



## PART 2

# Medium-Term Management Plan 2020

## Growth Strategy: Current Status and Future Vision

The COVID-19 pandemic is impacting significantly the global economy and society. To continue creating value under the uncertainty and unpredictability of the current business environment, the Sumitomo Corporation Group has reaffirmed the strategic direction of its Medium-Term Management Plan 2020 and is proceeding with the implementation of its growth strategies from an approach emphasizing adaptability.

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Message from the Chief Strategy Officer

# Drive structural reform to rebuild our business portfolio



**Hideki Yamano**  
Representative Director, Senior Managing Executive Officer, Chief Strategy Officer and Chief Information Officer

## Switching to “emergency mode” and driving structural reform amid a changing business environment

We are now two-thirds of the way through our three-year Medium-Term Management Plan 2020, launched in FY2018. Compared to the time when the plan was formulated, the business environment around the Sumitomo Corporation Group has been changing significantly including the worldwide impact of the COVID-19 outbreak. While we have been able to promote the growth strategy according to plan in some businesses, there are others where value has not been enhanced as envisaged, or where we have been forced to alter the strategies in response to changes in the business environment. As a result, the profit for the year for FY2019 came in well below the initial forecast at ¥171.4 billion. We also forecast FY2020 to see an overall loss of ¥150.0 billion including a substantial one-off losses.

To respond to this future uncertainty, we are switching

our internal operations to “emergency mode” in the short-term to drive structural reform looking ahead to our next medium-term management plan. We will enhance cash flow management through asset replacement, cost reduction, and rigorous screening of investments and loans in addition to securing on-hand liquidity. In parallel, we will liquidate unprofitable businesses in order to upgrade the quality of our business portfolio, with a firm determination.

With the economic downtrend starting in 2019 and the crude oil price remaining sluggish, profitability has declined, particularly in the Metal Products Business Unit, the Transportation & Construction Systems Business Unit, and in certain businesses in the Mineral Resources, Energy, Chemical & Electronics Business Unit. We will identify the issues in each business and devise individual countermeasures. We intend to downsize or withdraw from the businesses for which we judge future potential to be uncertain. In the FY2020 forecasts, we have factored in the impairment and withdrawal losses which may arise in the process of exiting unprofitable businesses.

The next step needed is reinforcement of earning

power in the medium- to long-term. When the COVID-19 outbreak is gradually subdued, we envisage that the earnings of the Group’s businesses, which are currently under pressure, will bounce back to a considerable extent in line with the recovery of the world economy. However, it is clear that it would leave us lacking resilience to economic fluctuations and unable to adapt to potential major changes in the future business environment if we were simply waiting for the world economy to recover.

The structural reform we are currently working on is designed to strategically allocate key management resources to businesses where the Group has intrinsic strength and fields where major growth can be expected. We have already begun the process of formulating a corresponding strategy and reviewing internal systems. By accelerating the shift of strategic management resources, we will place the Group’s earning power on a more solid and resilient footing.

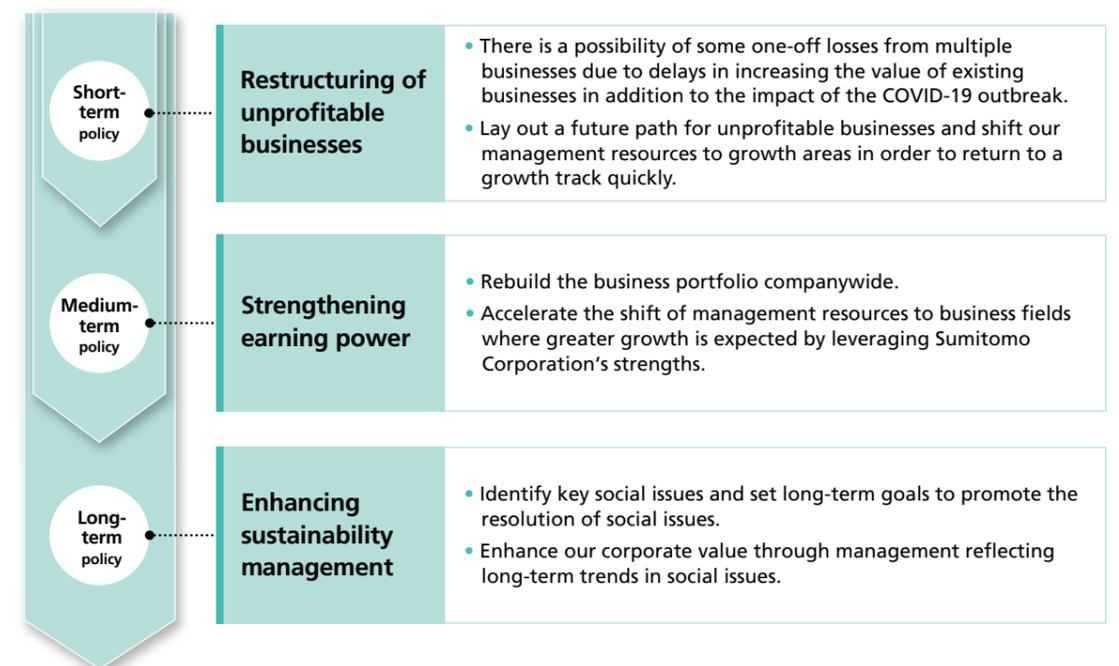
In industry fields undergoing major structural change due to developments such as the evolution of digital technology and the spread of the sharing economy, we need to make the switch from our existing business model taking advantage of the Sumitomo Corporation Group’s established presence. In the tubular products business, for instance, we are working with energy majors that are

long-standing business partners to accelerate activities in response to climate change that simultaneously create new value, from the standardization of products and services to joint renewable energy research projects to support carbon neutrality. In this way, we are working to increase the profitability of each business and rebuild the business portfolio companywide by adapting to the great changes in the structure of industry and switching to new business models if needed.

