

# Investor Day 2022

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**To demonstrate  
our true value**

**Sumitomo Corporation**

September 14, 2022

## Investor Day 2022 - To demonstrate our true value -

Time	Program	Speakers
1:30~1:35	Opening Remarks	President and Chief Executive Officer, Masayuki Hyodo
1:40~1:50	Presentation by CSO	Managing Executive Officer, Chief Strategy Officer, Hirokazu Higashino
Part 1 Business Unit Strategy under SHIFT 2023		
1:55~2:15	Metal Products Business Unit	Managing Executive Officer, General Manager, Metal Products Business Unit, Katsuya Inubushi
2:15~2:35	Questions and Answers (Intermission)	
2:45~3:05	Transportation & Construction Systems Business Unit	Managing Executive Officer, General Manager, Transportation & Construction Systems Business Unit, Norihiko Nonaka
3:05~3:25	Questions and Answers (Intermission)	
Part 2 Monitoring and Supervisory Functions for Improvement of Corporate Value		
3:30~3:50	Panel Discussion by Outside Directors	Outside Director, Koji Ishida Outside Director, Kimie Iwata Facilitator: Japan Investor Relations Association, Executive Managing Director, Ms. Yoshiko Sato
3:50~4:10	Questions and Answers	
Closing session		
4:15~4:40	General overview・Questions and Answers	President and Chief Executive Officer, Masayuki Hyodo Managing Executive Officer, Chief Strategy Officer, Hirokazu Higashino
4:40	Closing	

# Opening Remarks

President and Chief Executive Officer , Masayuki Hyodo

I'm Hyodo, President and CEO of Sumitomo Corporation. Thank you very much for taking time out of your busy schedule to join us today.

The SHIFT 2023, our current medium-term management plan, is reaching its halfway point at the end of this September.

We are operating medium-term management plan with medium- to long-term view, always considering the three-year period ahead.

Today, we would like to explain what kind of specific progress we made introducing two Business Units; Metals Products Business Units and Transportation and Construction Systems Business Unit.

Later, the outside directors will directly explain how Sumitomo Corporation Group is tackling this structural reform from the perspective of governance.

At the end of the meeting, I would like to summarize and exchange views on the entire topics through the Q&A session.

Since time is limited, I would like to cut to the chase. Thank you for your cooperation.

# Promotion of SHIFT 2023 to Enhance Corporate Value

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

Hello, everyone. I'm Higashino, CSO.

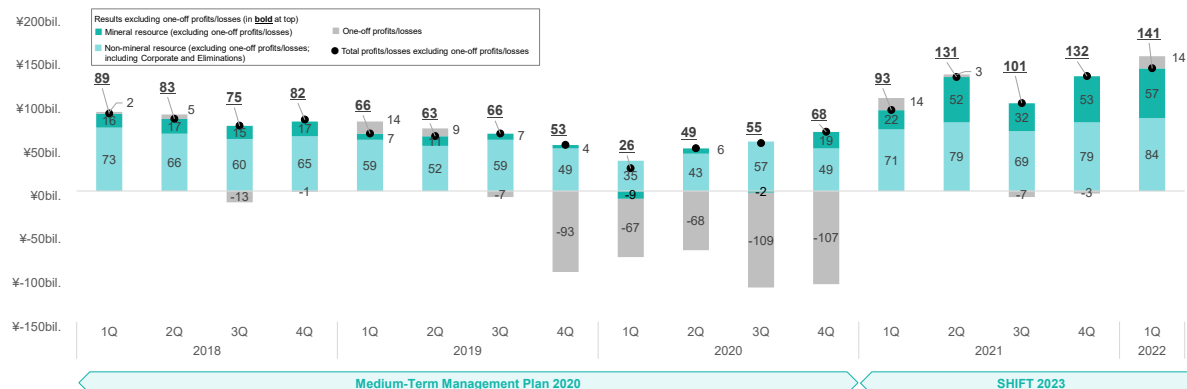
The medium-term management plan SHIFT 2023, which started in FY2021, is now on its second year, and the Group is making concerted efforts to promote various initiatives.

Today, as the person in charge of promoting the implementation of company-wide management strategies, I would like to talk about the progress made to date and the key points on which we will be strengthening our efforts in H2 of the medium-term management plan.

# 1. Recovery of Earning Power (Trend of Quarterly Results)

- Although there was positive impact from the external environment such as the rise in mineral resource prices, our earning power is steadily recovering, as various measure under structural reforms and turnaround for major businesses made progress.

Trend of quarterly results from FY2018

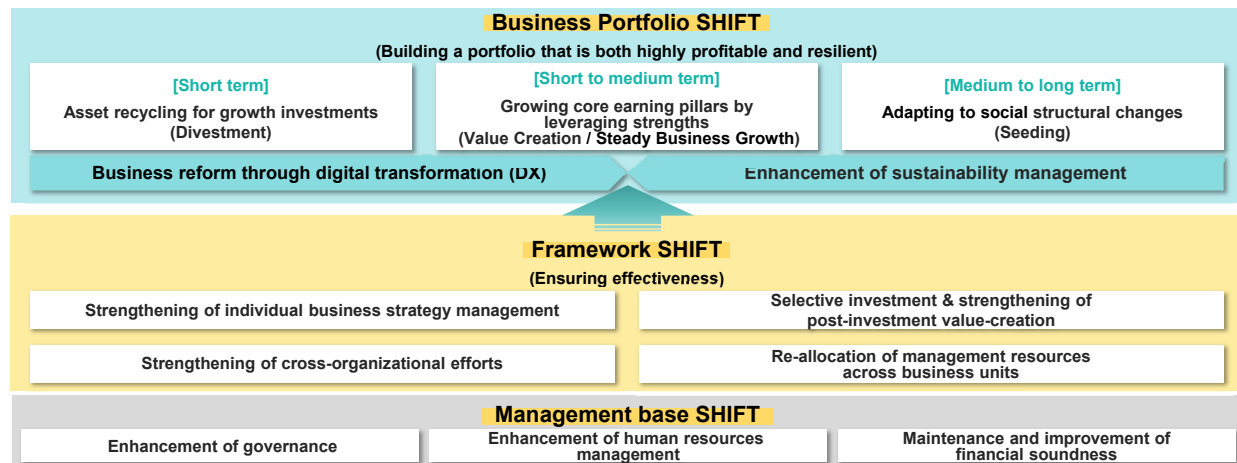


\* Results for each fiscal year are calculated based on the organization as of April 1, 2022

This slide shows quarterly results from FY2018 through Q1 of FY2022. There have been positive impact of the external environment, such as higher mineral resources prices, but the steady implementation of measures in structural reform at each workplace has led to a recovery in profitability, and both the mineral resources and non-mineral resources businesses have increased their revenue levels.

## 2-1. Overview of SHIFT 2023

- Having the Business Portfolio SHIFT at the core of structural reform, we are promoting Framework SHIFT that guarantees the effectiveness, and Management Base SHIFT that supports them both.
- We will continue to accelerate efforts to build a portfolio that is both highly profitable and resilient to downward pressure while allocating management resources.



First, I would like to present again the overall picture of SHIFT 2023.

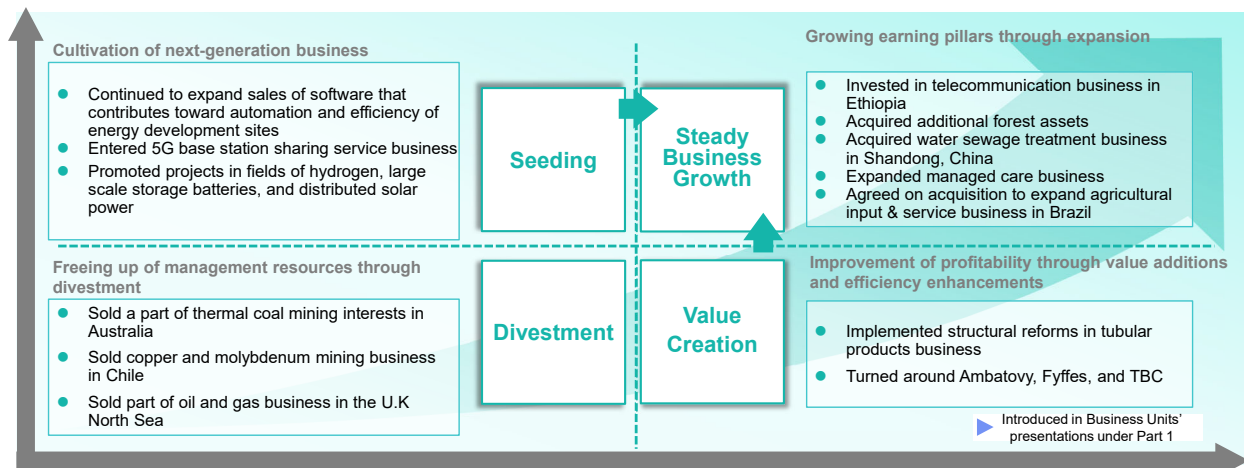
We are aiming to overcome the challenges we have had in the various businesses in the past and build a portfolio that is highly profitable and resilient to downward pressure, so that we can generate stable earnings without being significantly affected by changes in the external environment. Such Business Portfolio SHIFT is at the core of our efforts.

The Framework SHIFT plays the roll to guarantee the viability of these measures, and the Management Base SHIFT supports all these measures.

We are working on various measures based on these three SHIFTS.

## 2-2. Steady Progress in the Three SHIFTs (Business Portfolio SHIFT)

- We collected 210 billion yen in funds and made steady progress in recovering management resources to shift 280 billion yen mainly to Steady Business Growth category.



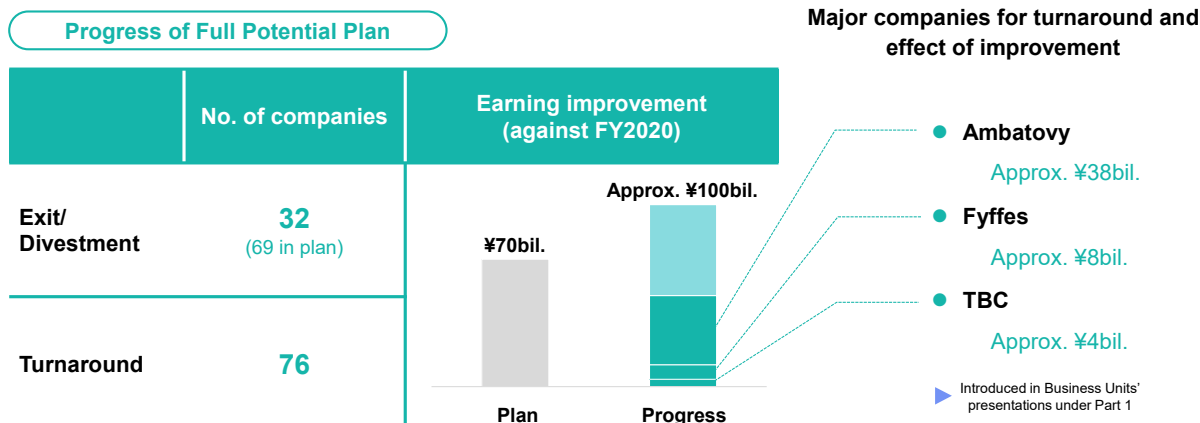
In the Business Portfolio SHIFT, all SBUs are grouped into four categories while also strengthening business strategy management. Here are some examples of what each SBU has done specifically in accordance with its role in each category.

Through asset replacement carried out in Divestment category, we recovered approximately JPY210 billion in funds as of the end of FY2021, while we made investments and loans of approximately JPY280 billion, mainly in Steady Business Growth category. We will continue to steadily shift management resources to the Steady Business Growth category where we can fully leverage our strengths through expansion of existing businesses while maintaining disciplines on new investments.

In Value Creation category, we aim to improve the efficiency of each SBU and further expand the existing revenues pillar by providing new added value.

## 2-3. Steady Progress in the Three SHIFTs (Business Portfolio SHIFT)

- We exited from low-profitability businesses and promoted turnarounds, including businesses with challenges. Earnings improved by approximately 100 billion yen compared to FY2020.
- Results improved at major turnaround business by reviewing business strategies, management structures, and operations.



