely monitor the situation and respond accordingly.
With regard to business collaboration with Vodafone, we are focusing on the launch of the Ethiopia Telecommunications business, the first phase of the collaboration. And we are also considering the next new business, which we will work to realize.

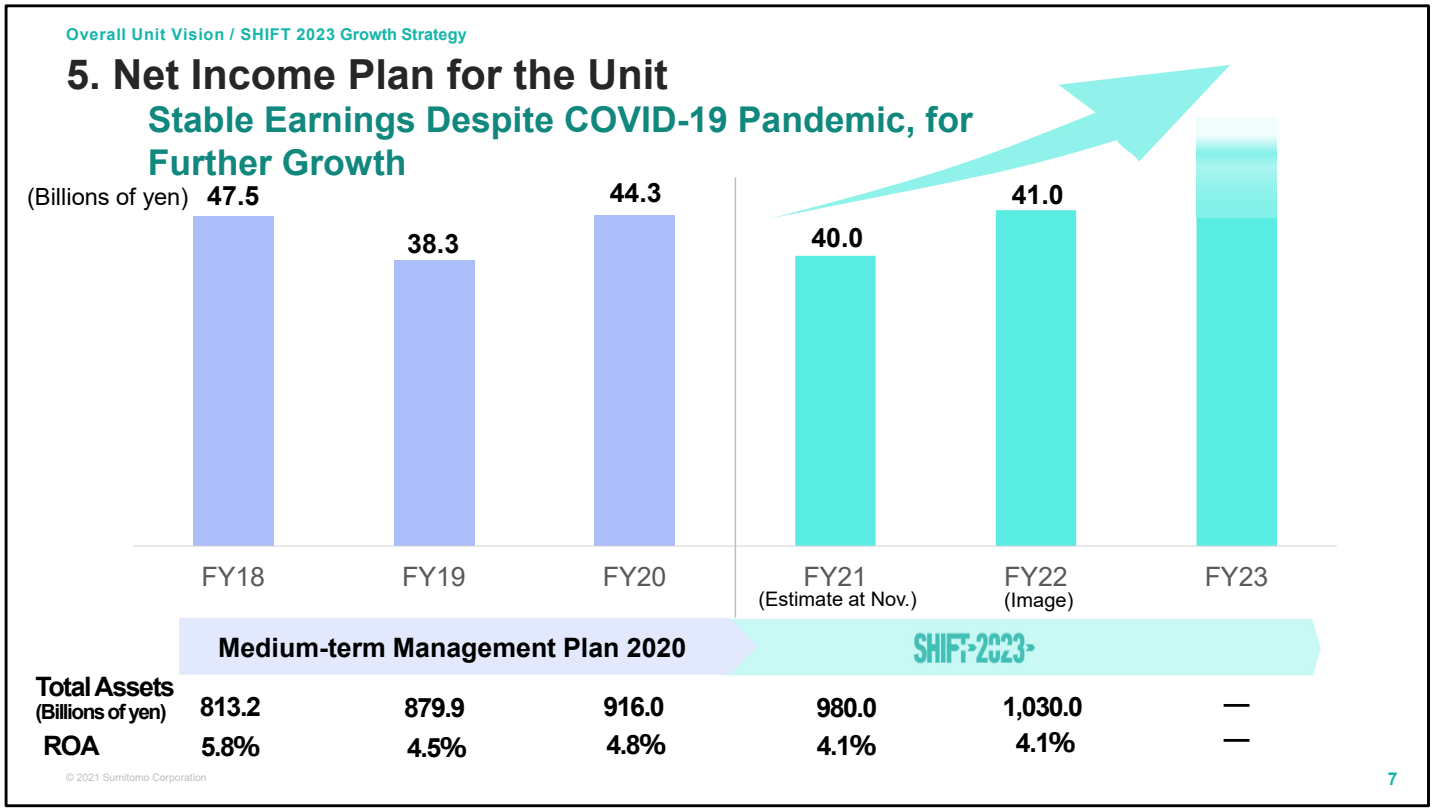


(Continued)

In the Mobile Business, T-GAIA is the main business, and the market is changing drastically as mobile devices become more expensive and sales go online. We see this change as a new business opportunity and will work to create new services and new businesses.

Lastly, in the seeding classification, which is regarded as the next-generation businesses, there are “5G-related business” and “Data Utilization business”.
We will promote 2 kinds of 5G-related businesses: the “Base Station Sharing business” and the “Local 5G business”.

In the past, major Japanese mobile carriers such as docomo have owned their own base stations, but in Europe and the United States, sharing of base stations among multiple carriers has already become a common practice. It is said that in order to promote 5G in Japan, it is necessary to increase the number of base stations from the current 1 million to 1.7 million, and this is where we saw the need for shared use and started this new business.
We are currently focusing on the launch of the service, but we hope to expand the service nationwide and aim to have tens of thousands of base stations in the future.
In addition, the local 5G business will promote the development of 5G-based services that will lead to the resolution of local social issues. This will be explained later.
In the Data Utilization business, we will expand the data marketing function, which is one of SC Digital Media's strengths, and utilize it to promote DX internally and externally.



The following is the net income trend of this unit.
In FY2020, this unit generated JPY44.3 billion in results, generating stable earnings even in the coronavirus pandemic.
JCOM has seen an increase in the number of electricity service subscribers, reaching 1 million households, thanks to the stay-at-home demand in the coronavirus pandemic. This has helped us to increase our sales.

In addition, SCSK achieved YoY increases in both sales and profits, due in part to the accelerated shift to digitalization by its corporate clients in the coronavirus pandemic.
In the current mid-term plan, profits will temporarily decrease due to the impact of the political change in the Telecommunications business in Myanmar and the advance of expenses in Ethiopia Telecommunications business. But we will aim for further growth by steadily implementing the strategies in each business as explained earlier.

6. Advancement of Sustainability Management – Initiatives for Key Social Issues

Improvement of living standard	**CATV Business** (J:COM) Expansion of lifestyle-related services, and launch of remote medical services
	5G-related Business Early expansion of 5G communication infrastructure (base station sharing business)
Development of local societies and economies	**Overseas Telecommunications Business** (Myanmar, Ethiopia) Development of telecommunications network as social and economic infrastructures in developing countries
Mitigation of climate change	**Digital Solution Business** (SCSK/DX) Improvement of energy use efficiency (data centers, etc.)
	Mobile Business (T-GAIA) Solar power generation at docomo Shops

Lastly, we have organized the aspects of our sustainability efforts. Of the 6 key social issues that we have identified, we are working on 3 that are particularly relevant to our unit.
Regarding the improvement of living standard, we will contribute to a convenient and affluent society by expanding lifestyle-related services at JCOM, working on remote medical services, and quickly realizing a 5G society through the 5G Base Station Sharing business.

In terms of the “development of local societies and economies”, we hope to contribute to national development through the building of the telecommunications infrastructure in emerging countries such as Myanmar and Ethiopia.
Lastly, in terms of “climate change mitigation”, we will work to improve the efficiency of energy use through data centers, etc., the use of renewable energy, and the use of solar power generation at docomo Shops of T-GAIA.
That's all I have to say. Thank you very much for your attention.

02

CATV Business

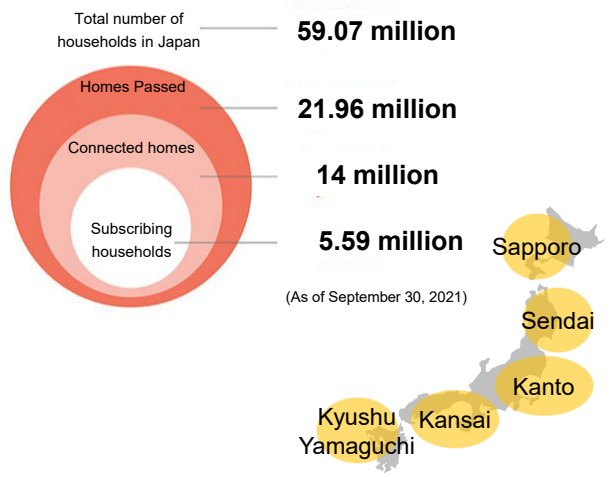
Kazumasa Watanabe, General Manager of Media Div.

CATV Business

Business Overview

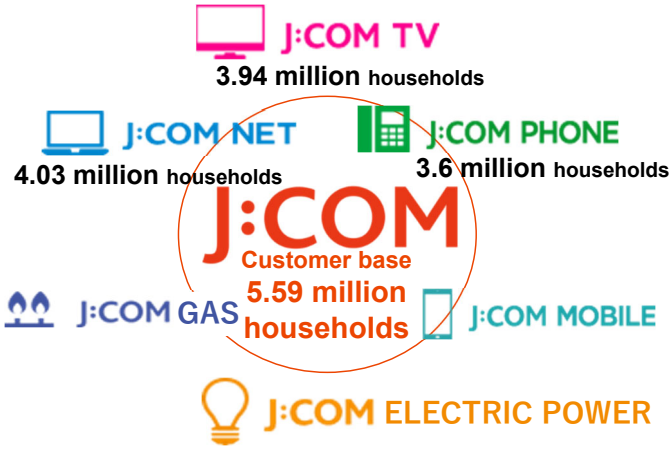
Service Areas

Serving approximately 5.59 million households at 66 stations nationwide, mainly in major cities



Main Services / Number of Subscribers

In addition to TV, Internet, and landline services, the company provides lifestyle-related services.



(As of September 30, 2021)

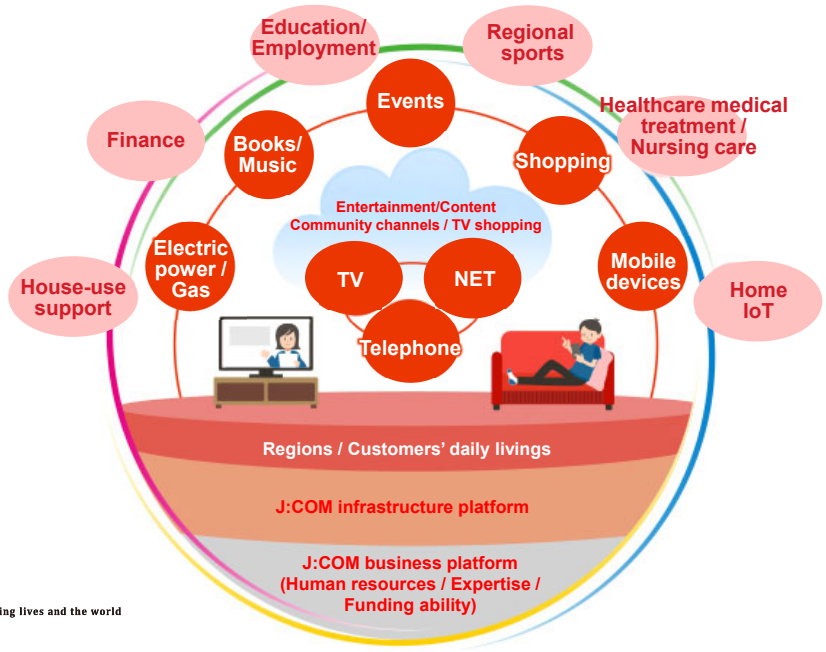
I'm Watanabe, in charge of the Media Division. Thank you.
I will explain 2 businesses, the CATV Business and the 5G-related Business, in turn.

First, an overview of the CATV Business.
The left side shows the areas where JCOM service can be provided. Of the 60 million households in Japan, JCOM is able to provide service to 22 million households mainly in major cities, and 14 million households are actually connected to JCOM lines. Of this total, 5.6 million households subscribe to JCOM's pay services.
The figure on the right shows the main paid services. In addition to TV, Internet, and landline services, this company offers 6 other services including electricity, mobile, and gas which totals 6 services.

CATV Business

Vision

Vision of “J:COM Everywhere”



Sumitomo Corporation | Enriching lives and the world

This is what JCOM is aiming for: the vision of “J:COM Everywhere.”
In addition to the 6 main services mentioned earlier, we will work to provide new services to support people's livings and lifestyles in a variety of fields from house-use support to home IoT, as shown in the outer circle of the diagram.
Through these services, we aim to deliver advanced, exciting, comfortable, and feeling of security to our customers, as well as to realize a prosperous local community.