For the long-term, as we have declared a policy of “Enhancing Sustainability Management,” we will contribute to the realization of a sustainable society and will increase corporate value by actively engaging in businesses that resolve social issues.

At the same time as we adapt to the great changes in our business environment, like those outlined above, we will continue to firmly work on the on-going tasks and measures under the current medium-term management plan as they are still important. Below, I review the progress with the measures announced under the growth strategy plan—increasing the value of existing businesses, creating the next-generation businesses, and leveraging cross-business platform—including examples from actual business projects materialized over the last two years.

## Structural reform looking ahead of the next medium-term management plan



### Two approaches to increasing the value of existing businesses

It goes without saying that our existing businesses are supporting the earnings base of the Sumitomo Corporation Group. Their earnings are the source of investment for future growth and we will be unable to reinforce our growth strategy unless we increase the value of existing businesses. Under the current medium-term management plan, we are working on two approaches to increasing value: Further reinforcing existing earnings pillars and improving the earning power of low-profitability businesses.

The first of these approaches involves accumulating high-quality assets in existing business fields. Over the last two years, we have undertaken new or replacement investment in the areas where each of our business units has strength, in line with the unit's particular growth strategy. Among specific examples are business investment projects by the Infrastructure Business Unit in the field of electric power infrastructure in Europe, including offshore wind power generation, and investment in large-scale development projects in the real estate field, the founding business of the Sumitomo Corporation and a traditional area of strength. Going forward, we will take uncompromising measures to reinforce existing earnings pillars and add further to these strengths.

▶ Refer to p. 53, [Renewable energy: Business value and its evolution](#)

The second approach consists of initiatives to increase earning power by unlocking the potential of businesses that for some reason have failed to grow and remained at low levels of profitability. We launched this initiative at the start of the current medium-term management plan, but the impact of the COVID-19 outbreak has complicated the situation in a number of the businesses, so we are now working at a faster pace to re-establish profitability.

### Cultivating the seeds for next-generation businesses to grow into future earnings pillars

To achieve sustainable growth, it is crucial for the Sumitomo Corporation Group to cultivate future earnings pillars by investing in growth fields as well as to increase the value of existing businesses.

In line with this recognition, the current medium-term management plan identifies the three areas of social infrastructure, healthcare, and Technology x

Innovation as fields where rapid growth is expected in the future, and we are working to cultivate them as next-generation businesses.

As of the end of the second year of the medium-term management plan, we had made a total investment of approximately ¥90 billion in these three emerging areas as part of the strategy for next-generation business creation. In the area of social infrastructure, for instance, we have invested in Q-Park (now "Aimo Park"), a company operating a parking business in three North European countries. To complement its parking business, we are seeking to be a next-generation mobility hub by developing new services including electric vehicle (EV) charging and car sharing. In the healthcare field, we are expanding our network of dispensing pharmacies through Tomod's, a chain of drugstores incorporating a dispensing pharmacy, while also reinforcing home prescription dispensing services and promoting automated dispensing operations. Lastly, in the Technology x Innovation field, we have invested in the technology start-up Sekal in Norway, which provides software allowing efficient control of oil and gas exploration operations.

▶ Refer to p. 69, [Creating the next-generation businesses](#)

### Upgrading the functions of business platforms through intensified cross-organizational collaboration

Leveraging cross-business platform means combining the Sumitomo Corporation Group's diverse range of businesses with functions from inside and outside the Group to create new value through cross-organizational collaboration. In the agrochemicals business, for instance, Sumitomo Corporation operates an agricultural input and service business supplying agrochemicals, fertilizer, and other agricultural products in more than 30 countries worldwide. With the business concept of "solving farmers' problems," and having the customer base we have built within the agrochemicals business as a platform, we aim to develop an integrated service offering a wide range of agricultural materials and equipment, data tools to maximize yield, and also non-agriculture-related products.

In this way, we aim to benefit from the wide range of synergies that can be generated by combining our customer base, extending across over 100,000 companies, with the capabilities and networks of our group companies.

▶ Refer to p. 73, [Leveraging cross-business platform](#)

### To a new phase of sustainability management at the Sumitomo Corporation Group

In today's world, amid the growing seriousness of climate change, environmental pollution, and other global social issues, there are increasing needs for business enterprises to practice sustainability management considering social sustainability. For the Sumitomo Corporation Group, whose growth has been built on the business opportunities provided by worldwide economic development and the accompanying change in demand for wide-ranging goods and services, contributing to the realization of a sustainable society is a way of building a platform for further growth, and as such we recognize it to be an essential activity.

The idea of sustainability is by no means a new concept for us and is in tune with the values of Sumitomo's Business Philosophy and Sumitomo Corporation Group's Management Principles. On Sumitomo Corporation's journey to date, it has always maintained a social awareness and delivered the value required by society. I think that is precisely why it has been able to survive and prosper for so long. Now, however, business enterprises are being asked to explain in concrete terms what action they can offer toward the resolution of issues that threaten social sustainability, what values it will embody, and how they will roll it out in practice.

Apart from complying with public demands, we believe that working to realize the ideal society will also bring us more business opportunities. In other words, we see it as a growth strategy. It is the essence of the trading company's business model to anticipate the trend of the times and to identify opportunities and risks. By ensuring that our management decisions reflect long-term trends in the resolution of social issues, we aim not only to contribute to a sustainable society but also to open up new business opportunities and increase corporate value.

To put this idea into practice, Sumitomo Corporation has established a policy of "Enhancing Sustainability Management." While maintaining our pioneering commitment to the material issues we identified in 2017, we have made a clearer commitment to the roles we can play in the realization of a sustainable society by targeting six key social issues and setting associated long-term goals. We will also specify medium-term goals and key performance indicators (KPIs) to ensure that relevant initiatives are sustained and to provide motivation. These goals will be incorporated in the next medium-term management plan, due for launch in FY2021, and their progress will be monitored. In this way, we will drive the strategic reallocation of management resources toward the

rebuilding of the Group's business portfolio and promote sustainability management as part of our long-term growth strategy.