This slide shows the progress in FY2021 for Value Creation category and the Full Potential Plan, which is specifically withdrawal from unprofitable businesses.

As you have already seen, we plan to exit from 69 companies during the three years of the medium-term management plan, and we have already exited from 32 companies in FY2021. Including turnaround companies, this is linked to an earning improvement effect of JPY100 billion compared to FY2020.

This includes Ambatovy, Fyffes, TBC, and, although not listed, the tubular products business.

The improved performance, achieved through a review of business strategies, management structure and operations, has also helped boost the Company's profitability.

Of these, we will explain the structural reforms in the tubular products business and TBC in more detail in the two sections that follow.



## 2-4. Steady Progress in the Three SHIFTs (Business Portfolio SHIFT)

- We will promote with greater effort in strengthening earning power commensurate with invested capital and creating new core businesses that will lead the expansion of earnings in the future, in order to deliver the results as early as possible.



### 1 Achieve profit levels commensurate with capital costs

We are working for early realization to achieve profit levels that covers capital costs in both Steady Business Growth and Value Creation, including review of business strategies and plans. For Steady Business Growth in particular, we will accelerate the expansion of earning base by increasing investments with discipline.

### 2 Develop new core businesses

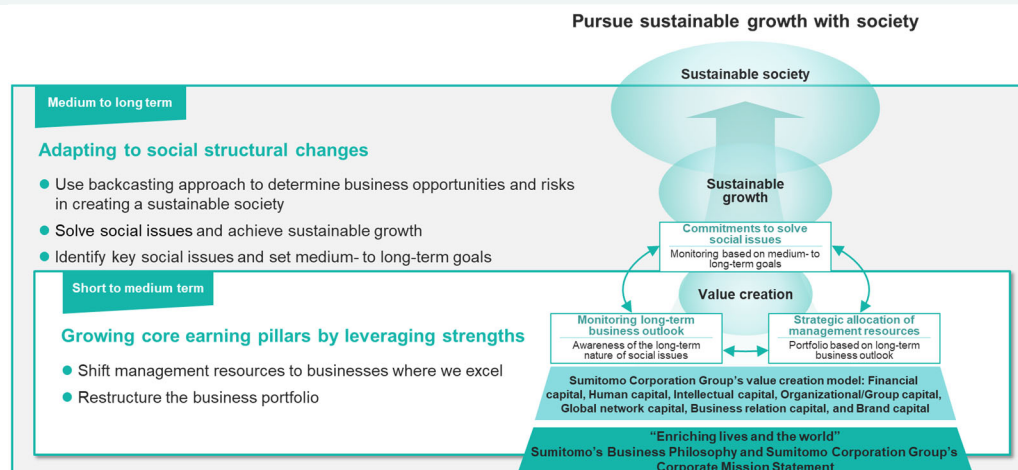
With "Our strengths" and "Grand Design" as the key phrases, in addition to the efforts of the business organizations, we will develop the business in growth field by expanding the cross-organizational activities supported by the Global Innovation Promotion Committee.

In order to achieve the profit level of JPY450 billion in FY2024, regardless of the external environment, and to achieve further profit growth over the medium to long term by completing SHIFT 2023, we need to secure profitability commensurate with the cost of capital, and to develop new core businesses in a manner that will deliver results as soon as possible.

In each SBU, especially in Steady Business Growth and Value Creation categories, we will achieve profit levels commensurate with their cost of capital, and expand our revenues base by increasing invested capital with discipline to create and nurture new core businesses that will lead future revenues growth.

### 3-1. Promoting Growth Strategy Centered on Sustainability Management

- We are strategically reallocating management resources, centered on enhancement of sustainability management.
- We have been incorporating long-term perspectives such as digitalization and sustainability and working on Business Portfolio SHIFT and Next-Generation Growth Field.



Next, I will explain the promotion of growth strategies based on sustainability management from a medium- to long-term perspective.

Under SHIFT 2023, we have further linked sustainability management and growth strategies and reflected them in specific initiatives and allocation of management resources.

In other words, we see the demand for a sustainable society as an opportunity to shift our business portfolio in a way that is consistent with medium- and long-term structural changes in society.

In addition, we have been anticipating major changes in the social structure from a medium- to long-term perspective and working to lead the transformation with regard to "next-generation growth field" with identified areas of focus by leveraging our strengths in two major social trends: the demand for sustainability and the shift to digitalization.

## 3-2. Incorporating Key Social Issues and Medium/Long-term Goals into Business Strategy

- We see the social needs as business opportunities and integrate them into the growth strategies of the SBUs, and we are carrying out the monitoring using the PDCA cycle.



### Specific examples

Medium-term goal	Progress
Provide services that contribute to the reduction of direct CO <sub>2</sub> emissions in oil and gas drilling operations	Supported drilling automation and operational optimization in oil and gas well development by introduction of Sekai's software ▶ Introduced in Business Units' presentations under Part 1
Promote the widespread use of EVs/ PHVs/FCVs* and the development of EV infrastructure	Launched trials for EV car-sharing service for corporate clients, electric buses, and electric taxi service businesses (Japan) Invested in EV-related operator (Europe) ▶ Introduced in Business Units' presentations under Part 1
Expand high-quality social infrastructure	Increased treatment capacity by expanding water business (56% increase)
Develop telecommunications infrastructure in emerging countries and roll out various value-added services on these platforms	Commenced developing telecommunications infrastructure in Ethiopia

\* EV: Electric vehicle; PHV: plug-in hybrid vehicle; FCV: fuel cell vehicle

Based on this concept, we will explain how we specifically link sustainability management with our business activities.

As shown on the left side of the slide, SHIFT 2023 is operated in an integrated manner, linking the growth strategy for each SBU with the medium-term goals and action plans which are determined based on Corporate's key social issues and long-term goals.

Specific initiatives and progress are discussed at management strategy meetings and other forums and are also monitored regularly by the Corporate Sustainability Committee, an advisory body to the Management Council.

Some specific examples are shown on the right. None of these efforts can be accomplished overnight, but through the accumulation of such efforts, we will continue to create value by simultaneously pursuing the realization of a sustainable society and the enhancement of our corporate value.

That is all the explanation from me.

After this, we will explain more specific initiatives from our two business units, the Metal Products business unit and the Transportation and Construction Systems business unit. We will explain our structural reforms and growth strategies in two business units that have been significantly affected by changes in the external environment in FY2020.

In the second part, we would like to hear from two outside directors, Mr. Ishida and Mr. Iwata, about how governance can contribute to improving the corporate value of our group.

We will also have time for Q&A during each part, so we would like to receive your candid opinions and suggestions, which will lead to better management of our group in the future. Thank you for your attention.

## Part 1

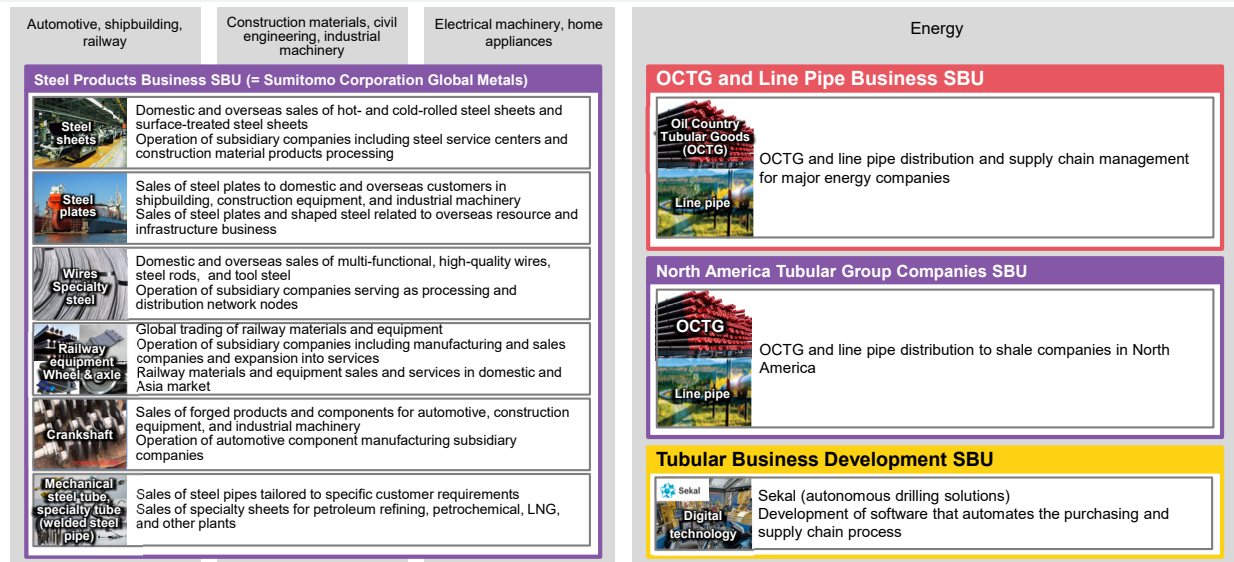
# **Business Unit Strategy under SHIFT 2023**

## **Metal Products Business Unit**

**Managing Executive Officer, General Manager, Metal Products Business Unit,  
Katsuya Inubushi**

I am Inubushi, General Manager of the Metal Products Business Unit.  
Today, I would like to explain the strategy of the metal products business unit under the medium-term management plan, SHIFT 2023.

## Overview of Business Portfolio



Please turn to page 12. First, I would like to introduce the business portfolio of the metal products business unit.

First, let me explain how to look at the table. The vertically divided gray areas in the outer frame represent the type of industry that each SBU is working on. Then, as for the horizontal axis, it describes the contents of the SBUs, or strategies, that correspond to them.

The Steel Products Business contains very diverse range of commercial products, but we have decided that working together as a single SBU is the best way to address the strategies for each industry and the products we handle from a global perspective, so we have grouped the business as a single SBU.

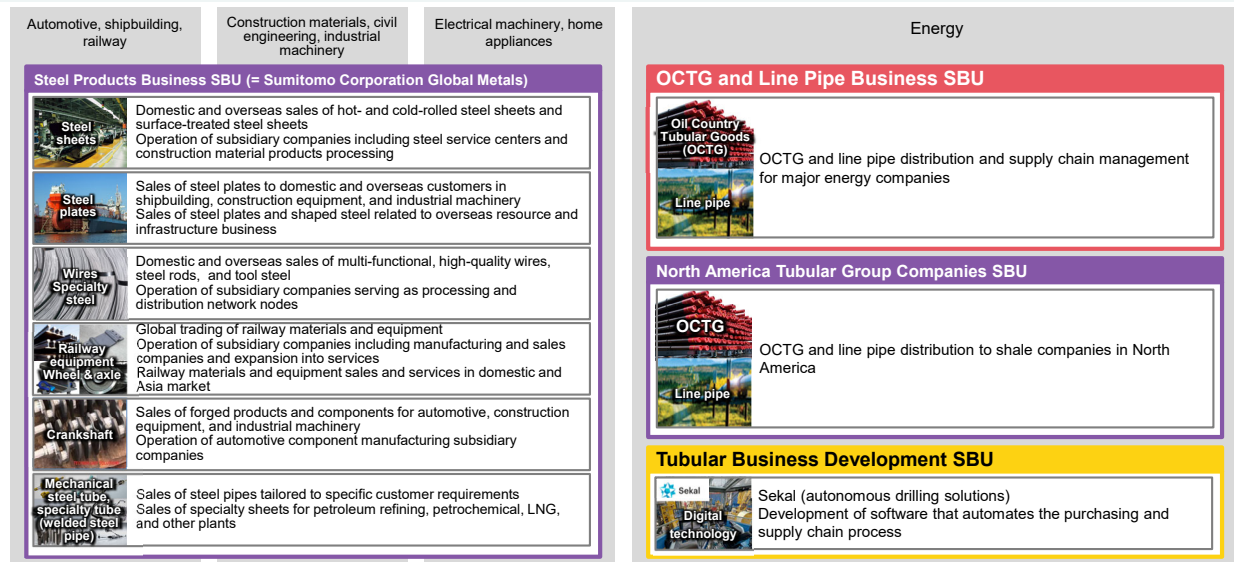
In the tubular products business, we are working on the energy industry, and we have divided it into three types of business, with all three SBUs sharing bird's eye view of the entire industry to work on globally.