CATV Business

Features and Strengths

Providing Reliable and Secure Services as a Community-Based “Face-to-Face provider”

Door-to-door Sales

J:COM sales vehicle

explanation of services to customers

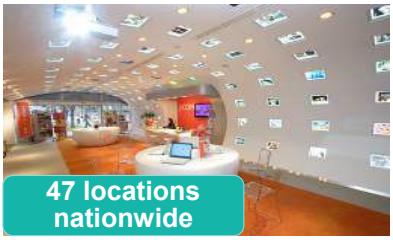
Customer Service Center

Extensive customer support

Service Engineer

Technical support at customers' homes

J:COM Shop

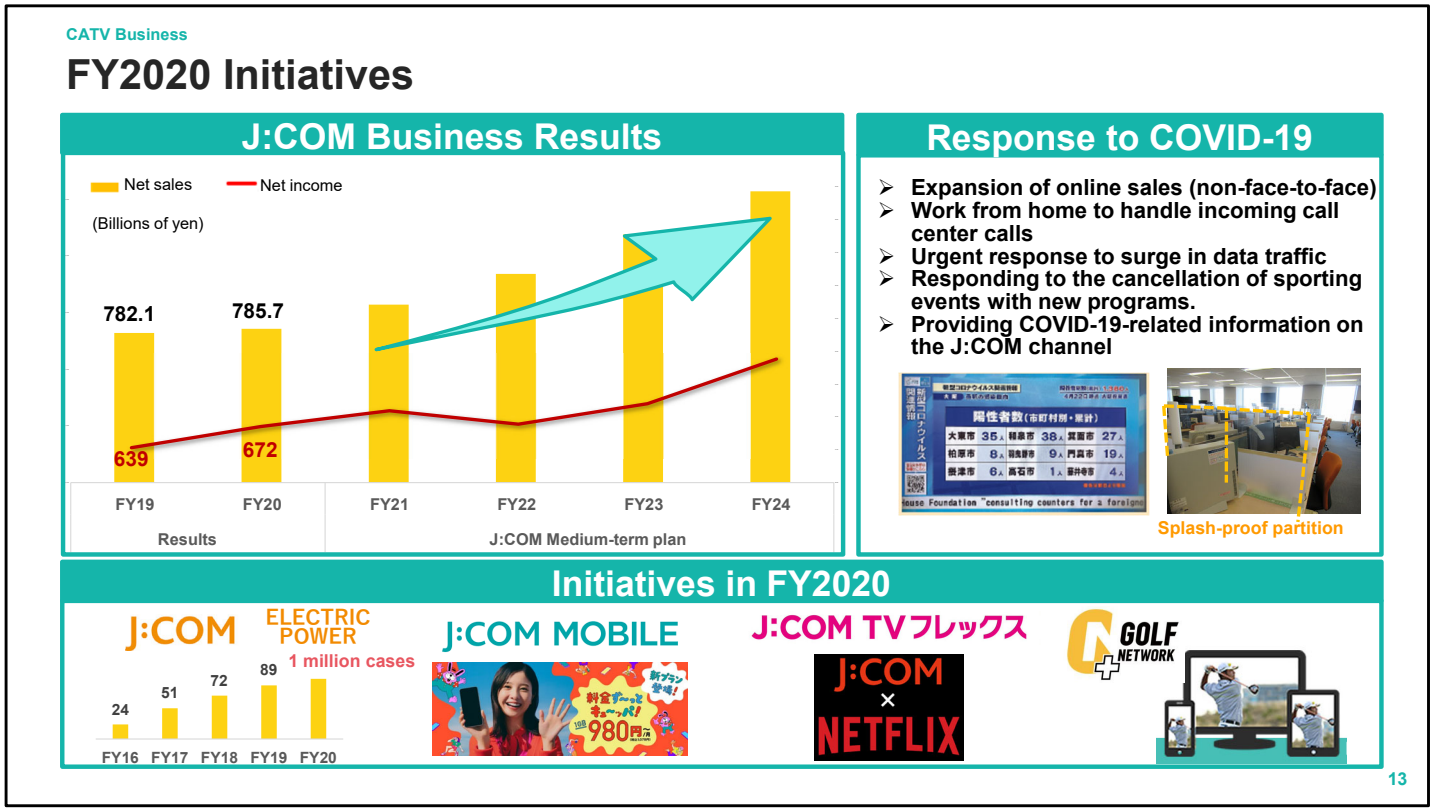


Consultation desk

Community Channel

Broadcast local and government information

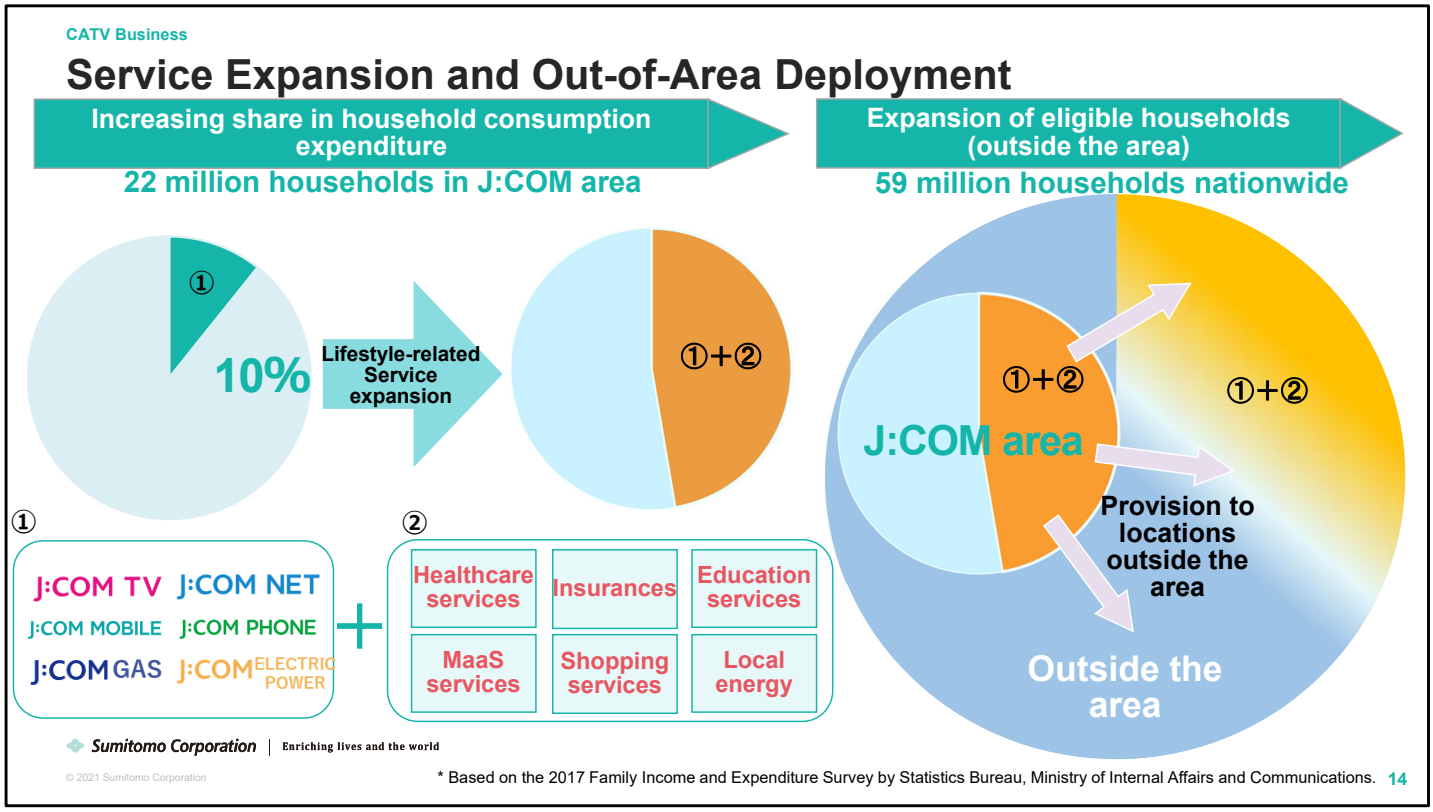
This is the distinctiveness and strengths of JCOM.
As a community-based “face-to-face provider”, we provide reliable and secure services.
Specifically, JCOM has 2,700 door-to-door sales representatives, 4,100 service engineers, 11 customer service centers, and 47 J:COM Shops throughout Japan; all of which are in contact with customers on a daily basis in various ways. The Community Channel, JCOM's original local information broadcasting service, is available to 14 million households, free of charge.



I will explain the business results.
The graph on the upper left shows the actual results for FY2019 and FY2020 and the image of the mid-term plan. In FY2020, despite the coronavirus, net sales were JPY785.7 billion and net income was JPY67.2 billion, both of which were higher than the previous year and showed steady growth.
In the mid-term plan that begins this fiscal year, we are aiming to increase both sales and net income, although the figures are not disclosed at this stage.

The upper right of the figure shows how company dealt with the coronavirus. Although there were some restrictions on our activities such as refraining from door-to-door sales, which is one of our strong points, we have adopted online, non-face-to-face sales methods at an early stage. In addition, the call center introduced a home-based call receiving system as a countermeasure against infection among employees and established an environment in which telephone operators can work from home to handle incoming calls. Thus, developing and shifting the operational system in the coronavirus pandemic.

In terms of services, as shown in the lower part of the figure, the electric power service has more than 1 million subscribers. The cell phone service has introduced a new JPY980 per month menu.
In TV services, we introduced a new menu that offers CATV and Netflix as a package. We also enhanced the Golf Network's program for smartphone and tablet viewing.



This is an image of the direction of JCOM's expansion of lifestyle-related services and area development.
The current 6 major services in ① account for about 10% of general household consumption expenditure. By adding the new lifestyle-related services in ②, we aim to expand the share of household expenditures and increase income per household.
In addition, we will expand the scale of the service by extending the coverage of some of the services to areas outside the JCOM area.

CATV Business

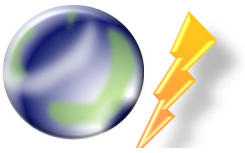
Electric Power Service

J:COM

➢Strong community-based sales development

Summit Energy (SC:100%)

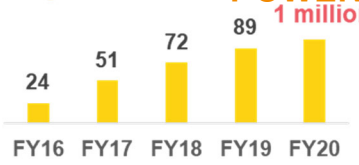
J:COM ELECTRIC POWER



➢Owns power plants in five locations nationwide
(gas / renewable energy, etc.)
➢Providing electricity to 2,100 locations nationwide

Current Status

J:COM ELECTRIC POWER 1 million cases



■ Comparison of retail subscriber numbers with regional power companies

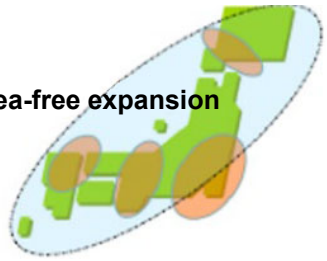
Rank	Name of retail electricity supplier	Number of contracts [projection] (10,000 contracts)
1	TEPCO EP	1,998
2	KEPCO	920
3	Miraiz	761
⋮		
8	Shikoku Electric Power Company	195
9	Hokuriku Electric Power Company	153
10	Okinawa Electric Power Company	75

J:COM Electric Power

* November 2020 results

Future Development

Area-free expansion



Sumitomo Corporation | Enriching lives and the world

I will explain the individual services.
The electric power service is a business in collaboration with Summit Energy, our wholly owned subsidiary, and the number of subscribers has exceeded 1 million in the 5 years since the business started. This number is equivalent to the scale of top 10 local power company in terms of the number of contracts and is growing steadily. In the future, we plan to expand the rollout to areas outside of JCOM service areas.

CATV Business

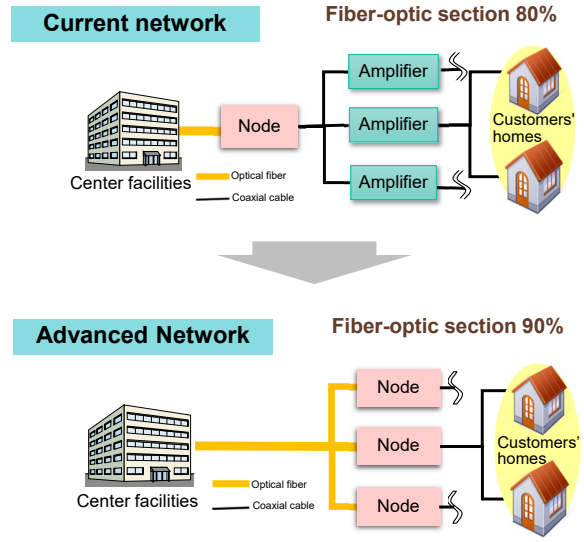
Expansion of Living Support Services

This is a lifestyle-related service.
Home IoT will enable voice control of home appliances using smart speakers and control of home appliances from outside the home.
In addition, the various types of support shown on the bottom right are the features of JCOM. If there are any trouble setting up or operating the service, JCOM can provide unique support in person or over the phone until you are able to use the service.

CATV Business

Advanced Networks and Faster Internet Services

Advanced Network Services



Major Improvement in Home Wi-Fi Environment

Manufactured by Plume in US (invested by Presidio Ventures, the Company's CVC)

Sumitomo Corporation | Enriching lives and the world

This section describes network upgrading, which is the main area of capital investment. In order for customers to use our services without any worries, it is very important to improve the network environment, which is the foundation of our services. And JCOM is continuing capital investment to upgrade our network.
Specifically, as shown in the figure on the left, the optical fiber section of the network connecting J:COM center facilities to customer homes has been expanded from the current 80% to over 90%, thereby increasing transmission capacity.