▶ Refer to p. 19, [Sustainability Management at the Sumitomo Corporation Group](#)

### Adapting to survive in unpredictable times

Today, as we face more uncertainty and unpredictability, it has become difficult to outline a clear medium- to long-term growth strategy. However, I believe that businesses can prosper in whatever age as long as they deliver value to society. The "enterprising spirit" that is one of the phrases of Sumitomo's Business Philosophy encapsulates the idea that business must "stay one step ahead, let go of out-of-date businesses, and start new ones to meet contemporary needs instead." Honoring this tradition, we pay close attention to social needs, working through sound business activities to contribute to resolving social challenges. By staying ahead of the competition in creating new value and new structures, we build competitive advantage, resulting in corporate value increase. Practicing this fundamental approach with a firm sense of purpose, we will continue to pursue sustainable growth for the Group and for society.



CDO Talks: DX Strategy

# Business model transformation through digital technology

## Pursuing solutions-oriented DX

Throughout its 100-year history, Sumitomo Corporation has grown and prospered by developing its business model in line with economic and social changes. Today, Sumitomo Corporation is at the gateway of another challenge of reform: Digital Transformation (DX), a business model change in response to technical innovation and the rapid digitalization of society.

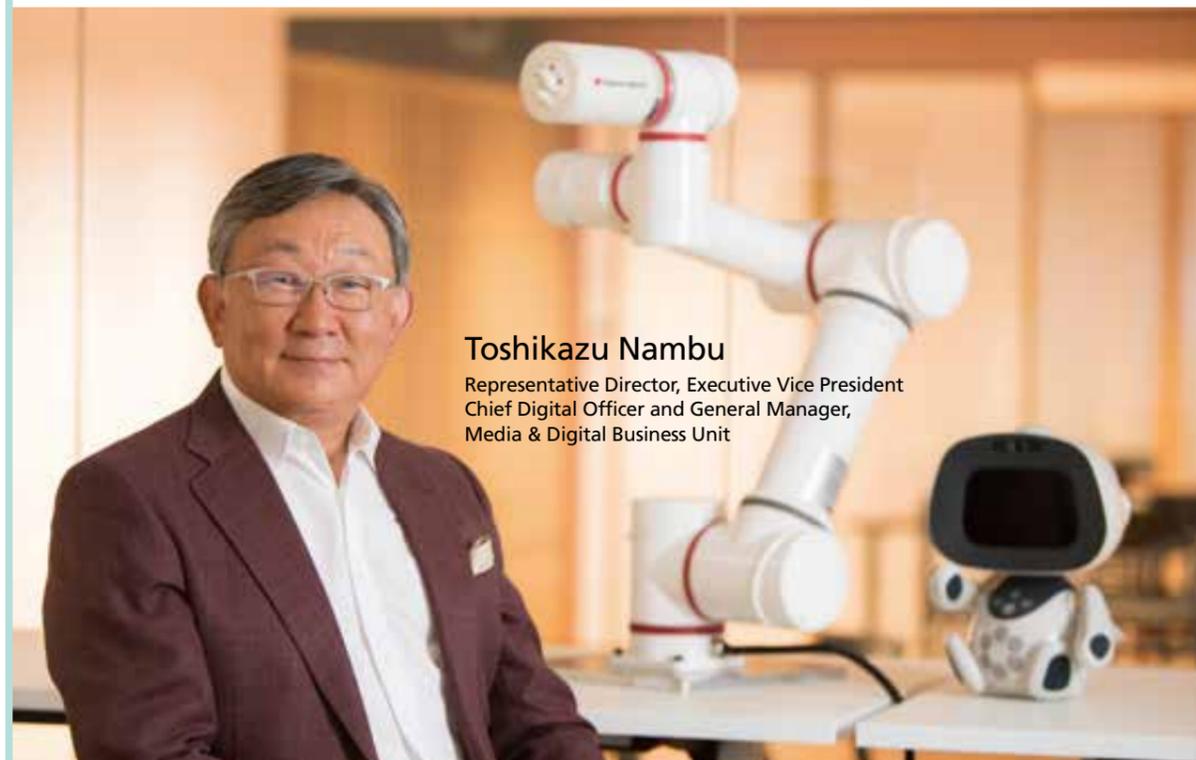
For the Sumitomo Corporation Group, change is the norm, and the digitalization of society represents an enormous business opportunity. The Sumitomo Corporation Group is aiming for solutions-oriented DX as a business model change by using technology to tackle challenges in the Group's various areas of activity. We established the DX Center in 2018 to accelerate that change. The activities of DX Center is currently expanding, and it has over 100 members. It has brought together individuals with skillsets and capabilities for designing businesses as well as specialists in various digital

technologies in diverse settings.

As an integrated trading company, we deal with many different commercial products in a wide range of industries. We also have many business front lines, where we manage investments in hands-on fashion. Our aim is to apply digital technologies to construct a new business model and formulate solutions based on our "street intelligence" in understanding the particular issues and needs at each front line. From our perspective as an integrated trading company, we aim to develop our businesses and create an ecosystem that has a positive impact on society and industry through a design thinking approach that is front line-focused and customer-oriented.

## Business process reform through DX

We initially implemented DX in robotic process automation (RPA) of operations, predominantly in routine tasks and trading activities within the Group. Our DX Center



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members carefully checked the business processes of each organization, worked to improve efficiency through digital technologies, and improved their understanding of each operation. In that way, the members collaborated with workplace leaders to identify issues and reform business processes. As a total improvement by RPA, it has reached to reduce 100,000 man-hours a year, which is equivalent to approximately ¥1 billion on a cost basis across the Group as a whole.