We would like to briefly introduce our business activities for each SBU.

First, let me talk about the Steel Products Business SBU on the left side. The Steel Products Business SBU provides stable supply chain functions for materials and parts required by each of the following industries: automobiles, shipbuilding, railway, and other transportation equipment; construction materials, civil engineering, industrial machinery, and other infrastructure-related industries; and electrical machineries, home appliances, and other manufacturing industries.

As you can see, the Steel Products Business SBU is divided horizontally into six sections, and each section is responsible for formulating and executing its own strategy.

## Overview of Business Portfolio



(Continued)

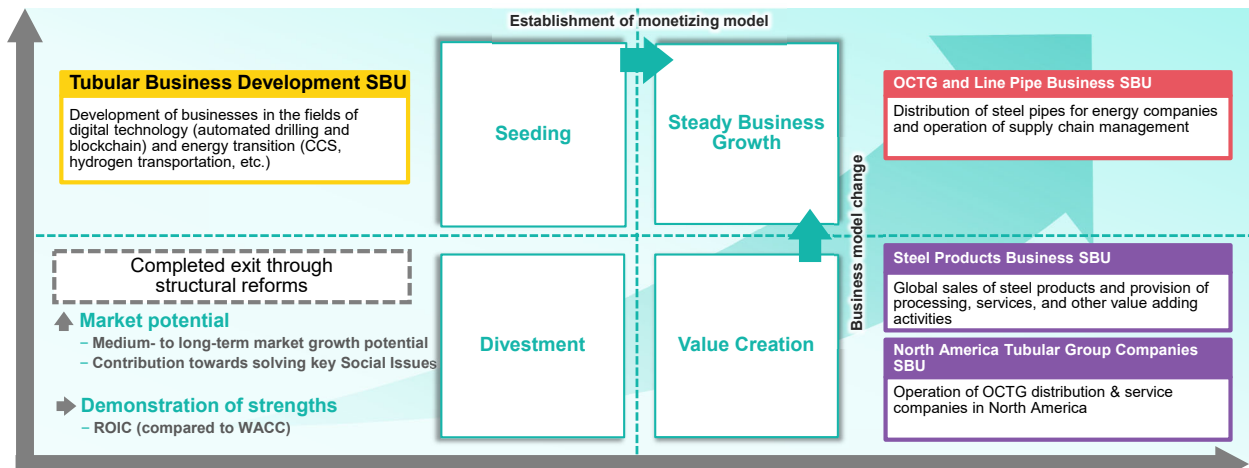
If you look to the right, you will see the energy industry, which consists of three SBUs related to the tubular products business. First, the OCTG and Line Pipe Business SBU, shown in the upper row in red, provides a supply chain of OCTG for drilling and line pipe for transportation, mainly in Europe and the Middle East, based on long-term contracts with major oil and gas companies.

The purple part below is the North America Tubular Group Companies SBU, which holds OCTG and line pipe distributing subsidiaries and is specialized in the North American market. It provides a supply chain to meet the demand for tubular products and related materials for shale oil and gas development.

The yellow part at the bottom, the Tubular Business Development SBU, is making an initial step to create new businesses by promoting DX and providing digital technology to the energy industry.

## State of Business Portfolio (Four Quadrants)

- Regarding businesses under value realization, we largely completed exit by the end of FY2021 through structural reforms, which will be described subsequently.
- Together with capital investments in the OCTG and line pipe business, which has stable earnings, we are currently enhancing and transforming the business models of the steel products business and North America tubular group companies.
- We are developing new businesses at the Tubular Business Development SBU in preparation for medium- to long-term changes in the business environment of the steel pipe business.



Please turn to page 13. We would like to explain the Unit's business portfolio shift by dividing it into four quadrants. I will explain in counterclockwise order, starting with the Divestment in the lower-left corner.

First, with regard to Divestment, businesses that have generally completed their elimination after structural reform efforts over the past several years have been classified here. I will explain the details later.

Next, to the lower right side, here in Value Creation category we have placed the Steel Products Business SBU and the North America Tubular Group Companies SBU. Both are further advancing the business and strategies while strengthening downward resilience aiming for further growth and more efficient operations. Details will be provided later.

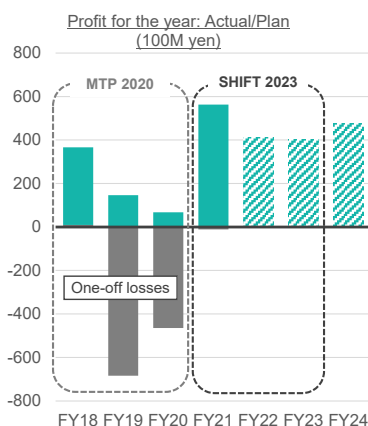
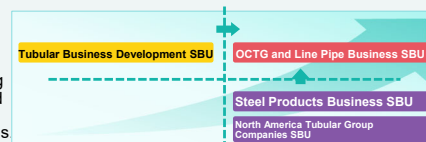
Next, to the upper right side, here in Steady Business Growth category we have placed the OCTG and Line Pipe Business SBU. This SBU is not only expected to carry on with its stable profit contribution, but through its outstanding strong relationship with major oil and gas companies, it may further enhance its function as an important strategic base to coordinate customer's new concepts aiming toward the energy transition and our strategic concepts.

Finally, to the top left, here in Seeding category, we have placed the Tubular Business Development SBU. We are in progress of developing new businesses, such as DX and energy transition, as a preparation for mid- to long-term changes in the tubular products business environment.



## SHIFT 2023: Results of Structural Reforms in First Fiscal Year

- During the previous medium-term plan, the performance was on a downward trend even after excluding one-off losses, and businesses with low contributions to the business unit's performance were identified and structural reforms were conducted at the respective SBUs.
- As a result, in FY2021, profitability improved significantly, further boosted by favorable market conditions



### Steel Products Business SBU

- Made exit centered on companies with relatively low PL/CF contributions, efficiency, and growth potential
- Formulated roadmap toward soundness of businesses to be continued, and progressing largely according to plan

### OCTG and Line Pipe Business SBU

- Promoted restructuring of Edgen's businesses in Eastern Hemisphere
- Reduced risk exposures (e.g., diluting share of thermoplastic composite pipe business (Strohm))

### North America Tubular Group Companies SBU

- Consolidated group companies, offices and operation sites to strengthen business portfolio
- Strengthened resilience to downward pressure by improving inventory risk profile

### Tubular Business Development SBU

- Executed streamlining measures at HOWCO, including closing sites and reducing headcount

Please turn to page 14. Here, I would like to briefly explain the results of our structural reform efforts up to the first year of our current medium-term management plan, SHIFT 2023.

In the three years of the previous medium-term management plan, from FY2018 to FY2020, we incurred significant one-off losses, triggered by disruptions in the steel business environment and market conditions, which led our performance to a significant drop. In addition, if we look in closely, even with the impact of one-off losses excluded, the performance of the business unit itself was on a downtrend.

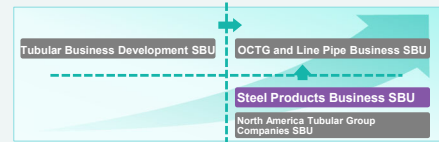
Therefore we first thoroughly identified the factors that made the losses and took measures to address them, while at the same time, we thoroughly rewrote our strategies for all four SBUs to return to a growth trajectory, and we have been working on structural reforms as described on the right-hand side of the document.

As a result, our performance in FY2021 improved significantly, driven in part by a sharp recovery in steel product prices due to changes in the supply and demand environment. We will continue our efforts to achieve stable and steady results in FY2022 and beyond.

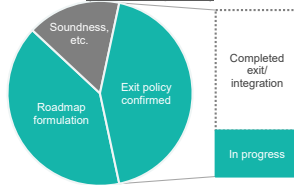


## Structural Reform Example 1: Reorganization of Steel Products Business Portfolio

- Following the companywide structural reform project, we defined and implemented our business portfolio reorganization policy.
- This allowed us to remove hidden factors that adversely affect performance and significantly improve profitability.



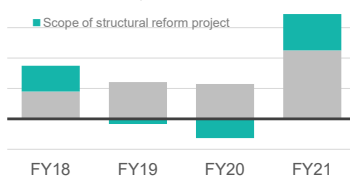
Structural reform project categories  
(no. of companies)



### Established sorting criteria for operating companies, and implemented policy of either continuation or exit

- For all operating companies under the business unit, scores were assigned based on the established scoring model that considers PL/CF contribution, efficiency, and growth potential, and categorized into soundness, roadmap formulation, and exit candidates based on the results.
- Operating companies under roadmap formulation are those that formulate roadmaps toward soundness within a given period; progress is monitored companywide, and recategorized as exit candidates if soundness is not achieved within the period.
- For exit candidates, exit plan was formulated and procedures—such as selling or dissolving—were implemented.

Trend of operating company  
performance



### Recovered earnings of operating companies and built resilience to downward pressure by structural improvement of factors that worsen performance

- Operating companies under roadmap formulation and exit candidate in the above structural reform project eventually became factors that worsen performance during the poor market of FY2019 and FY2020.
- Those under roadmap formulation accomplished structural reforms based on the plan and recovered in profitability. For exit candidates, even if contributions to earnings can be expected during market upturns, selection was conducted from the perspective of whether they should be included in the long-term portfolio.

Now, please turn to page 15. As the first example of structural reform, I would like to explain the portfolio reorganization of the Steel Products Business. Since the previous medium-term management plan, we have been working to reorganize portfolios in each SBU after examining each business based on a company-wide evaluation criteria.

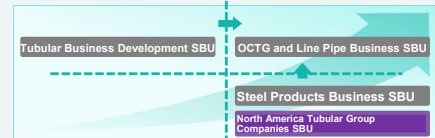
In particular, scores were assigned to all operating companies based on their contribution to P&L or cash flow, efficiency, and growth, and classified them into three categories: those that will continue, those that will remain in business but will be monitored closely, and those that would be exited.

During the period of weak steel product market conditions in FY2019 and FY2020, the group of companies subject to this restructuring project also made a lower contribution to earnings, and in some cases had minus impact. For such businesses, we determined whether they could be incorporated into our portfolio strategy over the medium to long term, and as a result, we decided to exit from nearly half of them.

In addition, for businesses that we have decided to continue, we are carrying out monthly monitoring about their actual implementation of structural reform, which is to follow detailed KPIs and KAI. As a result, they are showing a steady recovery in profitability. We are also currently working toward further growth in the future. In addition, and this is important, we are also working to strengthen resilience.

## Structural Reform Example 2: Business Model Transformation of North America Tubular Group Companies SBU

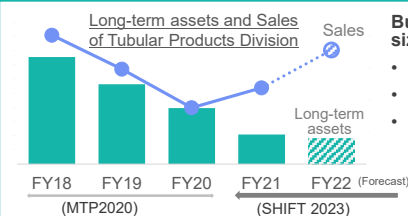
- As a result of consolidating group companies and operation sites, we significantly reduced asset size and fixed costs. We also reviewed our inventory risk profile.
- We strengthened our resilience to downward pressure from potential future market downturns through a series of business transformations.



	Start of FY2019	End of FY2021
OCTG distributors	6	2
Line Pipe distributors	1	1
Manufacturing & processing	5	0
Total	12	3

### Consolidated group companies, offices and operation sites to strengthen business portfolio

- In consideration of the increasing business risk arising from the trend of decarbonization, exited from manufacturing and processing of steel pipes for oil and gas industries based on a medium- to long-term perspective.
- In the distribution business, integrated OCTG distributors in North America, from six to two companies. Strengthened the capability of stable supply for customers by reinforcing purchasing power. Also improved management efficiency by consolidating business sites including inventory yards.
- Built systems to properly secure earnings during market upturn and drive next generation business anticipating energy transition.