As shown in the figure on the right, we have also launched a service to improve the Wi-Fi environment at home. By simply plugging it into an electrical outlet in the home, it eliminates the areas at home where a Wi-Fi signal cannot reach and provides a stable Wi-Fi connection environment anywhere, which has been well received by customers.
This service is a model that has been realized by procuring the products of Plume, a US start-up company funded by our CVC, Presidio Ventures in Silicon Valley via SCSK, and is an example of a service that demonstrates our group's synergy.

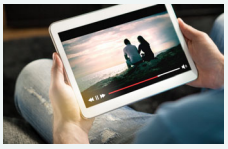
CATV Business

J:COM New TV Service

Video streaming service on a large TV screen

AbemaTV. TVer NETFLIX DAZN YouTube

Viewing live broadcasts and recorded programs away from home



Providing a new viewing experience

Powered by **android**

High image and sound quality
4K / Dolby Atmos

Voice control of TV
(TV remotes and smart speakers)

Google アシスタント

Sumitomo Corporation | Enriching lives and the world

This is JCOM's new TV service.
JCOM has released a next generation STB that supports 4K. With Netflix, DAZN, YouTube, etc., pre-installed, you can easily watch video streaming services on the big screen of your TV. You can watch TV in each room via Wi-Fi or on your tablet or smartphone on the go via Internet.

CATV Business

Health Care Service Concept

Target Customers

Elderly patients (65 years or older) with chronic diseases who visit hospitals regularly

Service Concept

On **TV** at home

(1) Online consultation

Doctor's consultation and pharmacist's medication guidance are available at home

(2) Health consultation

Consultation with nurses on holidays and at night when it is difficult to go to a hospital

(3) Wearable devices

A sensor on their arm automatically records their steps and sleep time

J:COM Service Platform on TV

Reliable support by J:COM staff

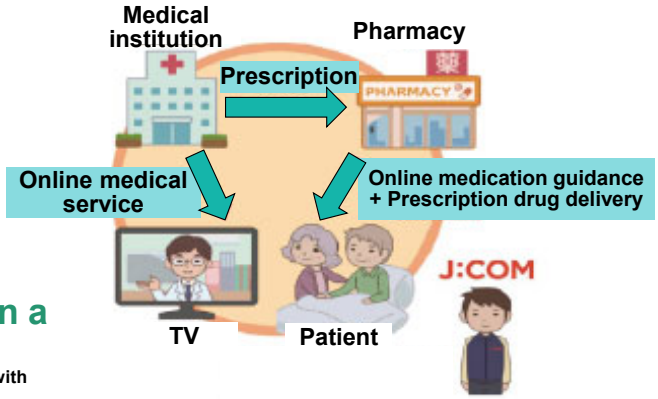
This is a health care service concept for elderly people with chronic diseases and regular hospital visits. Our goal is to create an environment where elderly people can receive medical care and consultations via TV from the comfort of their own home, and also manage their health by wearing wearable devices.

CATV Business

Online Medical Services

Medical examination on a large TV screen

Can be used by people who are not good with smartphones or have trouble hearing

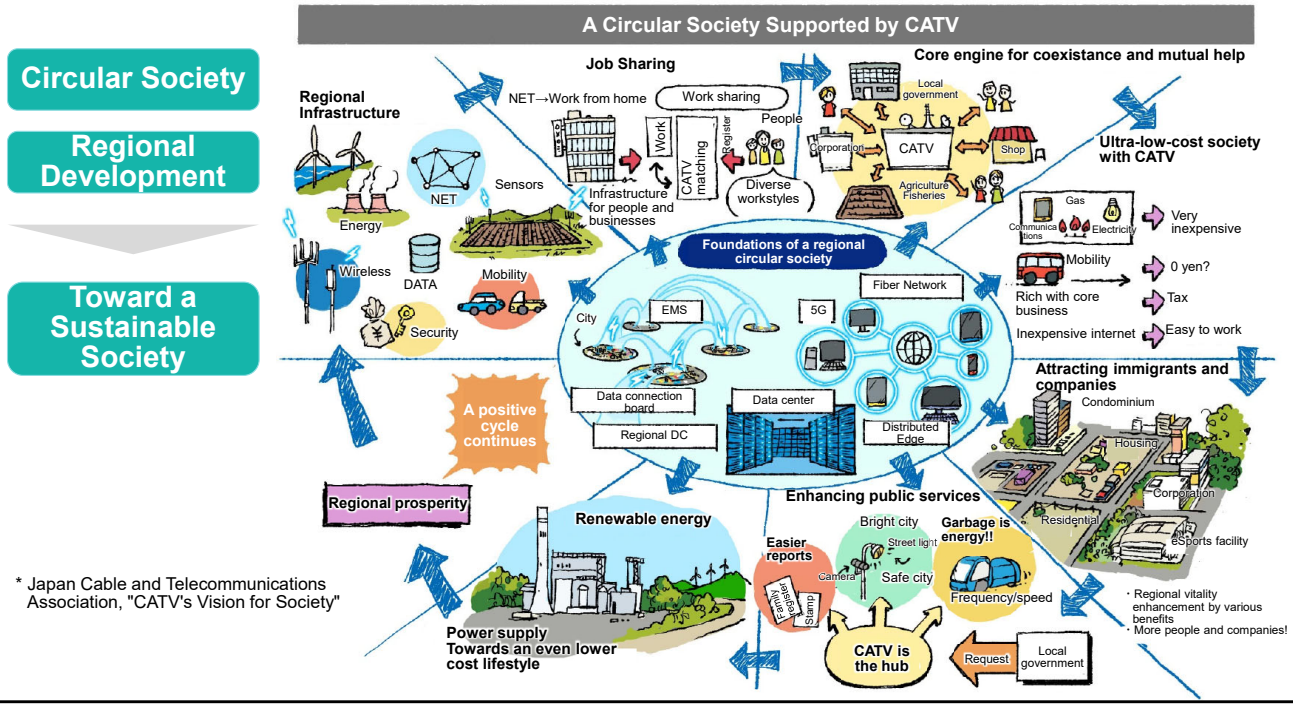


Medical Institution	Customer (patient)			
Initial fee and monthly fee	Fee	Device fee	Webcam	Medical support in attendance
Free	300 yen/ session	Subscriber Free Non-subscriber 480 yen/month	6,980 yen	4,500 yen/ session

Sumitomo Corporation | Enriching lives and the world

This service has been available on a trial basis in some areas of the Kanto region since July this year.
In the future, as shown in the diagram on the upper right, we are studying the possibility of collaborating with pharmacies such as our subsidiary Tomod's, with the aim of providing medication guidance and even delivery services for prescription drugs.

Cable TV Industry's Vision for Society (Leap Forward to 2030)



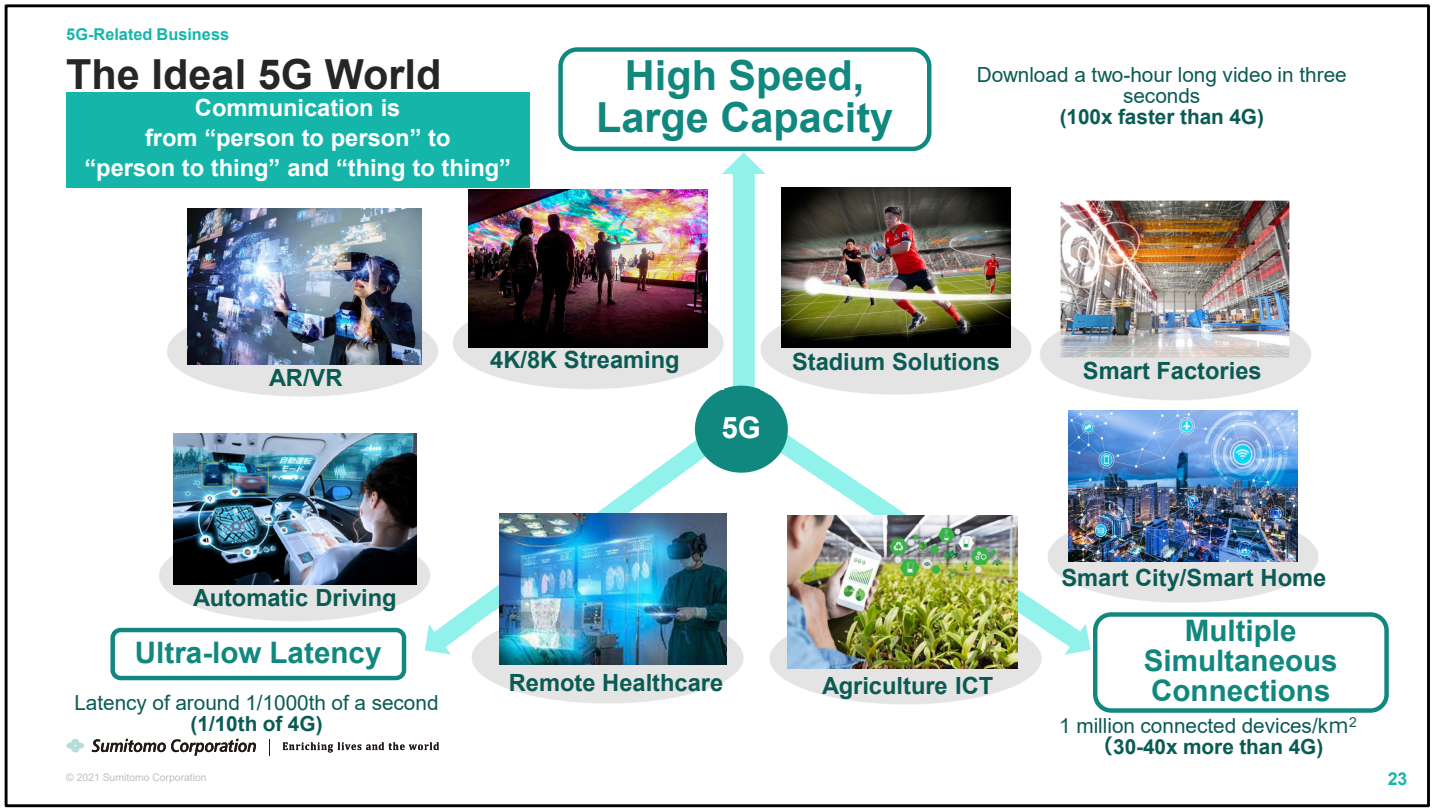
* Japan Cable and Telecommunications Association, "CATV's Vision for Society"

This is the CATV's vision for society that the industry is aiming for, created by the Japan Cable and Telecommunications Association.
The strength of CATV is that it is a community-based, face-to-face operator with local wired/wireless infrastructure and local media content. The regional infrastructure of CATV, including 5G, fiber networks, and data centers, will serve as a hub to contribute to the construction of a regional circular society and further regional development.
Based on the vision of the association, we will continue to contribute to the realization of a sustainable society through the CATV Business with JCOM.
This concludes the explanation of the CATV business.