DX briefing in Japan by the CDO

## Over 300 DX-related projects implemented

Two years after opening, the DX Center has worked on over 300 DX-related projects across the Company. Depending on the issue at each front line, we classify projects into one of three categories: (1) operation enhancement; (2) solving industry issues; and (3) solving social issues. We adopt technologies and models according to the characteristics of a particular project and work to create value. Our operation enhancement projects have included AI-based predictive maintenance and market forecasting for manufacturing and processing businesses. Our projects in solving industry issues have included the use of digital marketing and creating a platform to transform customer contact points. Our projects in solving social issues have included mobility services in Northern Europe and healthcare services in

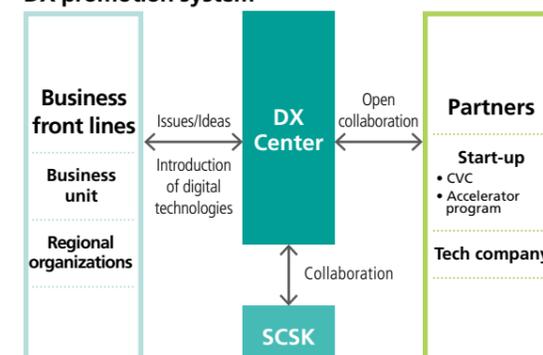
Malaysia (screening employee medical care billing details and making payments to care facilities). We extend the knowledge acquired through these various DX initiatives to each business unit so that the whole company can accelerate DX.

## Targeting a DX-based corporate transformation (CX)

The key to successfully implementing digital technologies and using data is a dynamic combination of internal and external knowledge and capabilities. As we work to create new value, we focus on co-creation with start-up companies to accelerate innovation. We are also driving open collaborations in partnership with leading businesses in each industry and major tech companies. Enhancing DX talent is another important area. Historically, we have expanded our businesses by accumulating know-how and knowledge related to trading business activities, investment and management activities. To ensure that DX-related knowledge and know-how are an intrinsic part of our Group, we will emphasize on-the-job training and DX training. We will accelerate acquisition of new talent with appropriate expertise.

The Sumitomo Corporation Group is active in diverse industries. At each of our business front lines, we are improving our business model by reforming operations, expanding functions and replacing businesses in response to environmental changes. Thus, we are working to achieve CX (Corporate Transformation) at an individual business level. With the great disruption caused by the paradigm shift in digital society, we will strive to create cross-industry businesses and new industries through DX. To accelerate those efforts, we will transform our company systems and culture such as collaboration beyond product-based organizations and strengthening of diversity and inclusion. Accordingly, we will drive our own CX as we become a company that continually creates value through digital solutions. Together with every member of the global Sumitomo Corporation Group, we will strive to bring prosperity by building a smart society.

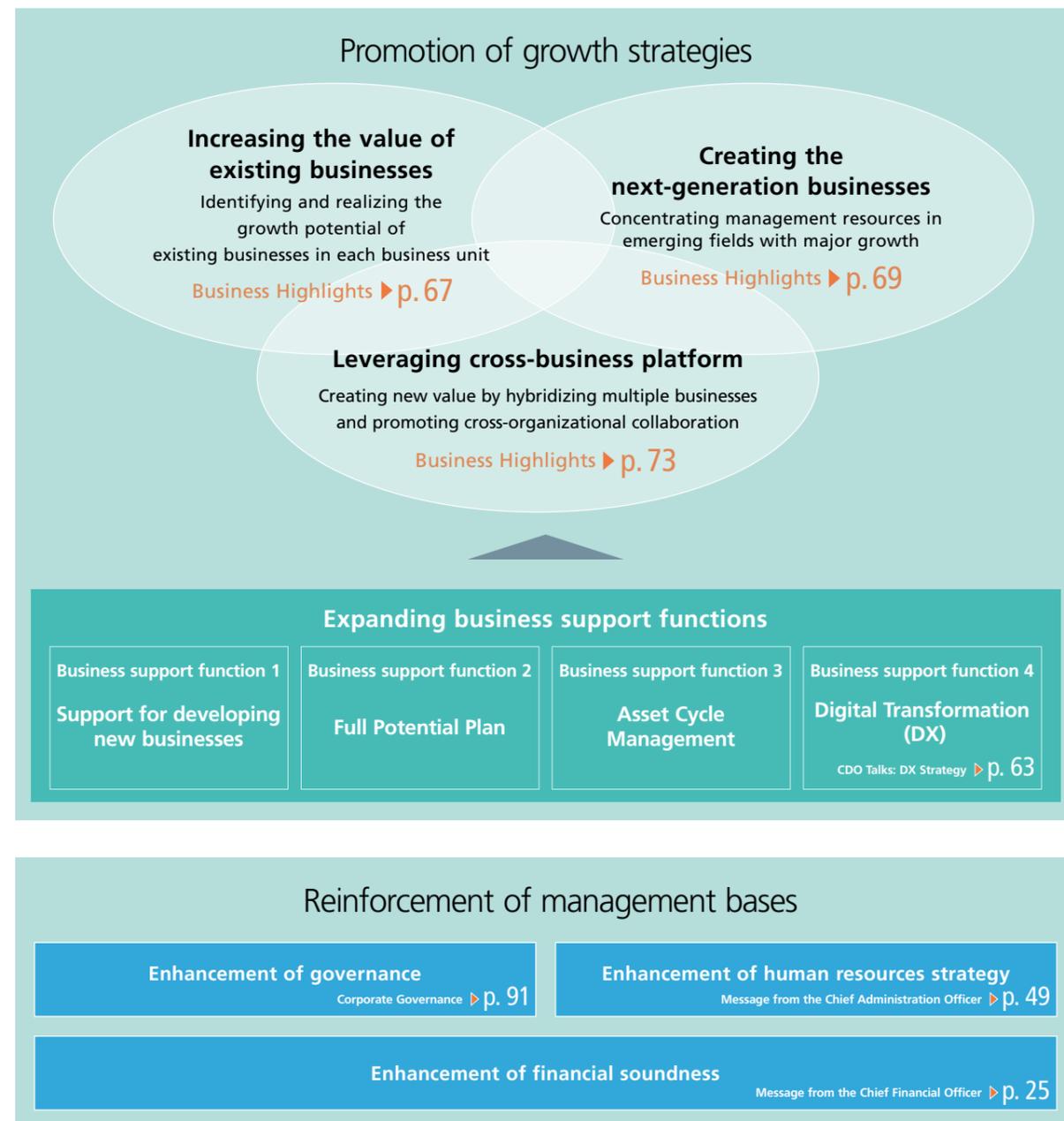
## DX promotion system



 Sumitomo Corporation has been selected as a Digital Transformation Stocks 2020 by Japan's Ministry of Economy, Trade and Industry and Tokyo Stock Exchange in recognition of its business model transformation using digital technologies and CX including reformation of organization and culture.