### Built resilience to downward pressure in preparation for possible market downturn by right-sizing assets, etc.

- Significantly compressed total assets through integration and consolidation of group companies.
- Reduced fixed costs by integrating and closing business sites and reducing headcount.
- Significantly reduced inventory risk by transforming inventory business model.

Please turn to page 16. Next, I would like to explain the second example of structural reform, the business model reform of the North America Tubular Group Companies SBU.

In the tubular products business, likely as in the steel sheets business, we have been reviewing our portfolio by aggregating group companies and business sites based on a medium- to long-term perspective. Not only exiting from a company that manufactures and processes tubular products for the oil and gas industry, but we also have thoroughly improved management efficiency, reduced fixed costs, and strengthened management efficiency by integrating and aggregating the number of distribution companies and inventory locations, especially in North America.

Through these measures, we have been able to significantly reduce total assets while maintaining the scale of our revenues.

The market is very sensitive to external conditions such as oil prices and the number of rigs for drilling. It is difficult to completely avoid the cost of inventory valuation during environmental changes during a recession. However, we are continuing to make efforts to reduce the absolute amount of risk assets, based on our strong determination and efforts to increase the ratio of contracts that tie purchases to sales as much as possible, and are making progress in building a system to strengthen downward resilience.

## Changes in Trend of Global Steel Industry and Business Unit's Actions

Changes in environment

### 1 Global crude steel production (efforts and changes toward decarbonization and carbon neutrality)

- China has more than 50% of the global share ⇒ Market structure is one where international prices of iron and steel raw materials and scrap are significantly influenced by China
- Efforts toward carbon neutrality ⇒ Shrinking of blast furnace crude steel production in China results in promoting imports of upstream semi-finished products; product export limitations result in shift toward domestic demand

Crude steel production of major countries and regions in 2021 (1,000 tons)

China	1,032,790	(53%)
EU	152,575	
India	118,244	
Japan	96,334	
US	85,791	
Russia	75,585	
Korea	70,516	
Global	1,951,924	

### 2 Steel industry's efforts to reduce CO<sub>2</sub> emissions (challenge of hydrogen reduction steelmaking, expansion of electric furnace demand, local production for local consumption, and pursuit of renewable energy sources)

- Technological development competition for hydrogen reduction steelmaking with a view to 2050 (Japan, South Korea, China, and Europe). Expansion in electric furnace investment and electric furnace product demand during development.
- Development of large-scale demand globally for reduction steel and scrap, significantly changing global distribution (enclosing domestic demand of countries producing scrap).

Changes in steel industry

### 3 Structural reforms and strategy changes of steel industry

- Structural reforms (integration and closing of steel works and production lines) and new investment in and acquisition of electric furnaces.
- Exit from unprofitable business and product manufacturing, and selection of strategic product groups.

Our measures

### 4 Business model transformation as Sumitomo Corporation

- Strengthening of regional sales capabilities in view of local production for local consumption; further deepening of collaboration with regional organizations; participation in upstream steelmaking businesses (reduction steel business and electric furnace business).
- Collaboration with Mineral Resources, Energy, Chemical & Electronics Business Unit, Infrastructure Business Unit, and EII; participation in study by Zero Carbon Steelmaking Business Study Team. (Capabilities for proposals to steel manufacturers)
- Collaborate in environmental infrastructure business arising from metal products field. (CCUS, hydrogen pipelines, offshore wind power generation monopile manufacturing, etc.)

Please turn to page 17. Next, I would like to briefly touch on the steel market and the changing trends in the industry. I will also explain our Unit's approach to these issues.

First, the changes in environment surrounding the industry. As shown in the small table at the upper-right corner of the document, China alone accounts for more than 50%, or a majority of the world's crude steel production. Therefore, I think you can understand the overall structure of the market, where the supply-demand trend in China can fluctuate the market globally, which is the same for steel raw materials and products.

Since last year, China has been launching a series of government-led initiatives to become carbon neutral. The balance of supply and demand in the Chinese and foreign markets has begun to shift due to the implementation of measures to control the upper limit of the amount of crude steel produced by blast furnaces, which emit a large amount of carbon dioxide during the manufacturing stage, resulting the export of steel products outside China to be suppressed.

Moreover, as you are aware, looking at the global market, measures to fundamentally reduce carbon dioxide emissions, which the entire steel industry is facing, have become an urgent and important issue. The environment surrounding the steel business is undergoing a major transformation, as competition to develop new steelmaking technologies such as hydrogen-reduced steelmaking has begun, and investment in new electric furnaces is increasing in anticipation of growing demand for electric furnace products during this transitional period.

In response to these changes in global trends, the Japanese steel industry is also proceeding its own structural reforms and has begun to make changes such as aggregating old facilities, new investment in electric furnace facilities, selecting product lines, and major efforts toward a strategy of local production for local consumption from a global perspective.

# Changes in Trend of Global Steel Industry and Business Unit's Actions

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Our measures

## 4 Business model transformation as Sumitomo Corporation

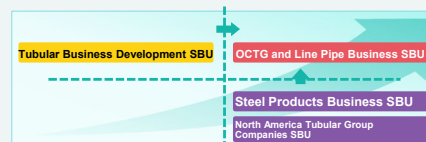
- Strengthening of regional sales capabilities in view of local production for local consumption; further deepening of collaboration with regional organizations; participation in upstream steelmaking businesses (reduction steel business and electric furnace business).
- Collaboration with Mineral Resources, Energy, Chemical & Electronics Business Unit, Infrastructure Business Unit, and EII; participation in study by Zero Carbon Steelmaking Business Study Team. (Capabilities for proposals to steel manufacturers)
- Collaborate in environmental infrastructure business arising from metal products field. (CCUS, hydrogen pipelines, offshore wind power generation monopile manufacturing, etc.)

(Continued)

In line with this change, both our company and our Unit are in the process of transforming this business model. We are committed to contribute to the realization of carbon neutrality in the steel industry by leveraging the collective strengths of the Sumitomo Corporation Group and by multiplying functions of our group in many fields, such as responding to local production for local consumption in the steel industry, strengthening our ability to make business proposals for zero-carbon steelmaking, and contribution for environmental infrastructure projects.

## SHIFT 2023: Efforts from Second Year

- We aim for business model transformation at the respective SBUs to respond to changes in steel industry trends.
- Alongside solving the remaining issues of structural reform and the continual improvement in business efficiency, new businesses will also be developed.



### Steel Products Business SBU

- Increase ROIC by thoroughly improving profitability of existing businesses using DX
- Pursue minimum inventory operation at steel service centers
- Switch to products with high added value (such as silicon steel for electric vehicles)
- Enhance strategy of each region where local production for local consumption is advancing, and consider ESG investments with a view to decarbonization

### OCTG and Line Pipe Business SBU

- Strengthen relationships with strategic partners (added-value improvement and renewal of long-term contracts) and increase ROIC of SCM projects
- Improve operational efficiency through DX
- Continue to expand steel pipe sales to CCS/CCUS applications and hydrogen transport

### North America Tubular Group Companies SBU

- Continue to review inventory risk profile to strengthen resilience to downward pressure during market downturns
- Promote ESG and DX business at Summit Industrial Park (SIP) in West Texas

### Tubular Business Development SBU

- Sekal (autonomous drilling solutions): Grow earnings by expanding sales to the Middle East and North America following the North Sea model and by strengthening service provision
- Energy transition field: Develop new businesses by collaboration with EII
- Business model transformation through DX implementation and initiatives in new fields

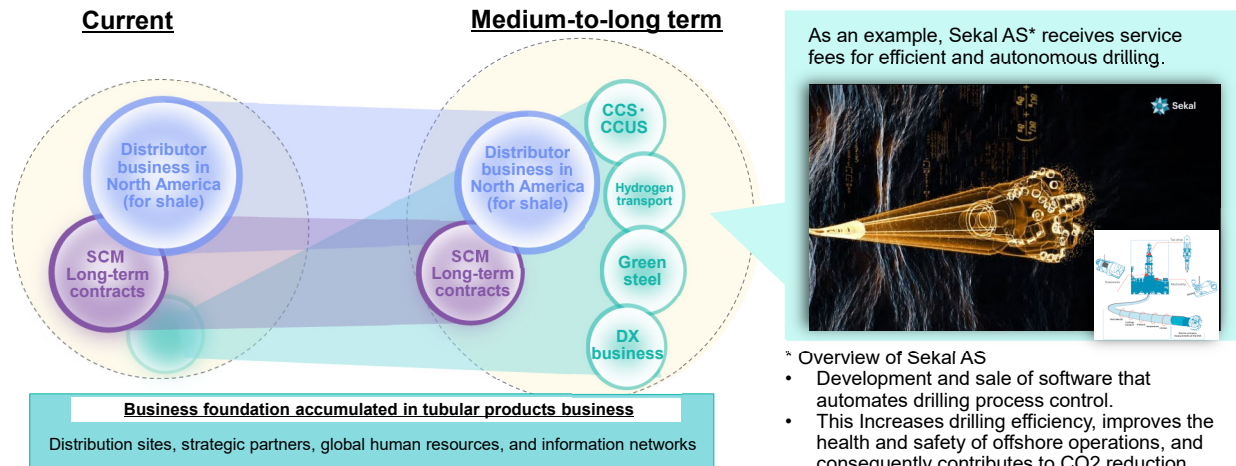
Please turn to page 18. We have included a representative list of initiatives and directions for each SBU for the current fiscal year, which is the second year of SHIFT 2023, and beyond.

I will not read out the details here, but we will continue to aim for lean management and achieve sustainable growth and stable revenue contribution in the future through the efforts of each SBU, both in terms of the shift to structural reforms and the shift to a growth strategy for the future.

The entire Sumitomo Corporation Group is also working to address changes and transformations in each of the industries that the metals and steel business faces, in order to enhance our ability to make proposals and evolve our comprehensive capabilities.

## Concept of Medium- to Long-term Efforts (Tubular Products Business)

- We will improve our portfolio by accelerating business model shift while utilizing the knowledge accumulated over many years.



Finally, please look at page 19. This slide shows the tubular products business as an example to illustrate the new business model that our Unit is working on from a medium- to long-term perspective. We aim to change our business model by utilizing the knowledge we have accumulated over many years through supplying materials to the energy industry and business management.

By multiplying our integrated corporate strengths with conventional energy, we are accelerating our initiatives for carbon neutrality and DX to expand our portfolio.

The example shown is the drilling automation initiative at Sekal, a company in which we have invested. We have begun working on a subscription business model, which is to utilize DX and develop software in order to lend them to the drilling sites. This is a new business model in which efficient drilling operations are realized using this software, and the price of the realized efficiency should be collected as a service fee.

Through these actions, we are striving to expand our revenue base and diversify our revenue sources while promoting the expansion or transformation of our functions. We will continue creating a new value by forming a more robust portfolio.

This concludes the explanation from the Metal Products Business Unit. Thank you for your attention.

## Part 1

# **Business Unit Strategy under SHIFT 2023 Transportation & Construction Systems Business Unit**

**Managing Executive Officer, General Manager,  
Transportation & Construction Systems Business Unit, Norihiko Nonaka**

Hello, everyone. I'm Nonaka, General Manager of the Transportation & Construction Systems Business Unit. I will explain the strategy of the transportation and construction systems business unit in SHIFT 2023.

# Contents

01	Overview of Business Unit	P.2
02	Growth Strategy and Profit Plan of Business Unit and SBUs	P.6
03	Initiatives of SBUs Toward Growth	P.11

Today, I will begin with an overview of our business unit, followed by the growth strategy and profit plan of the strategic business unit (SBU), and finally, the specific initiatives of each SBU to achieve growth.