03

5G-Related Business

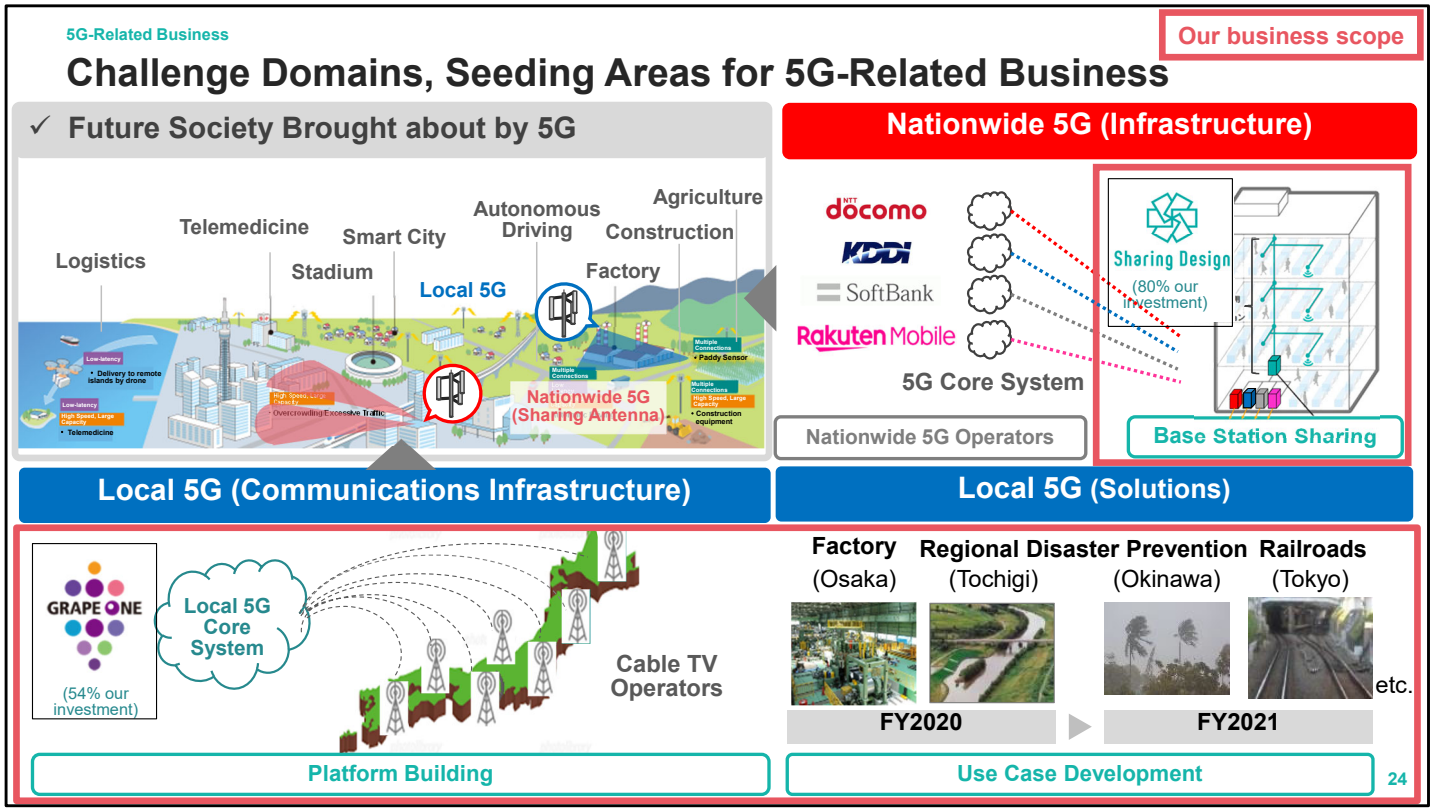
Kazumasa Watanabe, General Manager of Media Div.



Next, I will explain the 5G-related business.

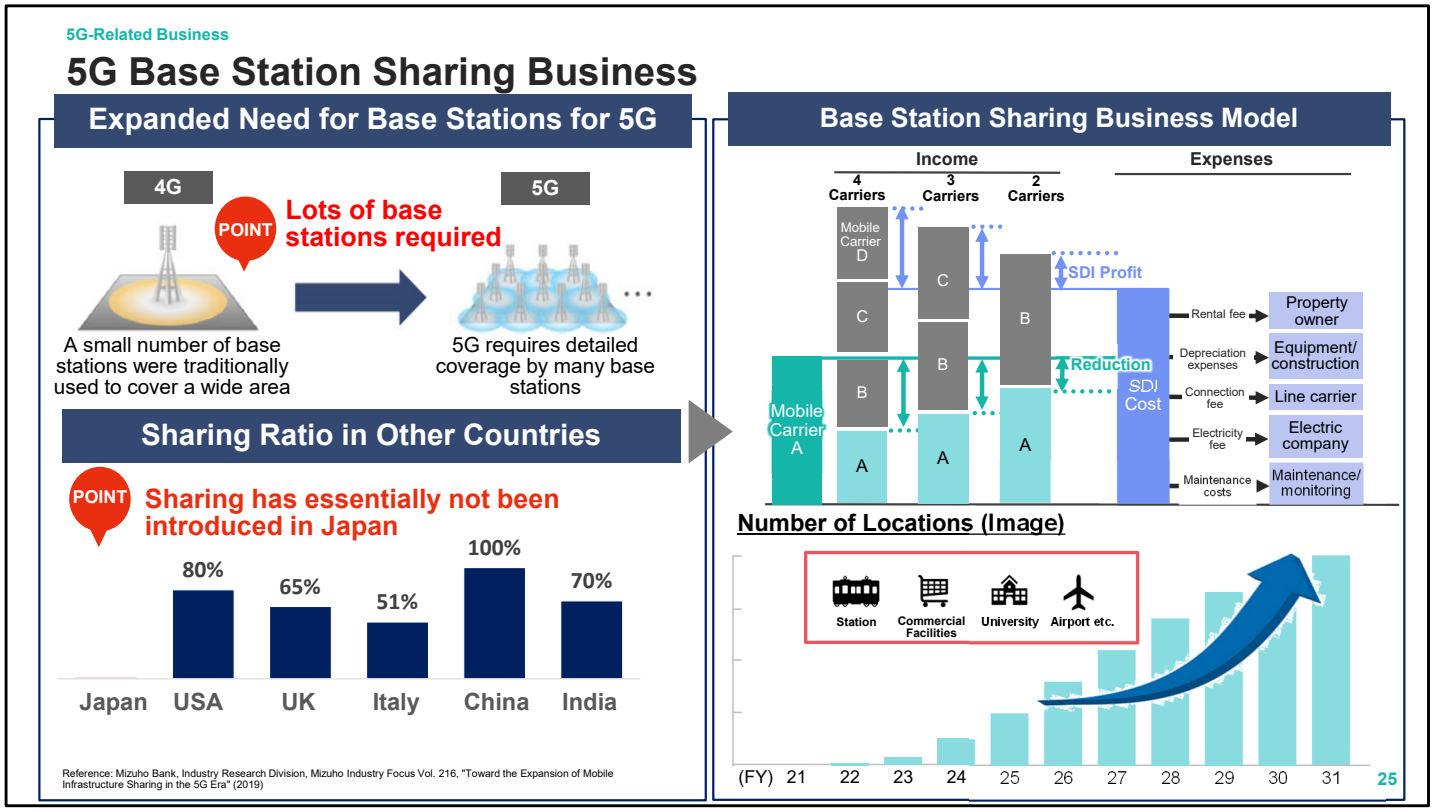
It is said that 5G will become a technological infrastructure that connects people to things, and even things to things, in addition to connecting people to people as in the 4G era, through its 3 features of “high speed and large capacity”, “ultra-low latency”, and “multipole simultaneous connections”.

5G is expected to realize things that were not possible before in various fields such as automatic driving, smart factories, smart city, telemedicine, and agricultural ICT.
From the next page onward, we will explain the status of our efforts in 5G.



There are 2 types of 5G systems: the nationwide 5G conducted by mobile carriers such as docomo in the upper-right corner, and the local 5G, which is limited to the region in the lower-left corner.
Our business scope is indicated by the red frame.

In terms of nationwide 5G, in February of this year, we established Sharing Design, SDI, in collaboration with Tokyu Corporation. Through this company, we will provide base station sharing services to mobile carriers.
In terms of local 5G, we have established GRAPE ONE in collaboration with CATV operators. Through this company, we are building a platform to support local 5G infrastructure operations.
In terms of solutions, we are collaborating with CATV operators in each region to develop and test solutions for factories and local disaster prevention.



First, I would like to explain the 5G Base Station Sharing business by SDI.

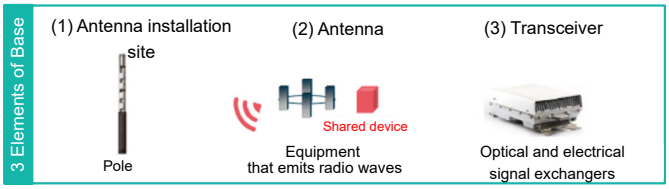
Please see the left side. Since 5G uses higher frequencies than 4G, the radio waves are more direct more likely to be affected by obstacles and less likely to reach farther. As a result, more base stations will be needed for 5G compared to 4G, and the burden of capital investment will be heavier on mobile carriers. So, we expect the sharing of base stations, which is widespread in other countries, to grow in Japan.

Please see the right side. The Base Station Sharing business is a model in which the total amount of necessary expenses plus profit are collected from the mobile carriers under a 10-year long-term contract. For the mobile carriers, it will be cheaper than installing the system on their own. Furthermore, the more mobile carriers participate, the greater the benefit of cost reduction will become, and the more SDI's revenues will increase.
We plan to expand the number of base stations to tens of thousands in the future.

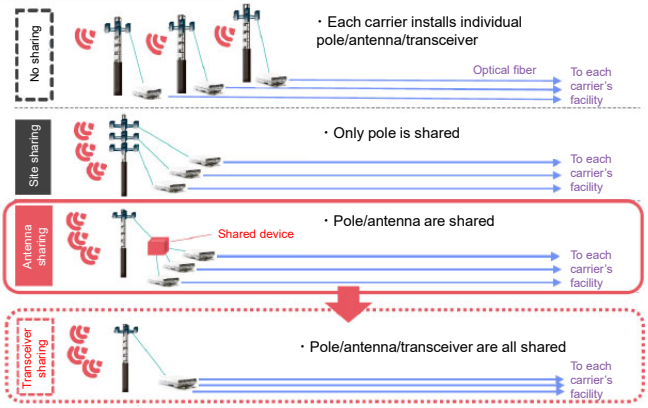
5G-Related Business

Base Station Sharing – Image

Base Station Configurations

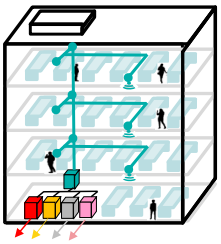


Types of Base Station Sharing



[Indoor] Installation Image

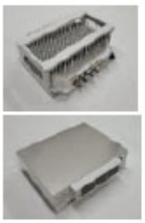
<Sharing>



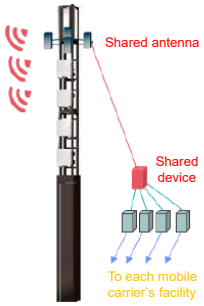
To each mobile carrier's facility

<Shared Antenna>

<Shared device>



[Outdoor] Installation Image



Smart Pole (Nishi Shinjuku, Tokyo)

This section provides an overview of base station sharing.
There are 3 main elements that make up a base station: poles where antennas are placed, antennas, and transceivers.
There are several cases depending on the components to be shared, but SDI will set up its business in the form of antenna sharing, which is circled in red.
The image on the right shows the respective indoor and outdoor installations.

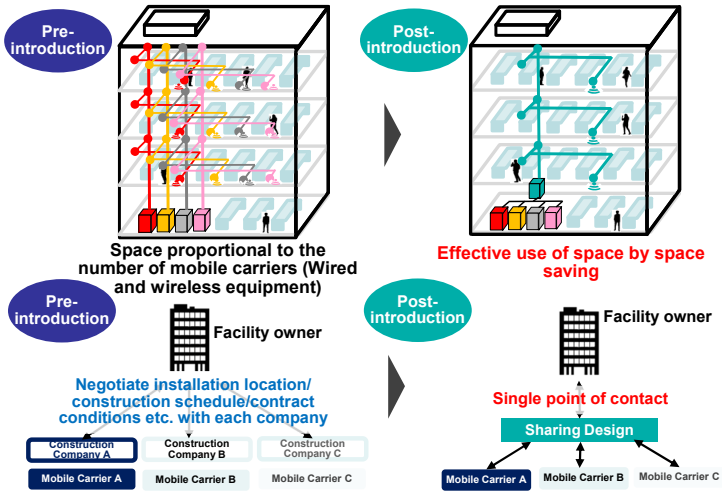
5G-Related Business

Base Station Sharing – Introduction Merits

1 **Early construction of 5G environment**

- Improvement of facility value and user convenience
- Proactive construction of 5G environment
- Additional 5G rent in addition to current 4G

2 **Space saving/effective use of facility space**



3 **Load reduction during introduction/ operation**

Sumitomo Corporation | Enriching lives and the world

This section explains the benefits from the perspective of the facility owner who provides the location for the base station.

The first is the early construction of ~~a~~ 5G environment. Sharing makes it possible to construct the 5G environment operated by multiple mobile carriers at once.

The second is the space saving and effective use of facility space. Sharing of equipment makes the most of space.