# Status of Medium-Term Management Plan 2020

In a changing business environment, industries are becoming increasingly borderless and complex due to the technological innovation driven by AI and IoT. In our Medium-Term Management Plan 2020, we are creating new value by promoting three core growth strategies: Increasing the value of existing businesses, Creating the next-generation businesses and Leveraging cross-business platform. At the same time, we are making continuous efforts to enhance our management bases.

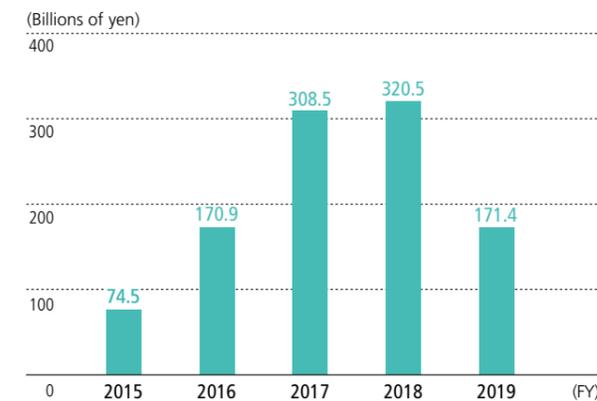


Medium-Term Management Plan 2020: Key management indicators

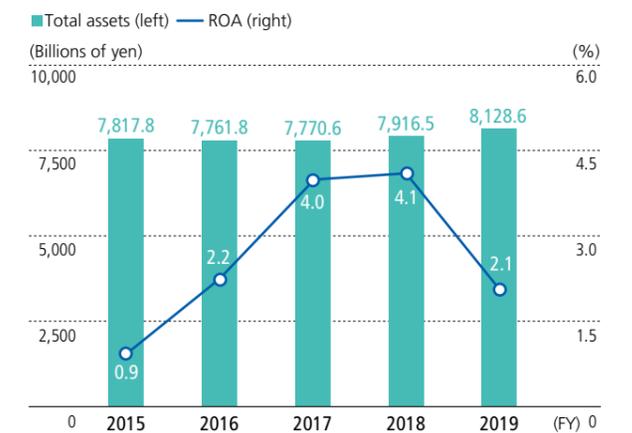
Key management indicators	FY2018 (results)	FY2019 (results)	FY2020 (plan)
Profit (loss) for the year	<b>¥320.5</b> billion	<b>¥171.4</b> billion	<b>¥-150.0</b> billion
ROA	<b>4.1%</b>	<b>2.1%</b>	—
ROE	<b>12.0%</b>	<b>6.4%</b>	—
Balance between the Core Risk Buffer and Risk-weighted Assets	Maintained	Maintained	Maintained
Investments and loans	Approx. <b>¥300</b> billion	Approx. <b>¥350</b> billion	Approx. <b>¥280</b> billion
Post-dividend free cash flow	<b>¥128.9</b> billion	<b>¥-30.5</b> billion*	<b>¥102.5</b> billion*

\* Calculated after deduction of an approximately ¥50 billion increase in depreciation and amortization expenses following the adoption of IFRS 16 (Leases).

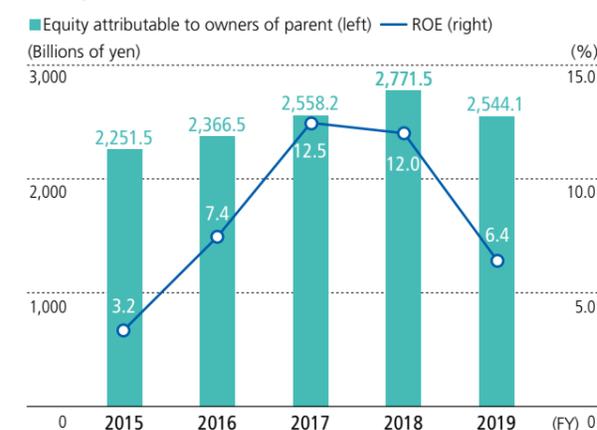
Profit for the year



Total assets / ROA



Equity attributable to owners of the parent / ROE



Interest-bearing liabilities (net) / Net DER



# Increasing the value of existing businesses

Identifying and realizing the growth potential of existing businesses in each business unit

## Metal Products



OCTG business

As an innovative challenge toward next-generation supply chain management for tubular products, we are providing the energy industry with optimization and automation through digital technologies. The resulting improvement in efficiency will help us to tackle climate change and other social issues.



Steel service center business

We are using DX to upgrade steel service centers and also accelerating selection and concentration in line with regional strategies. Our acquisition of U.S. company Magic Steel Sales, LLC has enabled us to increase purchasing ability through the securing of new business in our core area and expansion of business scale.



Aluminum business

In a joint aluminum business with Malaysia's Press Metal Aluminium Holdings Berhad, by acquiring an equity interest in Australia's Worsley Alumina Pty Ltd, Press Metal has been able to secure approximately one-sixth of its alumina requirements. This enables the company to procure its main raw materials at competitive prices, which contributes to stable revenues.

## Transportation & Construction Systems



Leasing business

In addition to supporting the growth of general leasing company Sumitomo Mitsui Finance and Leasing Company, Limited, we are applying the solutions it offers across our operations—including in areas beyond the domain of finance—to build a new growth foundation.