01

# Overview of Business Unit

## Businesses in Transportation and Construction Systems

- **Lease, Ship and Aerospace field:** engage in leasing and financing, commercial aviation and engine leasing, ship, and aerospace businesses
- **Automotive field:** provide functions across the entire value chains through businesses in manufacturing, distribution, and financial services of automobiles and motorcycles
- **Construction systems field:** contribute to infrastructure and mine development through construction equipment distribution and rental business

### Lease, Ship & Aerospace Business Division



### Construction & Mining Systems Division



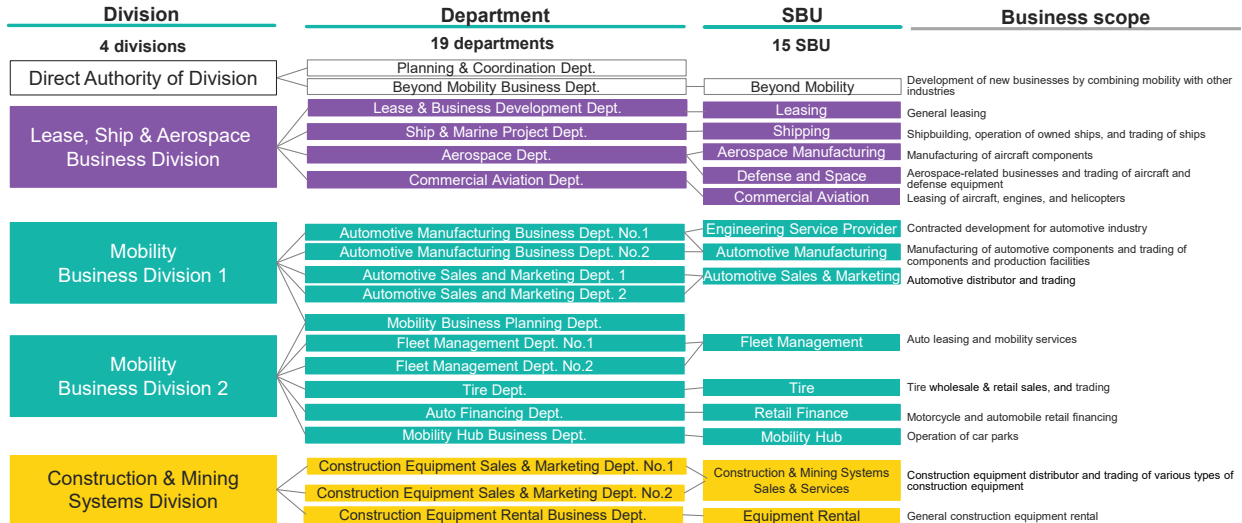
### Mobility Business Division 1 & 2



First, here is an overview of our business unit. The unit consists of four business divisions: Lease, Ship & Aerospace Business Division, Mobility Business Division 1 and 2, and Construction & Mining Systems Division, and is globally expanding its businesses in the transportation and construction equipment fields from upstream to downstream.

## Execution of Business Unit Strategy Centered on SBUs

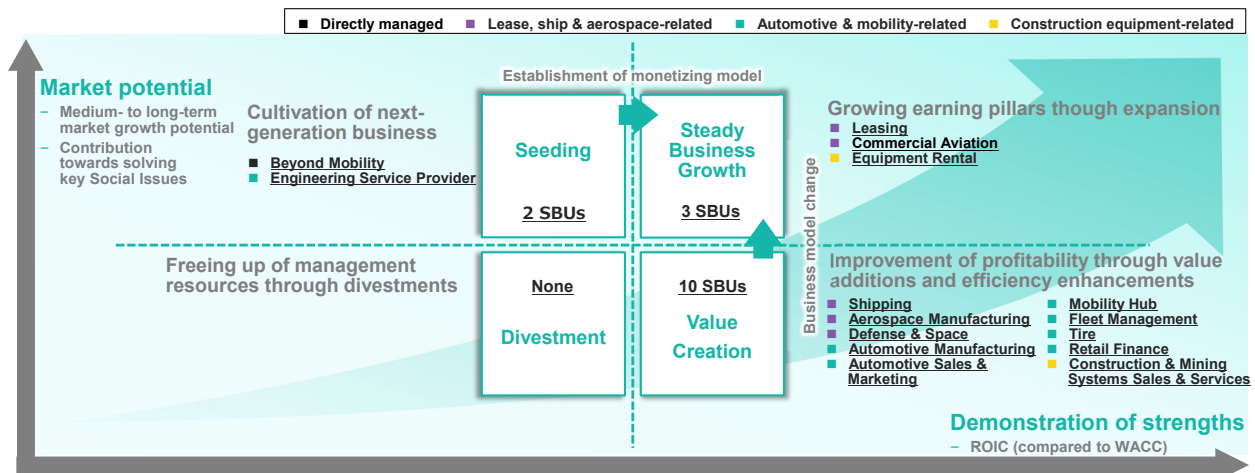
- Strategic Business Units (SBUs), which group businesses into strategic units, execute and promote strategies with clear roles and positioning.



Here is a list of the business unit's organization and SBUs. Prior to the launch of SHIFT 2023, the businesses within the business unit were organized based on a strategy and were designated as 15 SBUs. Each of these SBUs has clearly defined its role and positioning in implementing and promoting the strategy.

## SBU Portfolio

- **Steady Business Growth:** For leasing, commercial aviation and equipment rental SBUs, build up high-quality assets, expand products and regions to expand earning capacity.
- **Value Creation:** Focus on increasing profitability through expanding products and services, strengthening functions, and improving asset efficiency.
- **Seeding:** Develop new businesses that would become pillars in the next generation with a view to changes in the business environment and industry structure.



This slide shows the business unit's SBU portfolio. Each SBU is classified into three categories by strategic classification: steady business growth, value creation and seeding.

The three SBUs of steady business growth are Leasing, Commercial Aviation, and Construction Equipment Rental, and management resources will be concentrated on these businesses to expand profitability by aggressively accumulating prime assets and promoting regional expansion.

The value creation business includes the SBUs shown on the bottom right of the slide. Along with the expansion and enhancement of products and peripheral services, the SBUs will aim to improve asset efficiency and increase its presence and business value in the industry.

In the seeding business, we will create new businesses and nurture next-generation businesses by anticipating changes in the business environment and industrial structure.

02

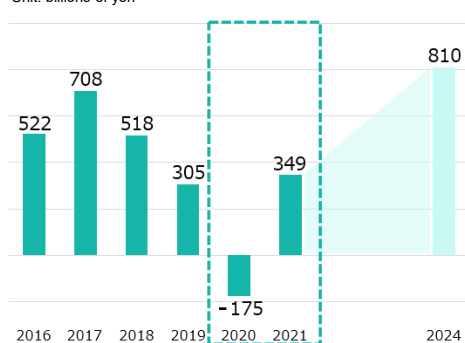
## Growth Strategy and Profit Plan of Business Unit and SBUs

## Summary of the First Fiscal Year of SHIFT 2023

- In FY2021, through the execution of the strategy by each SBU, profits recovered to the level before COVID-19 even after reflecting the impact of the Russian-Ukrainian situation.

### Profit for the year: Results (FY2016-FY2021) and FY2024 plan

Unit: billions of yen



\*1 One-off profits/losses  
FY2020: approx. -¥43.0 bil.  
FY2021: approx. -¥37.0 bil.

\*2 Profits/losses for each fiscal year is calculated based on the organization as of April 1, 2022

### Main progress in FY2021

#### Steady Business Growth

- (Leasing) Expansion of business in real estate and environmental fields and acceleration of overseas expansion
- (Commercial Aviation) Capturing demand from COVID-19 recovery, and promoting efforts for inorganic growth (one-off losses related to the Russian-Ukrainian situation)
- (Equipment Rental) Strong construction demand in North America, and completion of PMI for Aver Asia

#### Value Creation

- (Shipping) Covering with trading and owned ship business under the situation of increasing shipbuilding costs
- (Automotive Sales & Marketing) Securing units in supply and reducing costs under the environment of reduced production by automotive manufacturers
- (Tire) Steady implementation of business transformation at TBC
- (Fleet Management) Strengthening of earnings base centered on cost reduction
- (Construction & Mining Systems Sales & Services) Incorporation of construction and mining demand

#### Full Potential Plan (FPP)

#### Reference: FY2020-FY2023 FPP

- ✓ Turnaround : 7 companies
- ✓ Turnaround and Divestment : **Total of 58 companies**
- ✓ Divestment : 11 companies

I will then explain the SBU growth strategy and profit plan for this business unit.

First, we look back at FY2021, the first year of SHIFT 2023, along with the business unit's performance in recent years. The profit and loss for FY2020, the final year of the previous medium-term management plan, was negative JPY17.5 billion. Due to the deteriorating business environment caused by the spread of COVID-19, each of our businesses experienced a significant drop in revenues and posted large one-off losses.

In FY2021, the first year of SHIFT 2023, the business environment remained challenging, but each SBU, with a clear strategy, expanded operations in growth areas and cut costs to steadily capture the recovery demand from COVID-19. As a result, profit for the year recovered to JPY34.9 billion, even including the one-off losses due to the impact of the Russian-and Ukrainian situation.

In addition, structural reforms under the Full Potential Plan are bearing fruit. We have been taking a drastic scalpel to businesses with low profitability and growth issues and are proceeding with their liquidation. In FY2021, we have restructured seven companies and exited from 11 companies.

In addition, over the four-year period from FY2020 to FY2023, we will restore to soundness or exit from a total of 58 companies to strengthen our recession resilience and profitability.

We plan to achieve JPY81.0 billion in business unit profit in FY2024 by steadily accomplishing structural reforms.

## Efforts of Tire SBU (Business Transformation at TBC)



To give you a concrete picture of the structural reforms being promoted by the business unit, we would like to introduce our efforts in the TBC business in the tire SBU.

TBC is a tire sales business in North America that we acquired in 2005. In 2018, we entered into a strategic partnership with Michelin, a global tire manufacturer, moving to a 50-50 joint venture. TBC is one of the largest companies in the industry, with sales in excess of USD5 billion, approximately 9,000 employees, and over 40 million tires sold, representing approximately 15% of the US tire market.

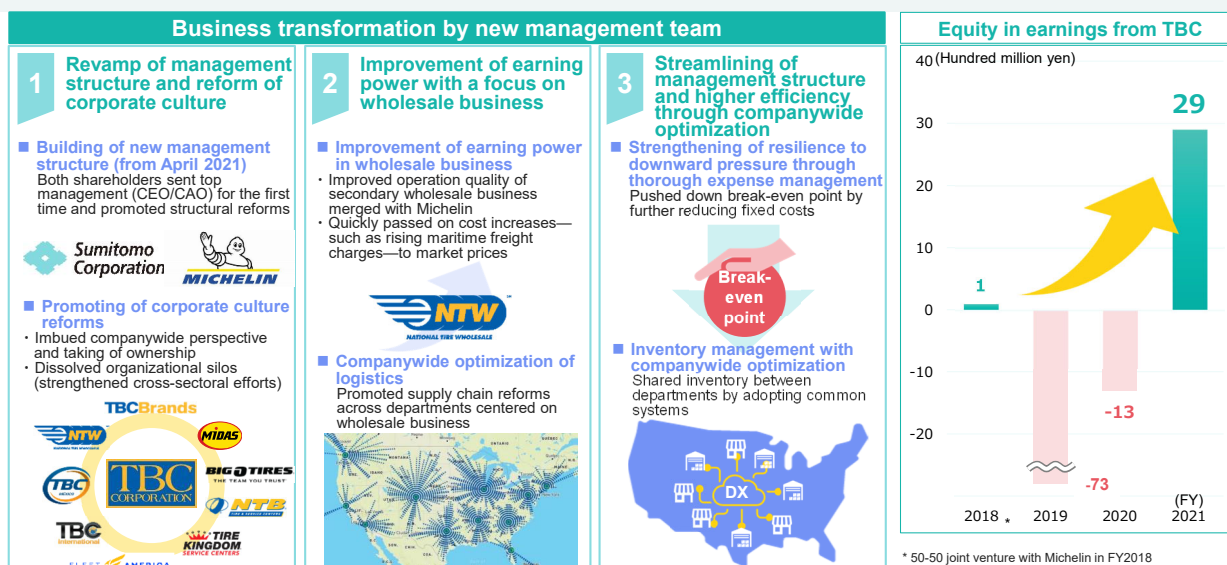
After becoming a joint venture with Michelin, TBC pursued a strategy of restructuring and expanding its operations, but it took longer than expected to integrate its operations and was unable to demonstrate its true potential, resulting in sluggish performance.