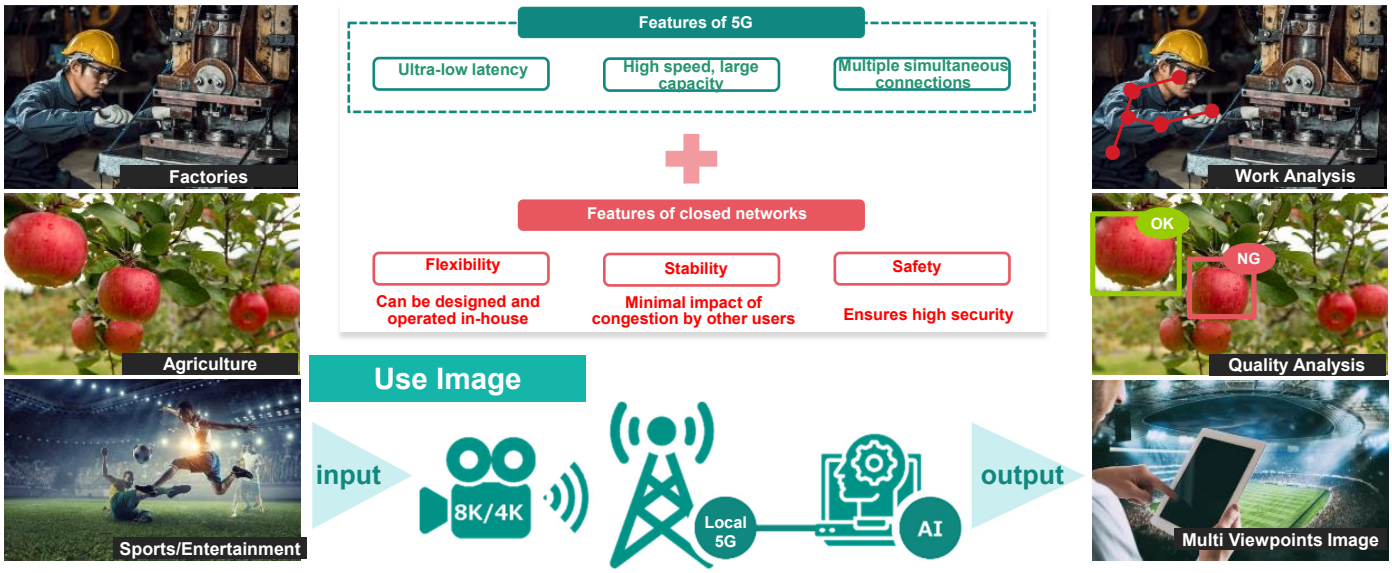
The third is the load reduction during installation and operation. SDI will reduce the facility owner's burden of negotiations with each mobile carrier by consolidating the communications.

5G-Related Business

(Reference Material)

Examples of Local 5G Usage

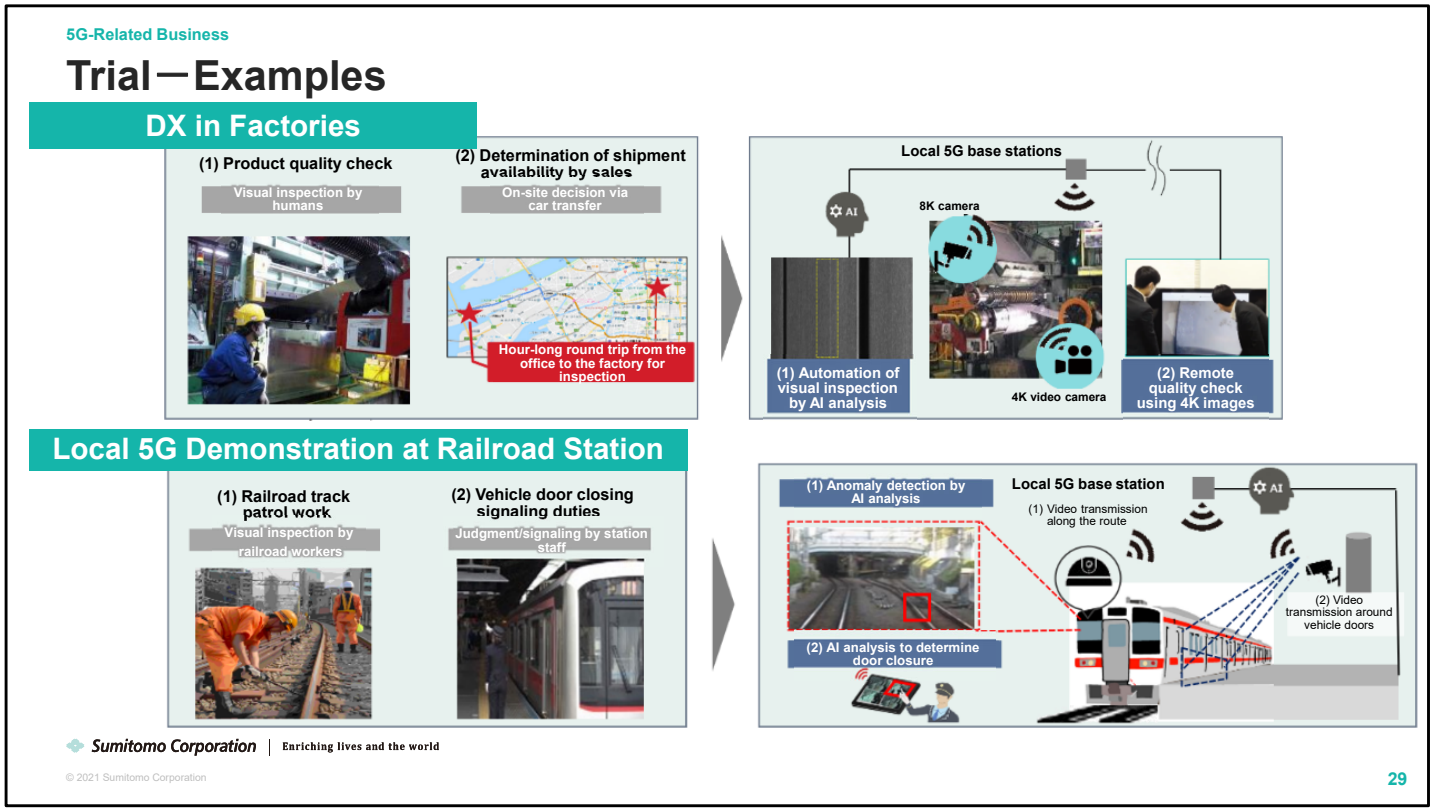
High Capacity x Local 5G x AI Analysis



Sumitomo Corporation | Enriching lives and the world

Here are some examples of local 5G usage.
The 3 features of 5G were explained at the beginning, but in addition, as shown in red in the middle, local 5G has the following features: “flexibility” as a closed network that can be designed and operated in-house, “stability” that is not affected by congestion from other users, and “safety” that ensures high security.

Typical usages include work analysis, quality analysis, and generation of rich content by using 4K and 8K high-definition cameras to capture images of factory sites, farms, entertainment, et cetera and then transmitting them via local 5G and processing them by AI servers.



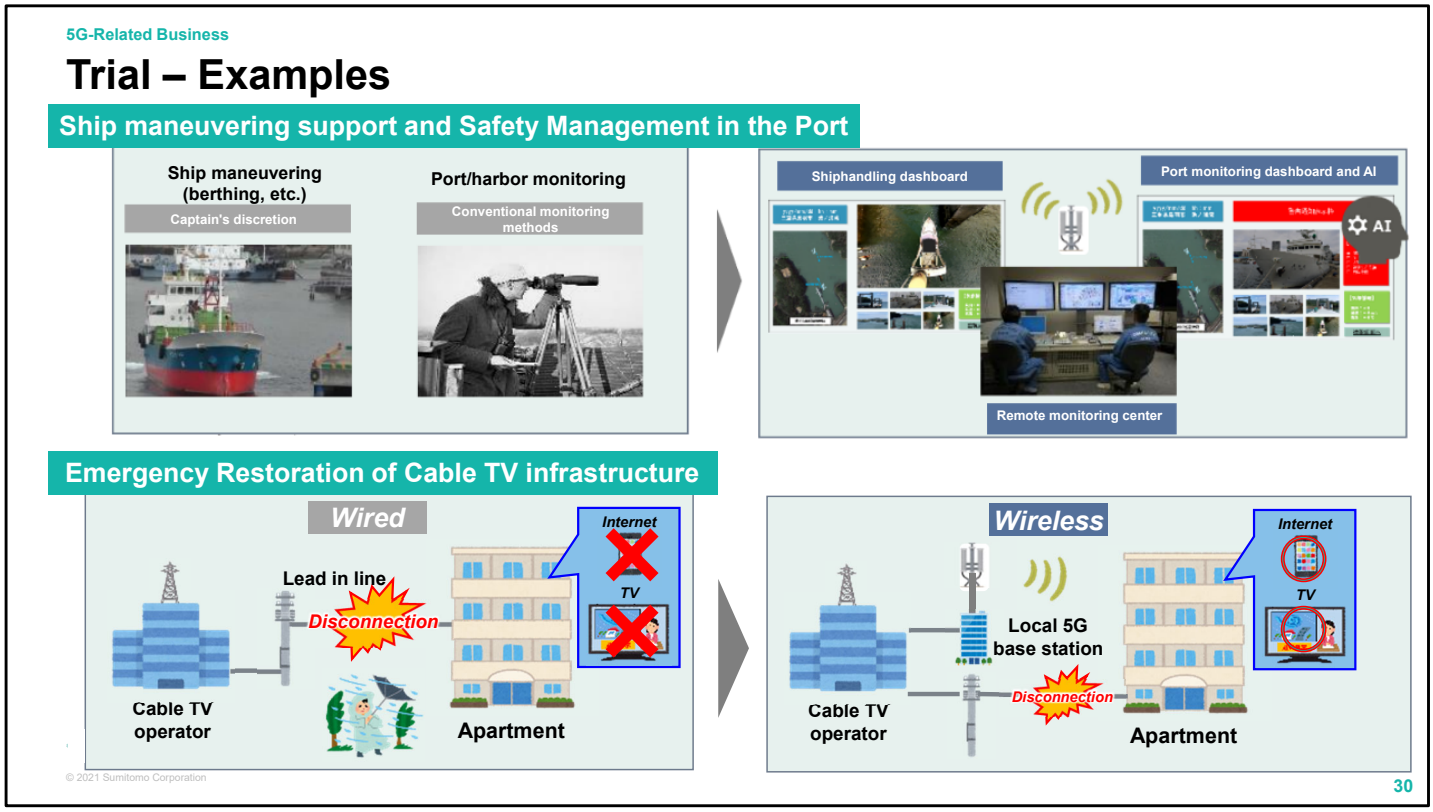
Here are some of our examples.

The first is a case ~~study~~ of our group‘s Summit Steel Co., Ltd Osaka Factory.

The goal is to automate and upgrade the inspection of scratches on the surface of processed metal products, which humans currently do visually without human intervention.

Specifically, large amounts of image data captured by 4K and 8K cameras will be transmitted from the factory to the center via local 5G and analyzed by AI to enable remote inspections. In the future, centralized management of data from each factory is expected to improve efficiency significantly.

The second is a case in which we are working with TOKYU CORPORATION to improve the efficiency of patrolling the tracks and opening and closing vehicle doors. This is also a case where large amounts of image data captured by 4K and 8K cameras will also be transmitted via local 5G, and AI analysis will be utilized.



The third is a case of utilization at a port, which we are working on with a CATV operator in the Mie Prefecture. High-definition camera images installed on ships and in ports will be transmitted via local 5G, and AI will be used to analyze the images to prevent accidents during operation and landing and to improve the sophistication and efficiency of monitoring in ports.

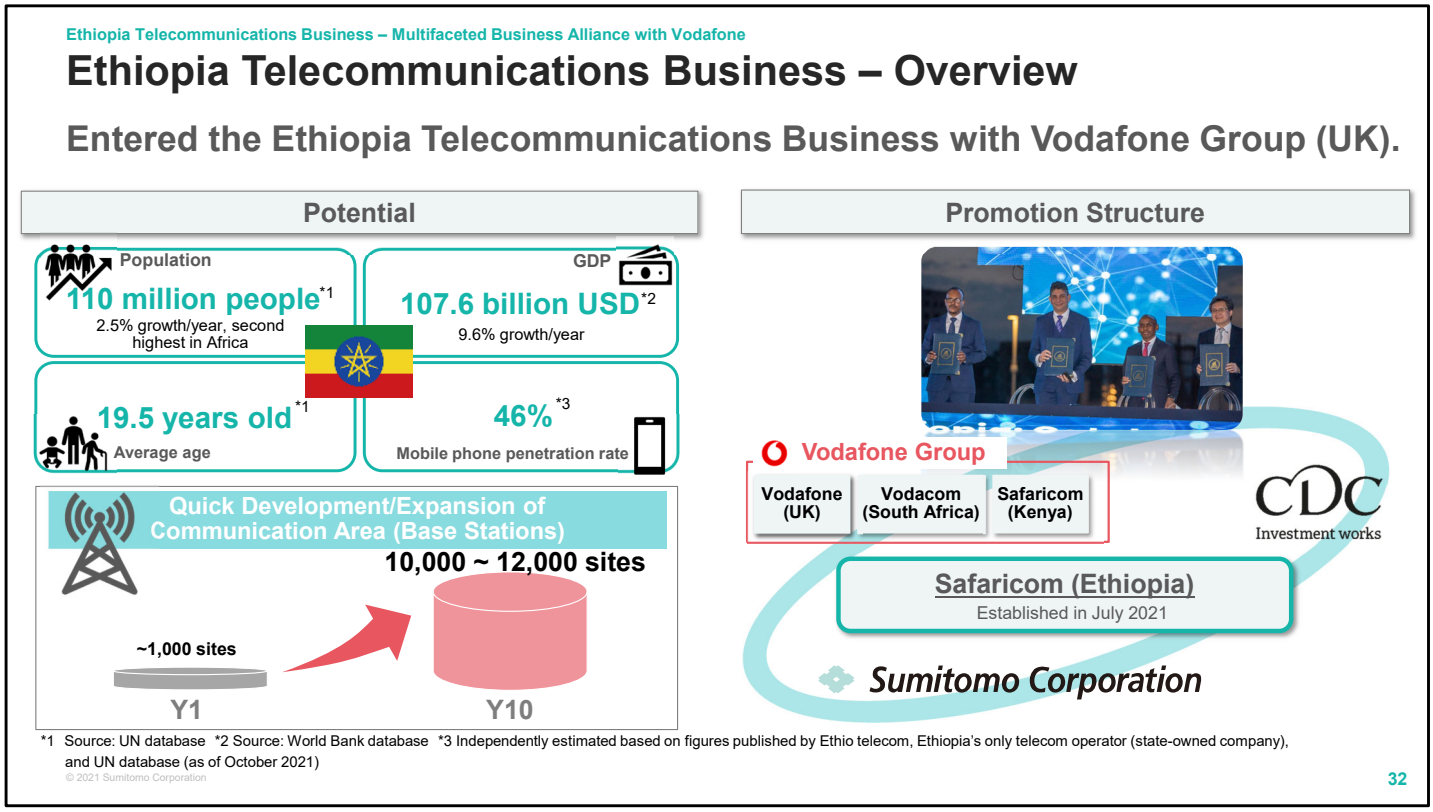
The last case is an example of working with a CATV company in the Okinawa Prefecture. The local 5G wireless system will be used for quick emergency recovery when TV viewing or Internet access is not possible due to cable line cuts or collapsed antennas during disasters such as typhoons.