Automotive manufacturing business

We acquired Asama Giken Co., Ltd., a manufacturer of automotive brake parts and related products. Together with our subsidiary Kiriu Corporation, this means the Sumitomo Corporation Group now has one of the world's largest manufacturing capabilities of such products, with a worldwide market share of approximately 10%. By further strengthening our base in the casting-related business, we will continue to advance with our growth strategy.



North America construction equipment rental business

We operate Sunstate Equipment Co., LLC, the sixth largest general construction machinery rental company in the United States. In addition to promoting the establishment of new bases and investment in machinery assets, we will also invest in IT facilities to allow visualization of operating conditions and boost asset efficiency.

## Infrastructure



Zero emission business

With the aim of realizing a carbon-free society, we established the Zero Emission Business Department. By leveraging and platforming our energy management initiatives, we will work to create new value in coordination with Summit Energy Corporation's power retail business.



Gas-fired IPP business

We started construction work on a gas-fired combined cycle power generation project that will be the first low-environmental burden, high-efficiency facility in the UAE emirate of Sharjah. Through stable electric power supply with reduced energy consumption and CO<sub>2</sub> emissions, this project will contribute to the emirate's sustainable development and climate change mitigation.



Overseas industrial park business

In addition to providing manufacturing companies with integrated and continuing support through the industrial park business, we are expanding the range of new services provided to tenant businesses and their employees. Through new business development in line with the needs of surrounding communities, we will contribute to local development and to creating enriched lifestyles.

## Media & Digital



Cable TV business

J:COM is expanding its wide range of online services that support everyday life. Online medical consultation via television screens is undergoing a trial in Tokyo and Fukuoka and the service will be launched in 2021.



Digital solutions business

To create and enhance value through DX, we work globally on strengthening our DX promotion structure and expanding our capabilities, together with SCSK Corporation.



Myanmar telecommunications business

Myanma Posts and Telecommunications (MPT) has been increasing its subscriber base with a range of services utilizing a mobile money service launched in January 2020, which enables MPT to contribute to developing an information-oriented society in Myanmar.

## Living Related & Real Estate



Real estate business

December 2019 saw the stock market listing of SOSILA Logistics REIT, Inc., which is sponsored by Sumitomo Corporation. This listed REIT, which acquires and operates cutting-edge logistics facilities on an environment-friendly basis under the SOSILA brand, offers opportunities for ESG investment.



Supermarket business

Summit, Inc., which is expanding its business base with new store openings in the Tokyo metropolitan area, is also progressing with the opening of small stores in central Tokyo. Adaptation to cashless payment and labor-saving automation are among the themes it is addressing through making the best use of DX.



Dispensing pharmacy business

Tomod's Inc., which is rolling out urban-type drugstores incorporating a dispensing pharmacy, is expanding its business base through new store openings and other initiatives. At the same time, it is reinforcing its family pharmacy functions in line with the Japanese government's rollout of a community-based integrated care system and its own corporate philosophy.

## Mineral Resources, Energy, Chemical & Electronics



Natural gas and LNG trading business

The Cove Point liquid natural gas (LNG) project in the United States has established stable operation, with supply to Japan proceeding smoothly. Spot export by using excess production and natural gas trading in the locality of the LNG terminal are also in progress, with initiatives underway to expand Natural gas and LNG business into Europe and Asia.



EMS business

As part of the expansion of its global plant network, Sumitronics Corporation, which carries out commissioned manufacture of electronic devices, has established a new plant in Cambodia. This new plant offers advantages in terms of labor costs and human resource availability. With this, Sumitronics has been able to successfully restructure its production system with Thailand.



Cosmetics business

Having acquired French cosmetic ingredients distributor SACI-CFPA SAS, we established Japanese domestic company Summit Cosmetics Corporation. In collaboration with existing group companies, we have now built up a cosmetic ingredients distribution network in the main markets—the Americas, Europe, and Japan.

# Creating the next-generation businesses

Concentrating management resources in emerging fields with major growth

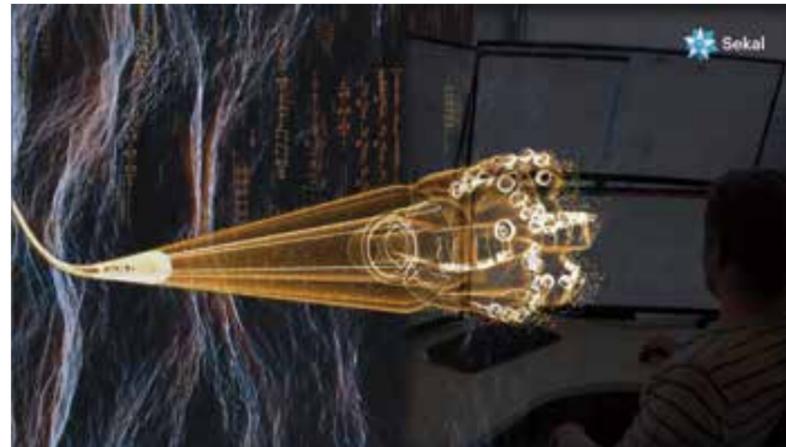
## Technology x Innovation

### Contributing to a cost effective and green oil and gas development process through a drilling automation initiative

In July 2019, the Sumitomo Corporation Group acquired a stake in the Norwegian company Sekal.

The exploration and development of subsurface oil and gas resources rely heavily on the knowledge and experience of individual personnel. As modern drilling environments become more and more hostile with tighter safety margins, the best trade-off between risk mitigation and efficient operation is always a challenge. One of the solutions to address this challenge is "automation," which every oil and gas company is closely engaged in at present.