Therefore, in order to resolve the issues caused by the integration and to realize the value creation of the business, we have started to work on the turnaround in FY2020. In FY2021, we revamped our management structure to accelerate structural reforms. Specifically, for the first time since the acquisition, we decided to dispatch management from the shareholders, and a new management committee was established with three members: the CEO from Michelin, the CAO from our company, and the CFO from TBC.

In order to improve the ability to execute its strategies, the new management team has been promoting reform of the corporate culture by raising employee awareness, engaging in cross-organizational discussions that transcend divisional barriers, and pursuing company-wide optimization.

In addition, we were the first in the industry to pass on increased costs due to soaring ocean freight rates and other factors to market prices. We also implemented thorough cost control measures, including cross-divisional supply chain reforms and improved logistics efficiency through inventory sharing.

## Efforts of Tire SBU (Business Transformation at TBC)



(Continued)

Through these measures, significant results were seen, especially in NTW, a secondary wholesaler, and steady progress was made in improving profitability and strengthening downward resilience.

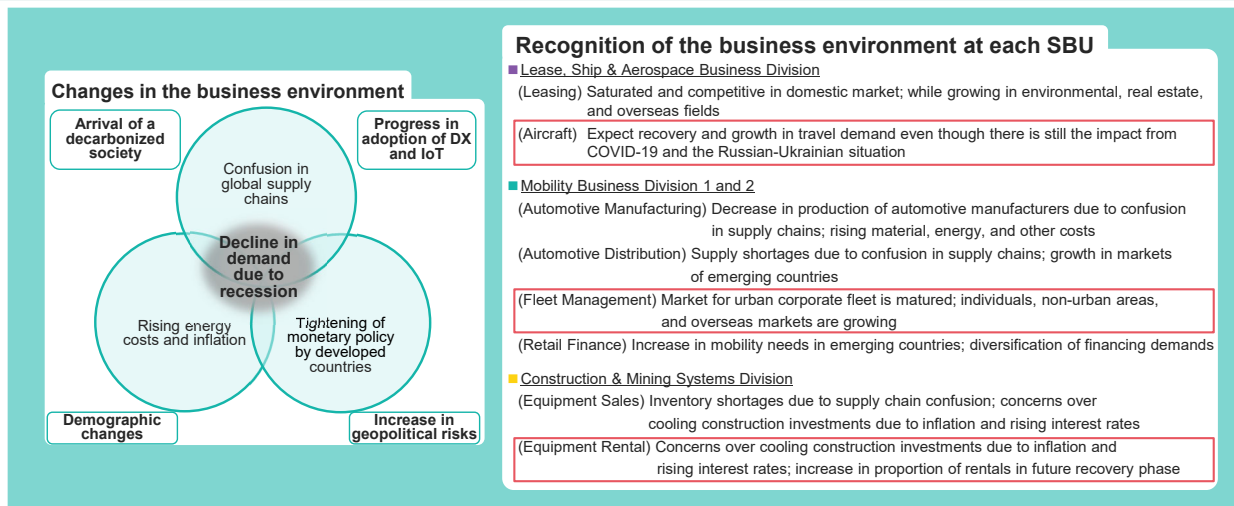
As a fruit of these structural reforms, TBC's equity in earnings improved from a negative JPY1.3 billion in FY2020 to a positive JPY2.9 billion in FY2021.

Taking into account changes in the industry and market structure, we will further strengthen our mainstay wholesale division, improve our retail division, which is a challenge, and respond to the fleet business in growing markets, vehicle electrification and digitalization, aiming for further growth beyond the framework of our existing businesses.



## Recognition of Changes in the Business Environment

- Amid increasing uncertainty about the global economic outlook, we promote growth strategies anticipating changes in the business environment and industry structure while increasing resilience against economic downturns.



I will then explain about the current fiscal year and beyond. First, regarding the recent changes in the business environment surrounding our business unit, the current shortage of semiconductors and the Russian-and Ukrainian situation have caused disruptions in global supply chains, high energy costs, and inflation. In addition, the ongoing tightening of monetary policy by developed countries is expected to lead to a recession-induced decline in demand.

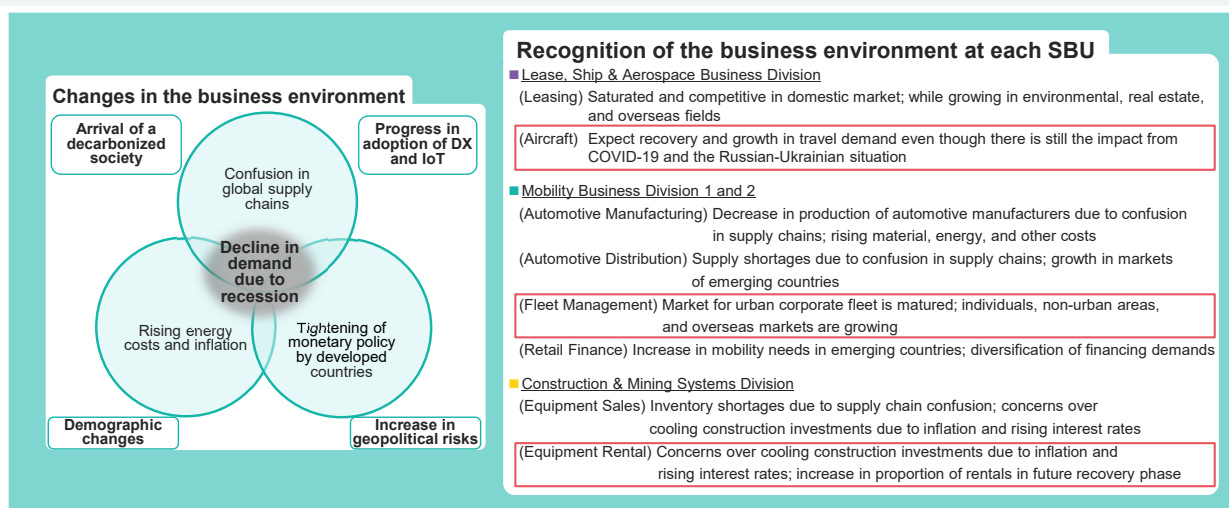
In the medium to long term, decarbonization, DX, and IoT will continue to advance along with changes in society and industrial structure. In light of this business environment, we will formulate and promote growth strategies in each of our businesses that anticipate change and capitalize on our strengths, while strengthening our resilience against recession.

The right side of the slide shows the business environment perceptions of the major SBUs in this macro environment. In this section, we will briefly explain the environment surrounding the three SBUs of Commercial Aviation, Fleet Management, and Construction Equipment Rental, which will be introduced separately later.

First, in terms of the environment surrounding the Commercial Aviation SBU, aviation demand fell sharply in FY2020 due to the impact of the spread of COVID-19. From FY2021 onward, economic activities have resumed in many countries, and aviation demand are gradually recovering. Currently, it is returning to a growth trend, although the impact of the Russian-and Ukrainian situation remains.

## Recognition of Changes in the Business Environment

- Amid increasing uncertainty about the global economic outlook, we promote growth strategies anticipating changes in the business environment and industry structure while increasing resilience against economic downturns.



(Continued)

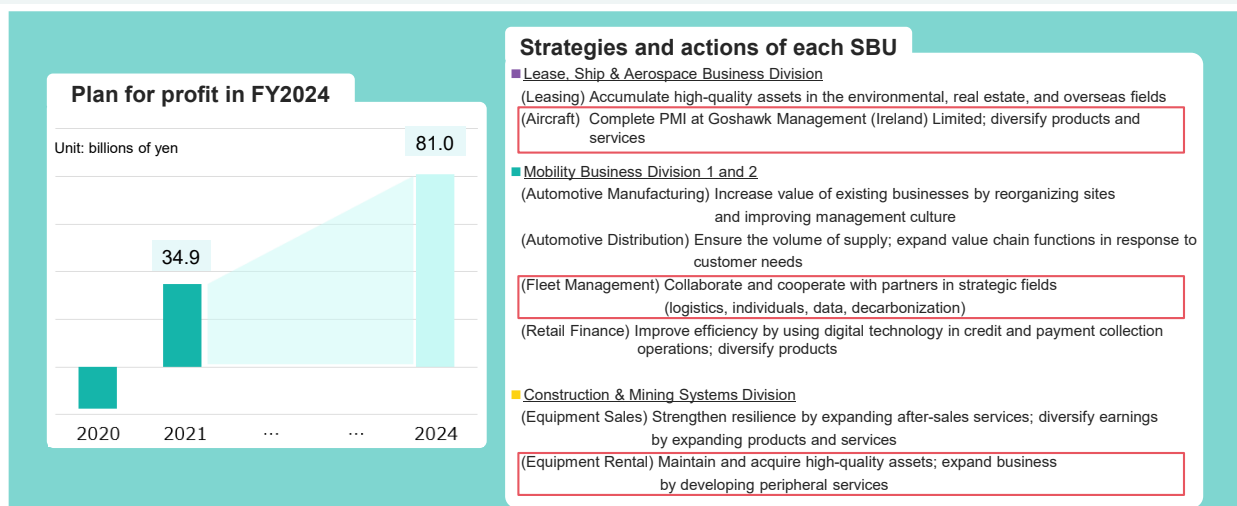
Next, the Fleet Management SBU. In Japan, the corporate auto leasing market in urban areas is in a mature stage, while the corporate leasing market in rural areas and the auto leasing market for individuals continue to grow.

Overseas, especially in Asia, demand for automobile leasing and commercial vehicles is expanding due to population growth, economic growth, and increased logistics volume.

In the Construction Equipment Rental SBU, there are concerns that construction investment will cool down due to inflation and rising interest rates in the near term, but we expect steady growth in the medium to long term, supported by demand from renewal and repair of aging infrastructure in the US and Japan and increased construction investment and mechanization of construction work in emerging countries due to economic growth. In addition, during the recovery phase from the recession, the rental ratio is expected to increase as users of construction equipment become weary of the risks associated with purchasing and owning equipment.

## Strategies and Actions to Achieve FY2024 Plan

- Aim to achieve a profit of 81 billion yen in FY2024 by strengthening the business platforms, expanding products and services, and entering peripheral businesses.



Even in the business environment I have just described, each SBU will further solidify its revenues base and achieve a profit of JPY81.0 billion in FY2024 by doing what it must, such as strengthening the foundation of existing businesses, expanding products and services, and expanding markets.

In the Commercial Aviation SBU, we will complete the closing and PMI of the Goshawk acquisition in the aircraft leasing business, which were recently agreed in principle, and continue to diversify our products and services while capturing the recovering aviation demand.

The Fleet Management SBU will upgrade its services in strategic areas such as logistics, individuals, data and decarbonization, in collaboration with appropriate partners.

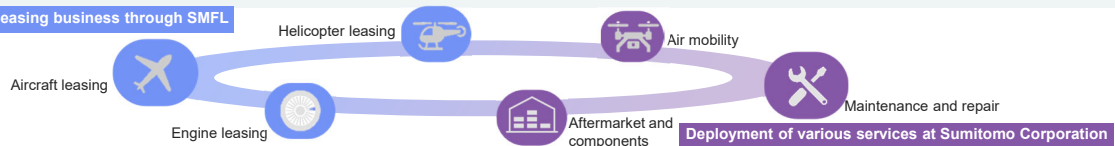
The Construction Equipment Rental SBU aims to expand its business by maintaining and acquiring prime assets and expanding markets and peripheral services.

In the following slides and thereafter, I will introduce specific initiatives for the three SBUs I just mentioned: Commercial Aviation, Fleet Management, and Construction Equipment Rental.

## Initiatives of SBUs Toward Growth

## Commercial Aviation SBU

## Deployment of leasing business through SMFL



## Aircraft leasing business

Seize demand of the recovery in global aviation field in with/post-COVID-19 era.