As I have explained so far, with 5G, we aim to develop our business in terms of both infrastructure construction and solutions and services on top of that, and we will collaborate with internal units, group companies, and external partners to realize the 5G society as soon as possible and contribute to regional development.
This concludes the explanation. Thank you very much for your attention.

04

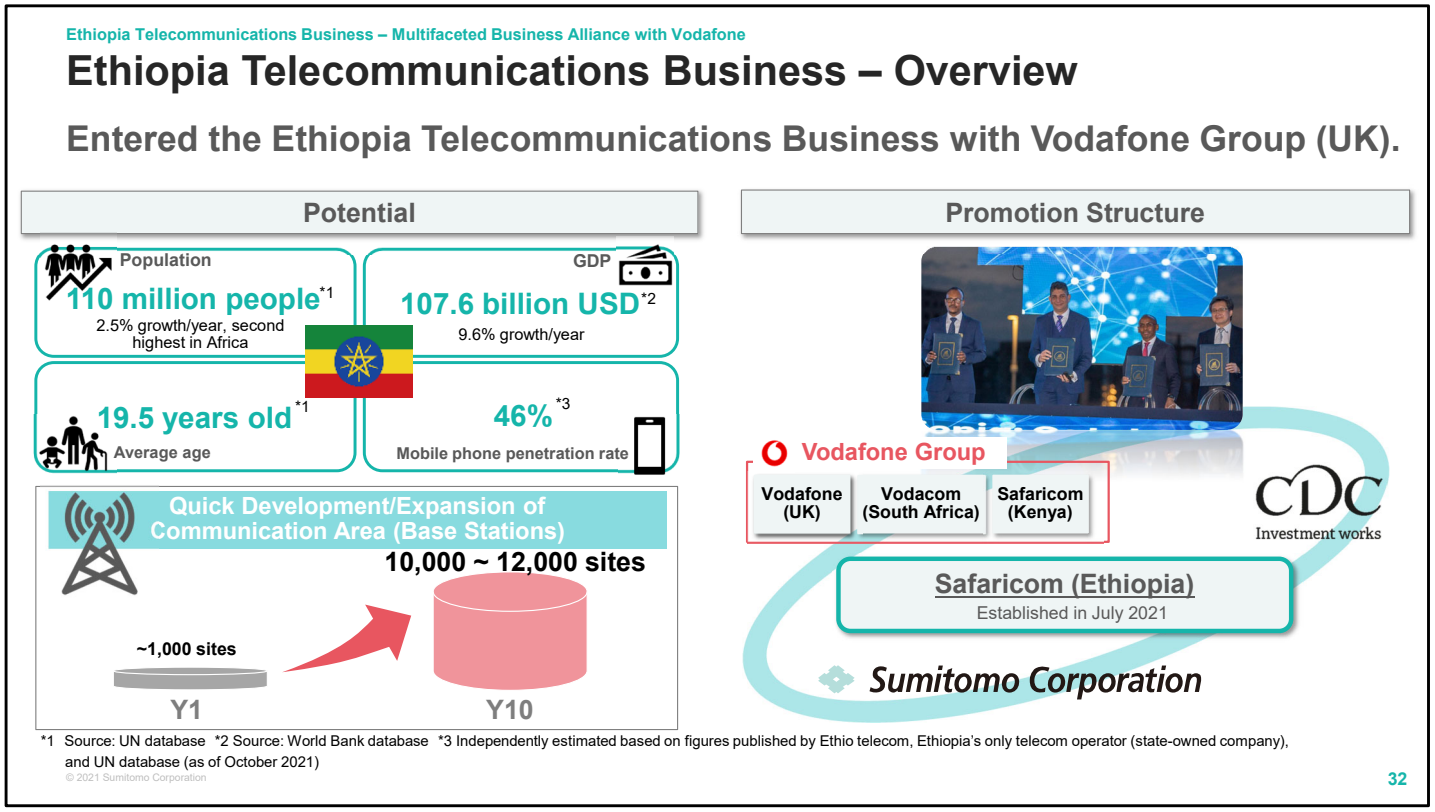
Ethiopia Telecommunications Business — Multifaceted Business Alliance with Vodafone

Katsuya Kashiki, General Manager of Smart Communications Platform Business Div.



I am Kashiki, General Manager of the Smart Communications Platform Business Division. Thank you. I would like to explain the prospects for the Ethiopia Telecommunications business, which we recently announced our entry into, and the direction of our multifaceted business alliance with Vodafone, our partner in this business.

First, I would like to talk about the growth potential of this business. The Ethiopian telecommunications market had long been dominated by the state-owned operator, Ethio Telecom. But this year, the Ethiopian government finally opened up licensing to the private sector with the aim of promoting economic development through telecommunication infrastructure. The Ethiopian government had viewed the opening of Myanmar's telecommunication licenses to foreign investment as a successful case study and had used it as a reference in bidding for the licenses, making it an ideal opportunity to utilize our experience in entering the Myanmar Telecommunications business and driving growth in the market.
In response to this opportunity, we have formed a strong partnership with the Vodafone Group in the UK, which has a wealth of experience in the Telecommunications business in Africa, to enter this market. In addition, CDC, a British sovereign wealth fund that owns Vodafone's headquarters, has invested in the project. The project will be promoted with the strong support of the Japanese government as well as the British government.



(Continued)

Ethiopia is a large African country with a population of over 100 million people and is a market with extremely high potential in the midst of economic development. The penetration rate of cell phones is just under 50%, and there is a great deal of room for growth. For the time being, business start-up costs including network development will be incurred upfront, but we expect them to contribute to revenues from the next mid-term plan period.

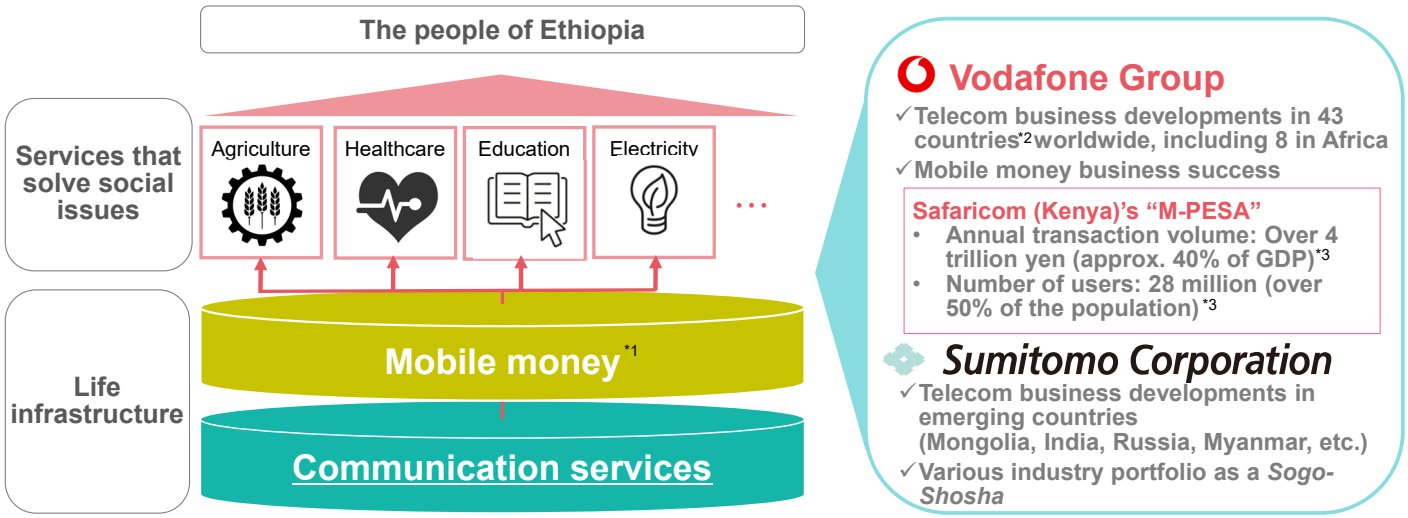
On the other hand, the civil strife that has been occurring in Ethiopia has become more serious, and the Ethiopian government has recently declared a State of Emergency. I'm sure that everyone living in the area is having a very anxious time. We sincerely pray for their safety.

As the situation in Ethiopia is constantly changing, we are not in a position to accurately report the impact on our Ethiopia Telecommunications business at this time. We would like to state that our intention remains the same: to contribute to the development of the country by launching our business as soon as possible as a lifeline for the people.

Ethiopia Telecommunications Business – Multifaceted Business Alliance with Vodafone

Toward a Sustainable Business Foundation

Developing services that solve social issues based on the telecommunications business. Becoming an essential presence for the people.



*1 Mobile wallet that doesn't require opening a bank account. Payment, domestic and international remittance, etc. are possible. *2 Including countries where service is available through partnerships. Vodafone Group alone operates in 24 countries. *3 Source: FY2021 Safaricom Annual Report.

Sumitomo Corporation | Enriching lives and the world

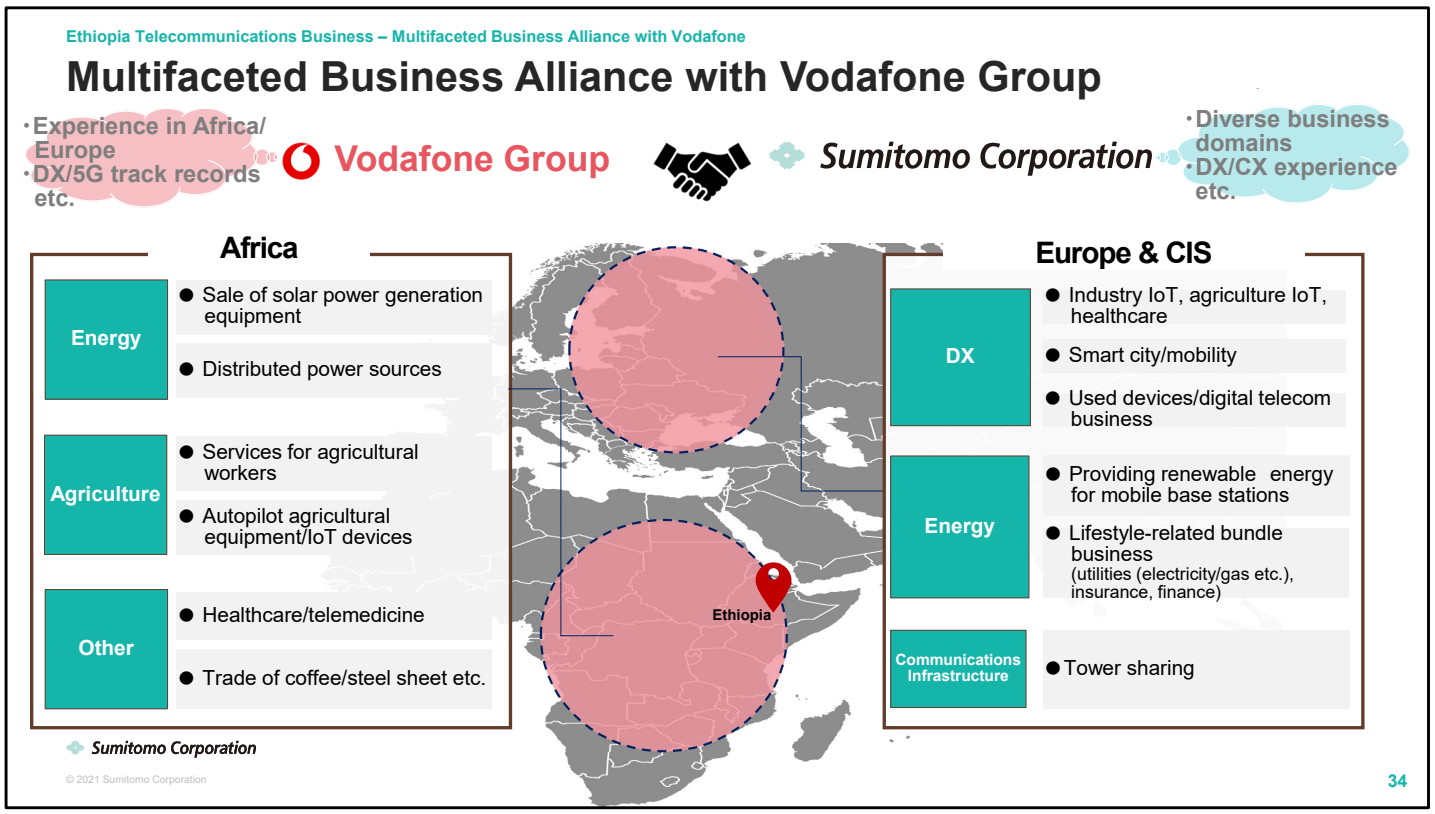
In this section, I would like to explain what we hope to accomplish through the Ethiopia Telecommunications business, and more specifically, the social significance of this business.