Norway is the most advanced country in this field and has a long history of creating state-of-the-art technology, since the development of North Sea oil and gas resources presents one of the world's most hostile environments. Based on the long-history of technology development by a Norwegian research institute, Sekal commercializes a world-leading software product that enables real-time analysis of drilling operations and equipment control in order to maximize operational efficiency



and minimize safety risk. Currently, Sekal's digital technology, which is globally adopted by major oil and gas companies, provides significant support and contribution to a drilling automation initiative that the industry is looking at as the right direction for the upcoming new era. In parallel, by accelerating the industry's initiative for drilling automation, we at Sumitomo Corporation contribute toward lower-carbon operations in oil and gas development.



### Using AI for more efficient mining equipment maintenance



Relialytics, in which the Sumitomo Corporation Group invested in June 2019, is rolling out a service that proposes the optimal maintenance regime for mining equipment through AI-based analysis of data obtained from the lubricant oil. By expanding services that utilize AI and the IoT, we are driving the shift to a more efficient mining industry that is also more friendly to people and the environment.

## Healthcare

### Expanding the "family pharmacy" network and enhancing its functions to enrich everyday life

Under the Japanese government's approach of creating a community-based integrated care system,\* it is envisaged that dispensing pharmacies will function as hubs for at-home prescription dispense services.

At the same time that Sumitomo Corporation is expanding its network of dispensing pharmacies, it is moving to enhance at-home prescription dispensing services. By introducing

fully automated dispensing equipment and other DX-related technologies, we are also helping to improve the work efficiency of pharmacists and enhance patient-facing operations.

Going forward, we will work through our "family pharmacies" to support local development as well as the healthy and enriched lifestyles of our customers.

\* A system of eldercare which provides support for decent housing, medical treatment, prevention, nursing care, and daily living in an integrated way within a familiar community setting.



Home visit to support medication adherence



Fully automated dispensing equipment

**Current profile**  
Drugstores with prescription department located for consumer's convenience in daily life

**Target profile**  
Drugstore and dispensing pharmacy chain as part of the social infrastructure supporting community-based medicine

- Integrated one-stop medication adherence support tailored to patient condition
- Hub function for at-home prescription dispensing service of community-based integrated care system
- Expansion of store network
- Improved operational efficiency through DX, such as automated drug dispensing systems

### Managed care business contributing to higher-quality medical treatment and improved health management

Managed care is an approach to promote high-quality, low-cost medical treatment and improved personal health management in countries where, unlike Japan, the public healthcare system is not well developed. After entering the Malaysian market in March 2019, we enhanced our remote dispensing service which delivers prescription drugs in response to orders received through an application. Going forward, we will continue to support the development of local communities and industries to create the foundations for enriched and comfortable lifestyles.



Creating the next-generation businesses

# Social Infrastructure

## Leveraging the potential for new platforms in the mobility business

By cross-fertilizing existing platforms and newly acquired platforms with new technologies and services, Sumitomo Corporation is targeting the creation of next-generation mobility service businesses. Based on this strategy, we accessed new platforms by acquiring a parking operator in three northern European countries (Sweden, Norway, and Finland), where we have extensive expertise in the automotive business.

Through this parking operator, "Aimo Park," we plan to increase the value of the parking business itself through DX and other strategies. In addition, we will develop a diverse range of mobility business platforms by incorporating such services as repair and maintenance, car wash, tire replacement, and electric vehicle (EV) charging, as well as new peripheral businesses including car sharing

and multimodal transportation. We believe we can also contribute to local communities by going beyond the domain of parking and mobility services to utilize parking lots as a space for a wide range of other services.

### Platform strategy



## Promoting initiatives toward a 5G society

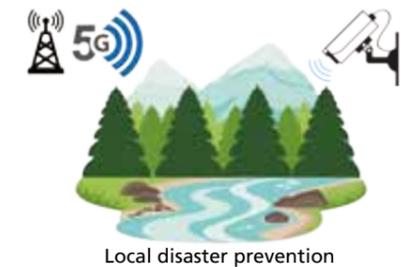
Sumitomo Corporation is working on private 5G ("local 5G") systems to create new businesses and promote the development of local industries, leveraging long-term relationships with local communities and telecom infrastructure through our cable TV business.

### Schematic outline of local 5G



Firstly, we have built a common core network for cable TV industries that supports "local 5G" to bring digital revolution to local communities, such as advanced disaster prevention, smart factories and online medical consultation.

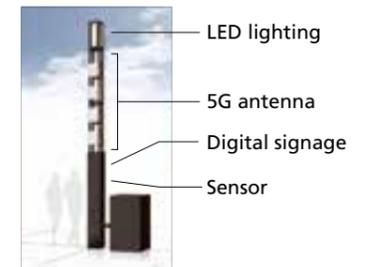
Secondly, partnering with electric power and railway companies, we plan



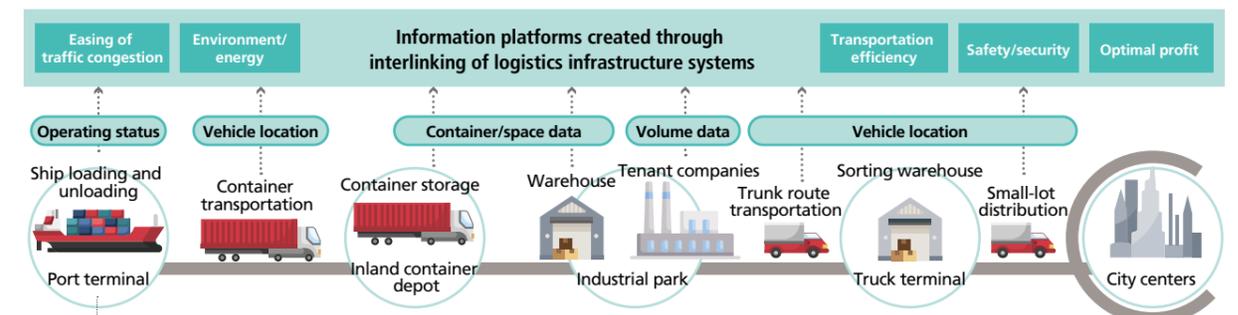
to roll out a 5G-base-station-sharing business for mobile network operators. Meanwhile, our Group company T-Gaia Corporation is providing 5G-compatible devices and 5G-associated solutions.