## Recover and increase earnings by using strengths of aircraft portfolio

82% Ratio of narrow-body aircraft Suitable for domestic and short-distance routes	150+ companies Business partners Business partner risk diversification	4.0 years Average aircraft age High fluidity	Distribution of owned aircraft Area risk diversification
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## Establish highly competitive business foundation through M&amp;A and achieve further growth

Achieve earning base (scale, area, business partner) expansion and synergy through acquisition of Goshawk

SMBC AVIATION CAPITAL	+	Goshawk Aviation	→	SMBC AVIATION CAPITAL
Rank: 5th		Rank: 18th		Rank: <b>2nd</b>
No. of aircraft: 546		No. of aircraft: 176		No. of aircraft: <b>722</b>
Assets: \$15.7B		Assets: \$6.7B		Assets: <b>\$22.4B</b>

## Aircraft-related businesses

Develop needs for new mobility services that fit new lifestyles.

**Helicopter leasing**  
Expand helicopter leasing focus on emergency medical evacuation, and search and rescue activities



**Air mobility**  
Provide next-generation transportation services that allow less expensive and easier movement in short- and mid-range zones, such as unmanned logistics drones and air taxis



## Contribute to realization of circular economy through aircraft aftermarket and component reuse



Contribute to sustainable and stable growth of the aircraft industry through effective resource utilization by reusing aircraft components

First, the Commercial Aviation SBU. This SBU is mainly engaged in the aircraft leasing business and other after-sales areas such as engine leasing, helicopter leasing, and aircraft part-out business. We are also working on new areas such as the air mobility business.

Please see the bottom left side of the slide. In an environment of gradual recovery and growth trend in aviation demand, we will maximize our strength, balanced aircraft portfolio, in our core aircraft leasing business to increase revenues. Through M&A, we will also expand our business scale, area, and business partners to strengthen our competitiveness and achieve further growth.

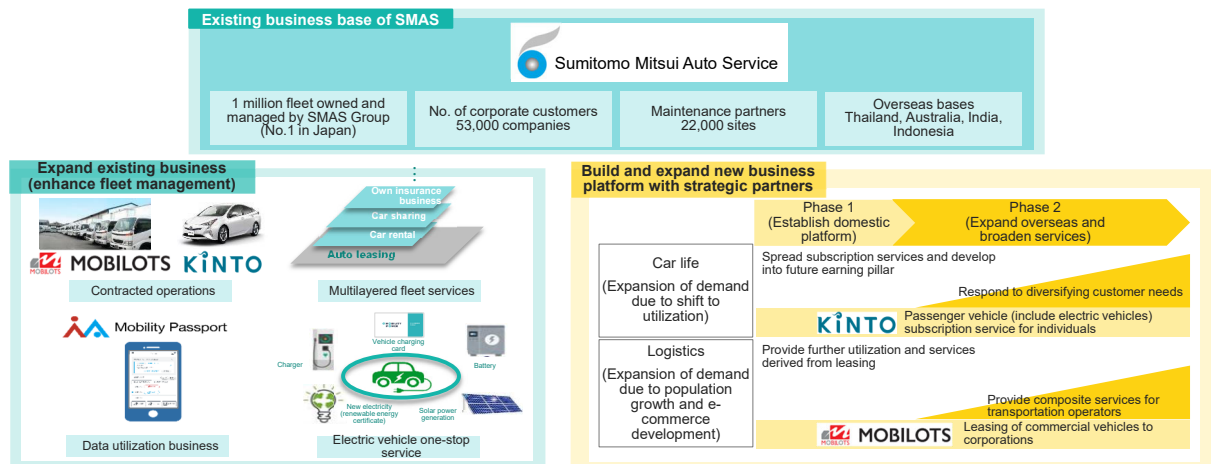
Specifically, the closing and PMI of Goshawk, an aircraft leasing business in Ireland that was agreed to be acquired through SMBC Aviation Capital, a subsidiary of Sumitomo Mitsui Finance and Leasing, will be a key initiative. The acquisition of Goshawk's equipment and a prime portfolio of new clients will make SMBC Aviation Capital the second largest company in the industry in the world, further solidifying its business foundation and competitive edge.

In addition, as shown on the lower right of the slide, in peripheral-related businesses, we will develop needs and services in the next-generation air mobility field, such as helicopter leasing business mainly focusing on emergency medical transport and search and rescue operations, as well as unmanned logistics drones and air cabs. Furthermore, in the aircraft aftermarket, we will play a part in the sustainable growth of the aviation industry through the reuse of parts.

## Fleet Management SBU

### Automotive leasing and peripheral services

Enhance fleet management through the business platform of domestic industry leader Sumitomo Mitsui Auto Service (SMAS) to deploy businesses into growth fields and lead mobility societal innovation in each regions and industries



Next is the Fleet Management SBU. Through Sumitomo Mitsui Auto Service, commonly known as SMAS, the industry leader in Japan, this SBU provides fleet management services, including automobile leasing, and develops and deploys new businesses through collaboration with strategic partners.

Please see the bottom left of the slide. An important initiative at SMAS is the advancement of fleet management, taking into account the environmental changes I mentioned earlier.

Specifically, we are strengthening our efforts in the data area through services such as Mobility Passport, which manages the condition and operational status of leased vehicles. Through these efforts, we will continue to understand the needs of our customers and offer them a multilayered service that allows us to propose the best combination of mobility services, including car rental, car sharing and insurance, in addition to our traditional auto leasing services.

In light of the growing demand for electric vehicles, which is progressing amid the trend toward decarbonization, we will provide one-stop, highly convenient services that include not only the electric vehicles themselves but also the infrastructure, such as chargers.

Furthermore, we have also started a contract business to provide KiNTO, which we will introduce later, with the business infrastructure for fleet management services, including the IT systems and maintenance network that we have developed at SMAS, and will focus on a model that generates revenues without using our own balance sheet.

Next is the lower right of the slide. KiNTO, a collaboration with the Toyota Group, is an initiative to build new business foundations in growth areas in collaboration with strategic partners. KiNTO is an automobile subscription service company established by the Company and SMAS in a joint venture with the Toyota Group in response to the shift in individual automobile needs from traditional ownership to utilization. Through KiNTO, we will continue to flexibly respond to increasingly diverse automotive needs, including overseas expansion.

## Equipment Rental SBU

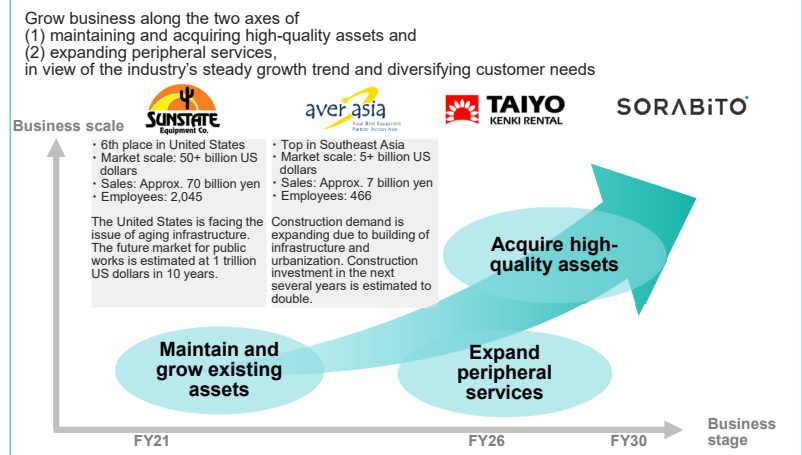
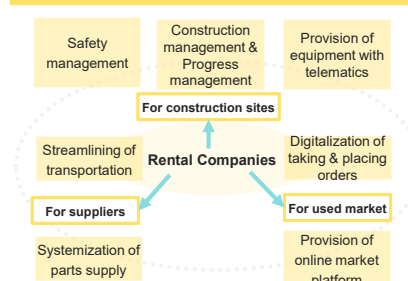
### Construction equipment rental business

Contribute to improving safety and productivity in the construction industry through the supply of reliable construction equipment. Increase earnings in multiple markets at different growth stages by expanding products and services while anticipating changes in market needs

#### Equipment rental operating companies



#### Expand peripheral services



Finally, the Construction Equipment Rental SBU. Mainly at Sunstate in the US, Taiyo Kenki Rental in Japan, and Aver Asia in Southeast Asia, this SBU operates construction equipment rental businesses in their respective regions, helping to improve safety and productivity in the construction industry.

In the construction equipment rental business, it is important to provide timely and appropriate services on an ongoing basis. We will strive to increase customer satisfaction and profitability through the efficient ownership and operation of machinery that meets customer needs and the expansion of our branch network. The Construction Equipment Rental SBU will simultaneously increase recession resilience and growth potential by operating in multiple markets at different stages of maturity. We will also aggressively expand the scale of our business and the regions in which we operate, with an eye toward M&A, in order to further increase our revenue base and gain new knowledge. We also intend to develop peripheral services surrounding construction sites to meet the diversifying needs of our customers.

Among our major businesses, we would like to present the situation of Sunstate and Aver Asia. We made a minority investment in Sunstate in 2009, working to strengthen our partnership with the management team and accumulate industry knowledge, and subsequently increased our investment, making Sunstate a wholly owned subsidiary in 2017. The company's performance continues to grow, with sales of approximately JPY70 billion, making it the sixth largest in the US. We will continue to pursue further growth by expanding the aspects of our business, such as the expansion of the regions in which we operate and the expansion of our product lineup, and by improving efficiency through the promotion of IT and DX.



## Equipment Rental SBU

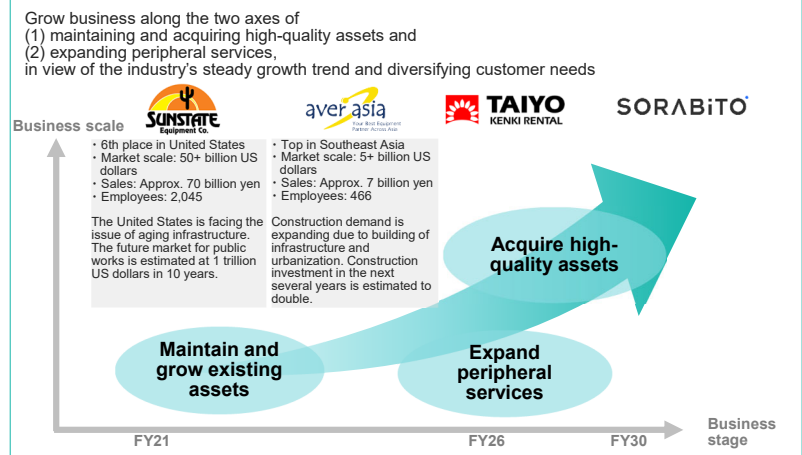
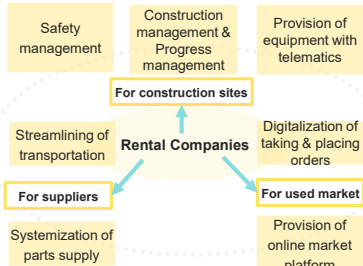
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Contribute to improving safety and productivity in the construction industry through the supply of reliable construction equipment. Increase earnings in multiple markets at different growth stages by expanding products and services while anticipating changes in market needs

#### Equipment rental operating companies



#### Expand peripheral services



(Continued)

Aver Asia is a construction equipment rental and sales company operating in six Southeast Asian countries. We acquired the company at the end of 2020 and completed the PMI in FY2021 as planned. Construction investment in Southeast Asia is expected to continue to grow in line with increasing construction demand due to infrastructure development and urbanization. In addition, rising labor costs and increased safety awareness are expected to drive mechanization of construction work and shift demand for construction equipment from owning to renting. We will continue to capture growing demand through the provision of highly reliable construction equipment while expanding the regions in which we do business.

That concludes my explanation. We feel that the structural reforms we have pursued to date have yielded positive results. We will continue to firmly pursue this reform and also ensure that our strategies and measures are implemented to achieve further growth. Thank you very much.



Part 2

# Monitoring and Supervisory Functions for Improvement of Corporate Value

## - Panel Discussion -

Outside Director Koji Ishida x Outside Director Kimie Iwata

## Brief profiles of the panelists



### **Koji Ishida**

June 2017 — Outside Director, Sumitomo Corporation

He 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 financial institution, and serving as a member of the Policy Board at the Bank of Japan, among other roles.