Communication services have evolved from being a "convenience" to an "indispensable lifeline". In most cases, the spread of cell phones precedes the spread of PCs in emerging countries. We hope to support the lives of the Ethiopian people and contribute to a significant improvement in their quality of life by developing social issue-solving services based on cell phones, which are the most familiar to consumers.

To accomplish this, the Company plans to launch a mobile wallet service along with telecommunication services to enable remittance payments on cell phones for the large number of people who do not or cannot have bank accounts.

Safaricom, a subsidiary of Vodafone Group that operates Telecommunications business in Kenya, has developed a mobile money service called "M-PESA", which has grown into a huge infrastructure with more than 50% of the Kenyan population using it and transactions amounting to about 40% of the country's GDP.
In addition to basic functions such as remittance and payment at stores, M-PESA has expanded its functions to support people's daily lives, such as payment of insurance products and electricity bills, and has become an indispensable part of people's lives.
Our idea is to promote the provision of social issue-solving services based on these 2 life infrastructures: communication services and mobile money.

As I mentioned earlier, Safaricom, a Kenyan company, also has a stake in the Ethiopia Telecommunications business. We are ready to take full advantage of their mobile money growth know-how.



As announced in last year's press release, we are building a multifaceted collaboration with Vodafone Group not only in Ethiopia but also in Africa and Europe.

We aim to create scalable businesses by combining the Vodafone Group's experience in creating Telecommunication businesses in Africa and Europe and track records in mobile money, IoT, and 5G with our own experience in launching Telecommunication businesses, our portfolio spanning all industries as a general trading company, and the Group's extensive experience in applying DX and CX.

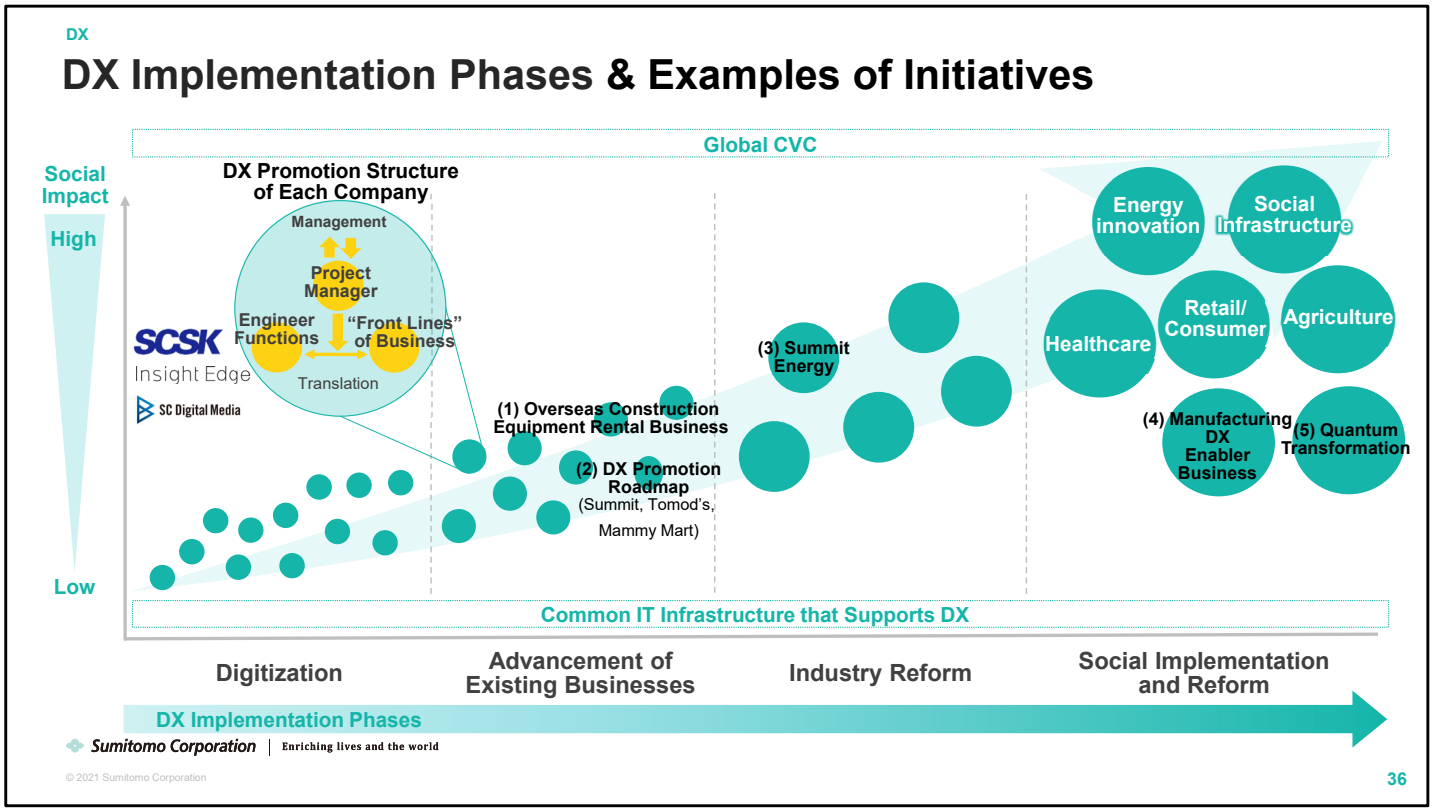
Starting with the Ethiopia Telecommunications business, which is the first phase of this initiative, we are considering future expansion into a wide range of fields such as energy, agriculture, digital health care, and smart city/mobility, as described on this slide.

We are preparing to unveil more specific initiatives as soon as possible, so please stay tuned.
That's all the explanation I have for you. Thank you very much for your attention.

05

DX

Bin Haga, General Manager of Digital Business Div.



Now, I, Haga, would like to explain the DX activities.
In the first part, I will explain the overall picture. In the second part, I will introduce some specific cases.

As you can see from the diagram I explained at IR Day in June, we are moving forward with the realization of DX in 4 phases on a horizontal axis. The vertical axis indicates the size of the social impact.

The start is working on digitization at each company, in the first phase. The second phase is the upgrading of existing businesses. In this case, the “DX promotion structure” shown in the upper left-hand corner is essentially required in each company.
In other words, those projects require business personnel who can identify issues in the field. Then, the engineering staff who provide digital solutions, which in our case includes SCSK, our DX technology subsidiary company Insight Edge, and SC Digital Media, which is responsible for data marketing. And of course, a project manager who connects and translates these engineers to the business. This is a trinity system.

Currently, in many cases, the DX Center provides this engineering function and plays the role of a project manager, supporting the Group's DX activities, while at the same time accumulating a great deal of internal know-how as an organization.

By combining this know-how with Sumitomo Corporation's business creation capabilities, we will realize the third phase of industrial transformation, which is to digitally connect the value chain, and the fourth phase, which is to transform society beyond industry boundaries.

In this case, co-creation with startups, as I mentioned earlier, is an important strategy. We

will promote global collaboration of our CVCs in Silicon Valley, Hong Kong, Tel Aviv, London to work on startup innovation in each phase.

DX

(1) Overseas Construction Equipment Rental Business Enhancement of Operations through Insourcing

- Advancement of existing businesses at overseas operating companies where in-house DX is in progress
- Continued promotion of (1)business system development and (2)data analysis insourcing. Some of the projects are being worked on collaboratively with the DX Center/Insight Edge.
- Accumulate the knowledge and expertise to resolve issues at the SC head office, and aim for horizontal expansion to the construction equipment rental business in other regions as well as the application to other divisional businesses.

Insight Edge: DX Technology Subsidiary

Issues

Decision making and judgement based on experience

Desire to further improve efficiency and sophistication of operations

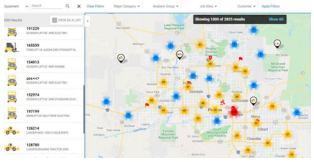
Desire to increase asset efficiency

Desire to improve customer satisfaction and responsiveness

Initiatives/Measures

(1) Upgrade of business systems

Strengthen the IT department and data analysis unit, as well as in-house development capabilities



(2) Operation improvement through data analysis

Reduction of underused machine ratio
Fleet allocation optimization
Improvement of delivery efficiency, etc.

Supported by company-wide DX function

Sumitomo Corporation's DX Center/Insight Edge

Going Forward

Construction equipment rental business

Strengthen competitiveness, improve value provided to customers and consider horizontal expansion to other regions

DX Center

Improve corporate value of the Group by expanding DX knowhow into other businesses through accumulating knowledge and expertise

Sumitomo Corporation | Enriching lives and the world

I will now introduce 5 specific examples of DX. The first will be a case of the second phase.

In the Overseas Construction Equipment Rental business, IT has long been at the center of our business strategy. Even in such an environment, there are still individual issues that need to be addressed, such as eliminating decision making based on experience, further improving operational efficiency, improving asset efficiency, and increasing customer satisfaction. The DX Center is now supporting the resolution of some of these issues.
In collaboration with Insight Edge, we are working to optimize the loading combination for rental construction equipment shipments, the order of delivery and collection as well as route optimization to significantly improve delivery times and rental asset turnover.

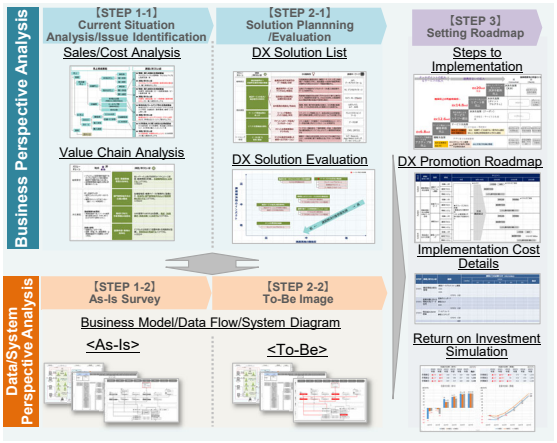
This is an example of a Construction Equipment Rental business that aims to strengthen its competitiveness, accumulate company-wide knowledge, and then expand into other businesses.
The fact that the Group itself has many real cases of such issues is one of the greatest strengths and characteristics of DX.

DX

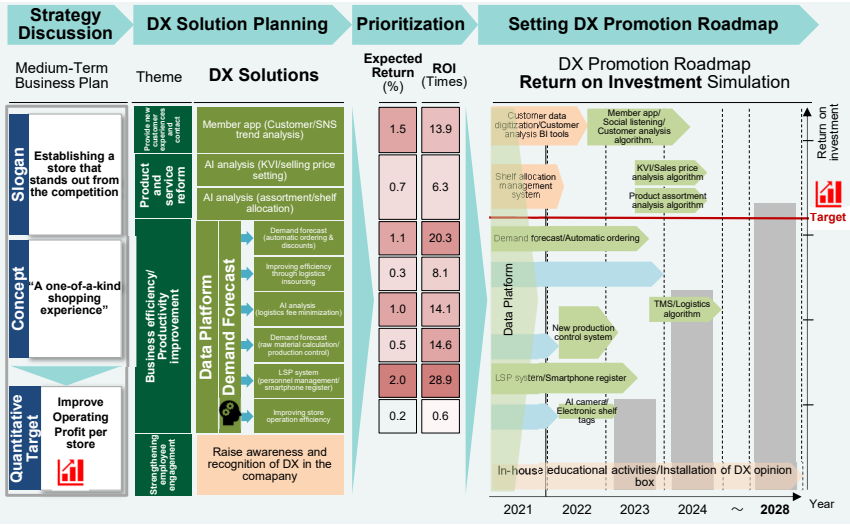
(2) DX Promotion Roadmap for Mammy Mart

- Business analysis from the perspectives of both business and data → DX promotion roadmap to increase sales and reduce costs
- Turning of front-line issues into managerial issues by project managers of DX Center under the leadership of operating company's management

<Process>



<Results Summary>



Sumitomo Corporation | Enriching lives and the world

The second is another example of the second phase. This is an initiative of the food supermarket, Mammy Mart.
Regarding the title “DX Promotion Roadmap”, as you can see in the process on the left, we will conduct sales/cost analysis, value chain analysis, formulate multiple DX solutions, and then work with the management of the operating companies to formulate a roadmap for DX implementation.

On the right is an actual example of Mammy Mart. The first step was to understand and analyze the company's medium-term management plan, and to formulate several specific DX solutions while discussing the strategy with top management. Then we analyzed the investment effectiveness and difficulty of implementation and determined priorities. After that, we created a business roadmap.

This was a case where we recognized once again that promoting DX is the “path to solving management issues”. We intend to use the know-how gained from this experience to improve our M&A and to turn around unprofitable business activities.

DX

(3) Summit Energy Business Advancement and ESG Management Initiatives through the Use of Data

- Improving the accuracy of electricity price forecasts as basic infrastructure in the electricity retail business
- Initiatives for ESG management using data analysis capabilities

Summit Energy's Data Analysis Team ✖ **Insight Edge's AI Expertise**

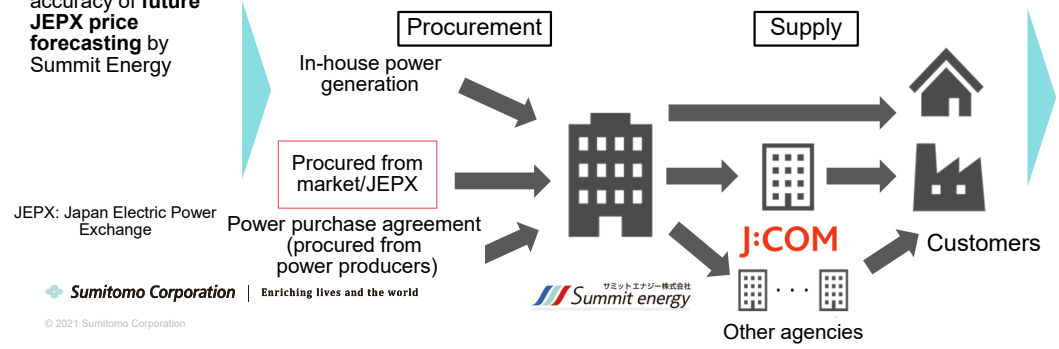
Traditional Issues

- Improving the accuracy of **future JEPX price forecasting** by Summit Energy

Current Initiatives

Refining JEPX's Future Price Forecasting with AI

- Insight Edge supports Summit Energy's forecasting team. Improving accuracy by upgrading the forecasting model.



Initiatives Going Forward

Shift to clean energy (ESG management)
⇒ Achieve a stable energy supply through the use of various DX technologies, even if the ratio of renewable energy sources with unstable output, such as solar and wind, is increased

- Proposals to improve usage efficiency, such as demand response
- Electricity service based on renewable energy generation forecasts
- Green certification menu using blockchain, etc.

Sumitomo Corporation | Enriching lives and the world

Next is the case study of the third phase, Summit Energy.
In June, we reported that Summit Energy's data analysis team and Insight Edge have collaborated to start refining forecasts for JEPX and wholesale electricity prices. We are currently working on further improving the system.

Please take a look at the bottom right. As announced in the press in November, J:COM and Summit Energy have also started a joint “demand response” demonstration experiment in which Amazon points will be awarded to customers based on the amount of electricity they save during peak hours. Insight Edge has also provided technical support here.

In the future, as we aim for this kind of ESG management, we will try to predict the instability of renewable energy and realize a stable energy supply while utilizing DX.

DX

(4) New Business: Digital Solution Provider for the Manufacturing Industry

■Leveraging the strength of the Group's business platform (overseas industrial parks x SCSK) and providing integrated digital services throughout Asia.

Target Customer

Our overseas industrial parks, manufacturing industry, tenant companies
Approx. **460 companies**

Develop/Expand

Southeast Asia
Japanese-affiliated Manufacturing Industries

Industry Issues

- Lower work quality and yield rate than in Japan...
- Don't have the resources for DX promotion and don't know where to start...
- Want to reduce costs, but afraid it will require a large initial investment...

Provided Value

Business Consulting
Supply chain optimization | Manufacturing cost reduction | Quality impact analysis …

System Integration
Supply chain management | Inventory management | Manufacturing execution/planning …

SaaS for the Manufacturing Industry
Visualization of equipment operation status | Automated inspection (AI) | Digitized daily reporting
Wage management | Document management | CO2 visualization …

Improving productivity and QCD in factories
Contributing to the advancement of management
住友商事 SCSK

Sumitomo Corporation | Enriching lives and the world

The next example is the fourth phase. This is an introduction to a new business that will provide our digital solutions for the manufacturing industry.
The target customers are 460 manufacturing companies that have moved into our overseas industrial parks and are facing common industry issues.

As shown in the lower right corner of this page, we will provide SaaS as a package service to solve general problems in the manufacturing industry. Based on the relationship of trust that we built up through this project, we are planning to provide integrated services such as supply chain management, inventory management, and manufacturing execution/planning together with SCSK, including System Implementation and System Integration business and even business consulting.

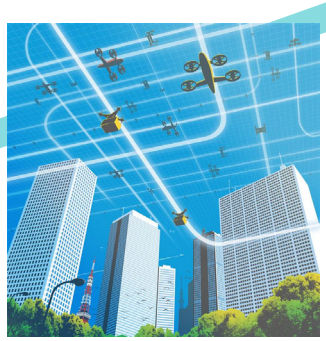
Due in part to the influence of coronavirus, we are now conducting concrete demonstration experiments with domestic manufacturers. We aim to contribute to the society by solving the problems of the manufacturing industry in Southeast Asia and transforming the industry.

DX

(5) Quantum Transformation (QX) Project

Quantum Transformation

Across the globe, from underground to outer space. Changing the society with the power of quantum.



QX x Sustainable City Initiative (North Hanoi)

Example of new business creation "Quantum Sky Project"

OneSky* — 住友商事 Enriching lives and the world

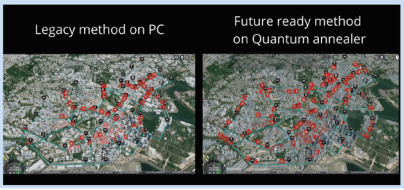
Integration into air mobility control system

Integration into applications and air mobility control systems

東北大学 TOHOKU UNIVERSITY

Development of optimal route selection algorithm and quantum annealing technology

* OneSky Systems, Inc. (Headquarters: Pennsylvania, U.S.A.): Developer of unmanned aircraft control systems; SC invested in April 2020.



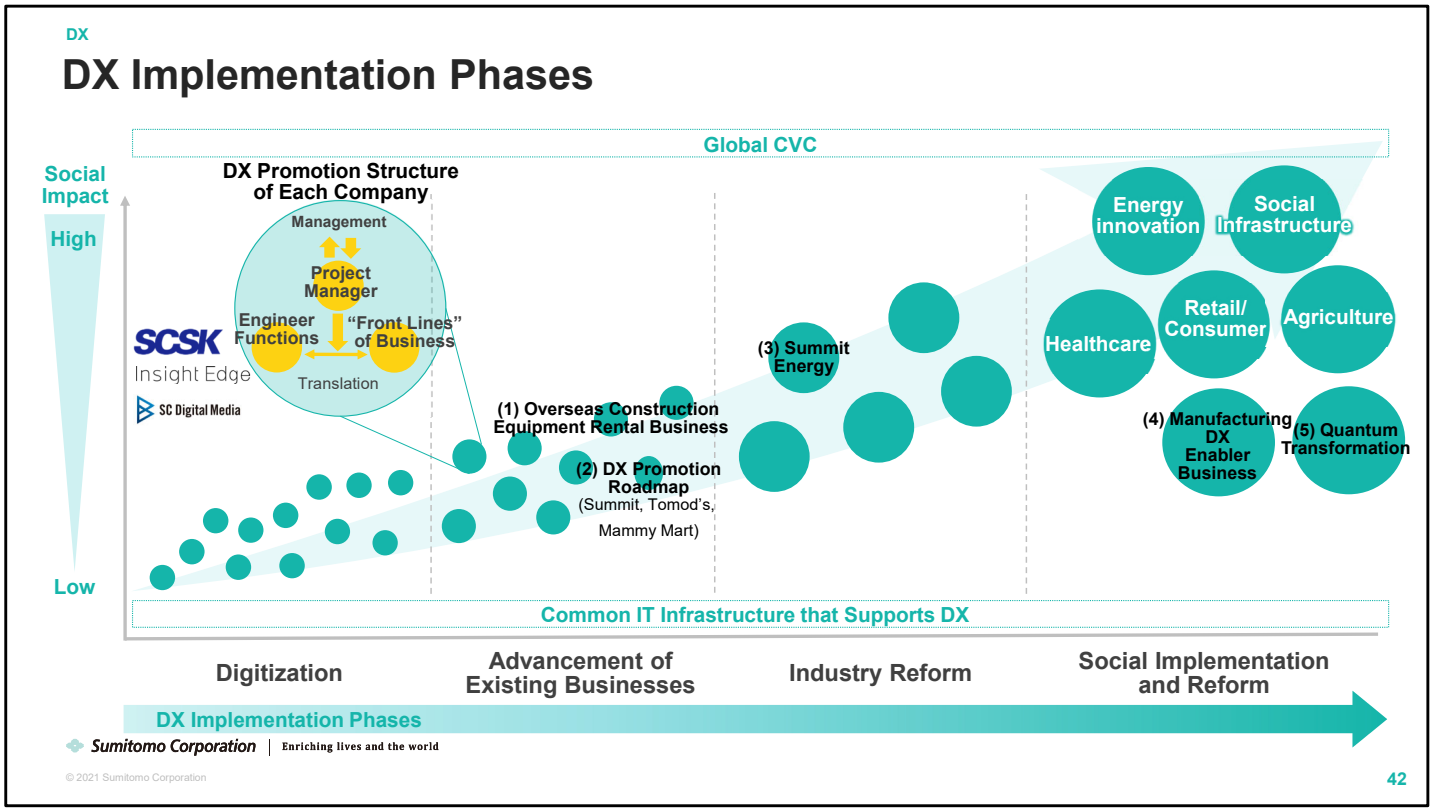
Official YouTube channel for Quantum Transformation

Sumitomo Corporation | Enriching lives and the world

The last one is a case study of the challenge of social change using future technology. We are working on Quantum Transformation, QX, which promotes the social implementation of quantum computers. We are now conducting a desktop demonstration of real-time 3-dimensional traffic control for air mobility such as flying cars in a joint industry-academia project involving our portfolio company OneSky Systems, which is a US startup that provides air mobility control systems, and TOHOKU UNIVERSITY.

In order to derive the optimal route at ultra-high speed for an automatic air mobility vehicle that flies at 200 km/h while calculating the effects of wind and radio waves, it must be controlled by a quantum computer. This project is a slightly longer-term story, but we are focusing on drone logistics, which is expected to become widespread in the near future. We have started conversations with logistics companies about demonstration experiments.

Similarly, we are considering urban planning with QX for a sustainable city in north Hanoi, Vietnam. We aim to create the future with QX, and I hope you will look forward to it.



The above is a brief description of some of our DX initiatives, using actual examples. The Insight Edge and SC Digital Media engineering teams have been enhanced in terms of both quality and quantity. DX Center members have also entered the field to further enhance their skills.

In the future, we will work on digital solutions for the GHG emission visualization project and other such social issues, while gathering the knowledge of the Group to improve the tangible and intangible market value of each phase.
As for the quantitative side, we are currently working on about 280 DX projects across the Company, and we are working with each SBU to grasp the quantitative effects of DX. There are a number of projects in the conceptual stage that have not yet reached quantification of the expected profit, and projects for which leading indicators are used as KPIs. For those projects, we will work towards quantification in the future.

In the 100 cases in which the DX Center is involved, we have already created about JPY3 billion in value including the effects of RPA. In the final year of this mid-term plan, we are aiming to go up another digit. This concludes my explanation. Thank you very much.

[END]