### **Kimie Iwata**

June 2018 — Outside Director, Sumitomo Corporation

She has wide-ranging knowledge and a wealth of experience in business management, corporate governance, corporate social responsibility, and diversity, etc. accumulated through her many years serving in several key positions at the Ministry of Labor (currently the Ministry of Health, Labor and Welfare), and after retiring from the ministry working in various executive and outside director positions for private companies, among other roles.



### **Facilitator : Ms. Yoshiko Sato**

Japan Investor Relations Association (JIRA)  
Executive Managing Director

# Increasing the Corporate Value for Realization of Sustainable Society

Representative Director, President and Chief Executive Officer,  
Masayuki Hyodo

Thank you for your time.

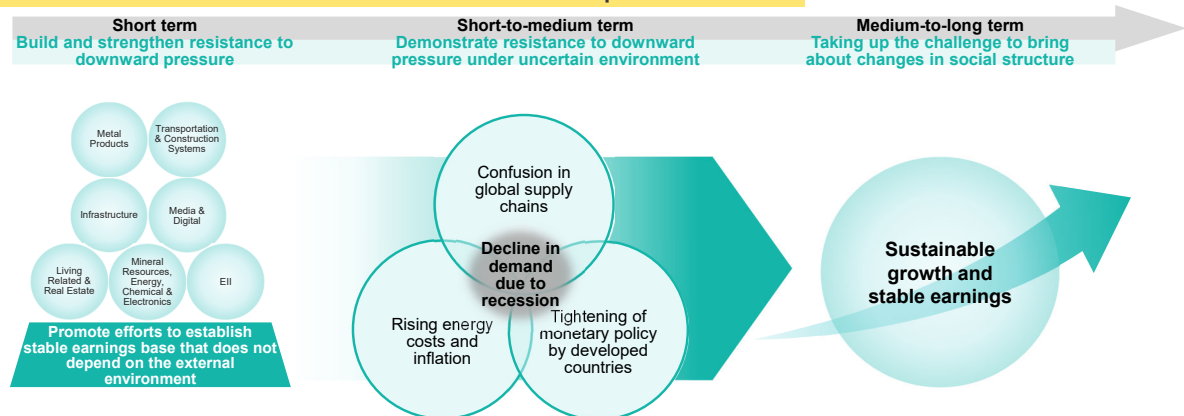
Now, Sumitomo Corporation is also working on various new initiatives. There are things that can be explained frankly about the progress and there are things that cannot. We will explain what we can do, but for things we cannot answer, we will try to provide clear reasons why it is difficult for disclosure.

I would like to use the channel with the IR Department to supplement the points where it is necessary.

## Responding to Changes in the Business Environment

- We have enhanced our earning power by steadily executing structural reforms. For the Metal Products Business Unit and Transportation & Construction Systems Business Unit presented today, we were able take in the effect of market upturn and recovery.
- Although there will be some business that possibly affected by changes in the business environment, we will firmly maintain the earnings base that we have built up through structural reforms.

### Outlook of the business environment and Sumitomo Corporation's actions



As it has already been mentioned many times in the previous explanation, the external environment has been largely changing. The monetary policies of central banks have been affecting some countries including the United States, Europe and Japan, as well as in developing countries.

In this context, a number of things will come up that were not anticipated when we planned SHIFT 2023.

In the short term, we will make steady progress and make sure to shift the portfolio, shift the framework, and shift the management base, while responding to these changes in the external environment.

While also ensuring financial soundness, we will continue to work with a strong awareness that we must quantitatively demonstrate our results based on the discussions on ROIC and WACC. We will raise the corporate value of Sumitomo Corporation to realize our promise, including shareholder returns.

Specifically, we have presented a plan of 380 billion yen for FY23, but we believe that the current market evaluates that we have not been able to generate revenues commensurate with the shareholders' equity that we have received from our shareholders. Conversely, to put it in a positive light, I am convinced that we have the ability to generate more revenues. We need to generate expected earnings focusing on Steady Business Growth and Value Creation categories in the four categories.

To be specific, TBC, Ambatovy, and Fyffes are improving their performance, but there are still challenges to generate sufficient revenues to ensure a strong return of funds for future reinvestment.

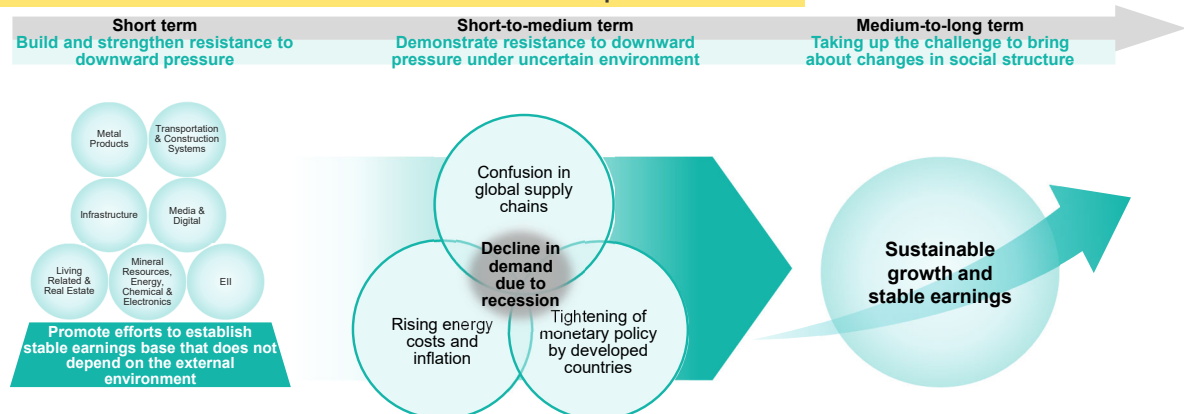
By working through this, we can generate another JPY60 billion. With these goals in mind, we set KPIs and KAIIs and work on them. Then we will get results with this.

We aim to reach the ROE level that our company should be able to deliver, and we will be able to enhance shareholder returns as well as management resources for future reinvestment. We hope to show how the positive cycle turns by completing this SHIFT 2023.

## Responding to Changes in the Business Environment

- We have enhanced our earning power by steadily executing structural reforms. For the Metal Products Business Unit and Transportation & Construction Systems Business Unit presented today, we were able take in the effect of market upturn and recovery.
- Although there will be some business that possibly affected by changes in the business environment, we will firmly maintain the earnings base that we have built up through structural reforms.

### Outlook of the business environment and Sumitomo Corporation's actions



(Continued)

Among them, as I mentioned earlier, what should be addressed in the short term and what should be done in the medium to long term. In the earlier explanation of Metal Products business units, we talked about OCTG.

Hydrocarbons, the service value chain for drilling and producing this, there are internal discussions about what the future holds for this business model that our company has been working on for many years.

We tend to think that decarbonization equals reducing hydrocarbons, and that demand will decrease. However, from a different perspective, CO<sub>2</sub> is highly corrosive when mixed with moisture, so high-grade steel is required.

As the process of recovering CO<sub>2</sub> from the atmosphere is discussed and steadily developed in the future, we are working on to transform our business based on the hypothesis that the role played by high-grade steel will inevitably emerge. As an integrated trading company, it is important for us to work closest to the customer, and to grasp the customer's needs.

While doing this in all 62 SBUs, we will transform our company's own business and transform the way we deliver value in response to the needs as the external environment changes. We will accumulate and build on this effort.

## Toward Greater Effectiveness of Structural Reforms

[Enhancing earning power and resistance to downward pressure]

We will establish structurally strong businesses with resistance to downward pressure that can minimize losses and create expected profits in overall portfolio under any environments.

▶ Toward increasing our corporate value, we will lift earning levels to levels that meet market expectations and aim for greater.

**Sumitomo Corporation's management base that guarantees the effectiveness of various efforts under structural reforms**

1

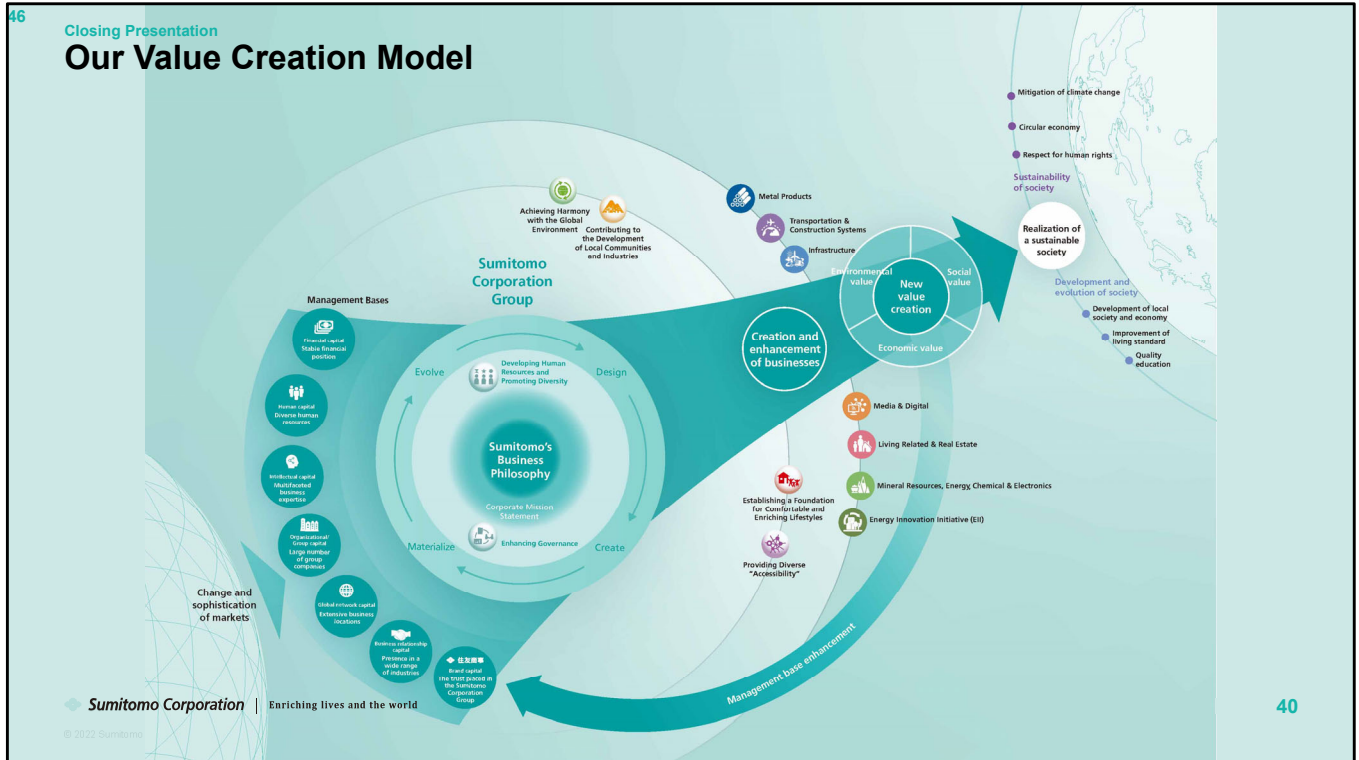
**Strong relationships of trust with operating companies that maximize the Group's value**

2

**Strong relationships with customers built over many years**

This has been the basic concept for more than 70 years since Sumitomo Corporation started its business activities as integrated trading company postwar period. The trust that we have built up with each Group company who joined in the Sumitomo Corporation Group are the sources of our growth potential.

While making the most of this, I will continue to steadily build up the new business reforms I mentioned earlier, one by one.



This is the value creation model of Sumitomo Corporation described in the integrated report.

Sumitomo Corporation on its own is committed to thoroughly embodying the Sumitomo's business philosophy and our management principles, which form the core of the Sumitomo Corporation Group, while respecting each group companies for its own vision and philosophy. We would like to form such a strong group that can mutually enhance each other.

Thank you very much for your time today.

That concludes my closing, but I would like to answer your questions through the Q&A session from now.

[END]