We aim to create new value and develop local communities through the realization of a 5G society.

### Schematic outline of smart pole functions



## Realizing wide-area smart logistics through DX-based solutions



Vietnam has seen increasing demand for logistics services in response to the expansion of consumer markets in line with rapid economic growth and the increase in trade volume caused by the relocation of production bases from China. This has, however, also brought increasingly serious social challenges in terms of traffic congestion, environmental burdens, and high logistics costs.

Amid this, Sumitomo Corporation entered the Vietnamese container terminal business in July 2019. By linking our existing local businesses in logistics, industrial parks, and container terminals with IoT and other new technologies, we are working to realize wide-area smart logistics that will contribute to resolving these challenges.

# Leveraging cross-business platform

Creating new value by hybridizing multiple businesses and promoting cross-organizational collaboration

## Improving agricultural productivity through global rollout of the agricultural input sales business

Reflecting population growth, a shift toward increased meat consumption, and other trends, world food demand is on a continuous rise. However, there is a limit to the agricultural land area that can be secured for sustainable development. To expand agricultural production, it is vital to improve productivity through effective use of agricultural materials such as crop protection products, fertilizers, and seeds.

Sumitomo Corporation has a long history in the agricultural business. In the crop protection products field, we have exported high-quality crop protection products from Japanese manufacturers since the 1970s and currently export to some 100 countries around the world. Since the 1990s, we have expanded our business to midstream fields and currently engage in an agricultural input sales and wholesale business covering crop protection products, seeds, high-function fertilizers, and related items in

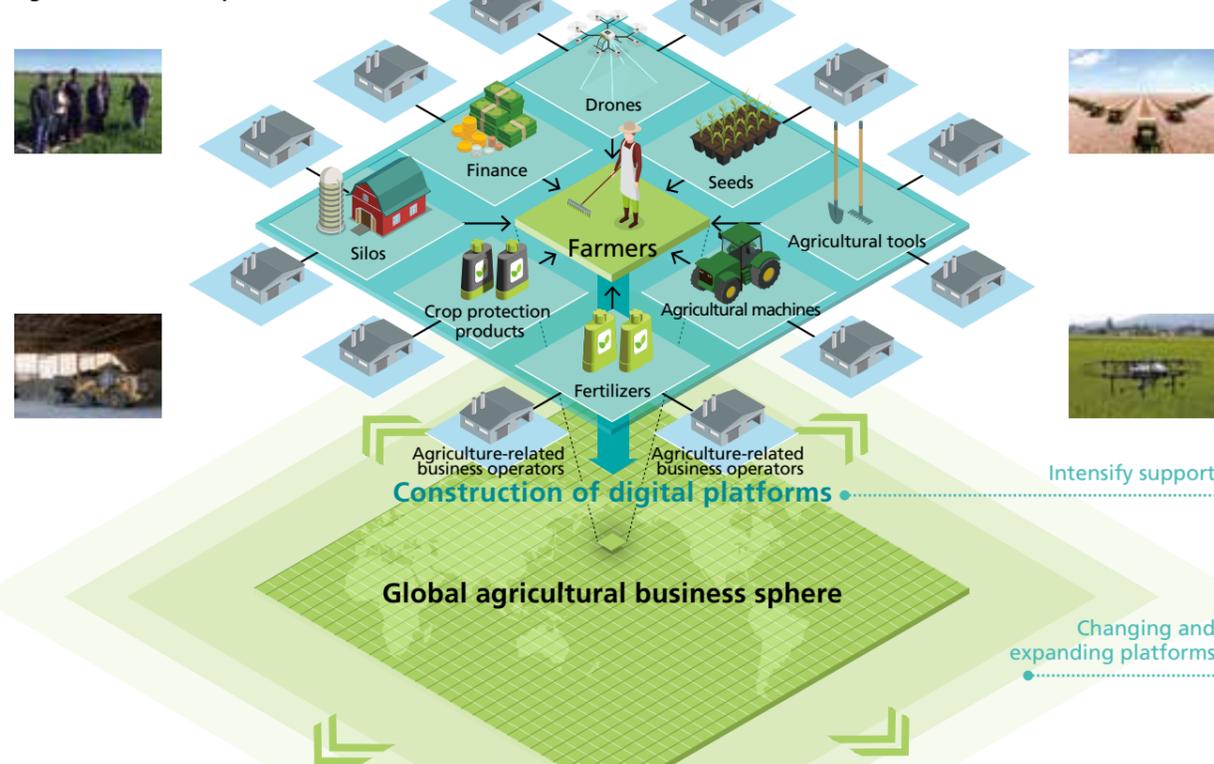
more than 30 countries. To adapt closely to the differing agricultural conditions in different regions, we recruit a workforce locally and provide support based on our expertise in credit, inventory, and foreign exchange management. As a result, we enjoy high levels of confidence and a strong reputation among local customers and suppliers.

Likewise, in the fertilizers field, in the 1950s we began import and sales operations in Japan and export operations to other countries, expanding in the 1960s into fertilizer manufacturing in Japan. Having built a solid business foundation in this way, in the 1990s we expanded the reach of our sales business, including local production, to Asia and Oceania.

At Sumitomo Corporation, we are working to coordinate and develop operations in each region by integrating and utilizing the customer

base, knowledge, and expertise we have built up over time. To develop the conventional agricultural input wholesale business to the next stage, we built an agricultural input and service business, which provides farmers with a direct, one-stop source for the products and services they need. Starting in the 2010s, we have extended the reach of this business from Japan to Romania, Brazil, Ukraine, and other agricultural nations with strong market potential. Moreover, we are focusing energies on supporting agritech-based innovation and on constructing digital platforms and other options for further developing the agricultural business. Going forward, we will continue to work through global expansion and advanced business development to contribute to improving agricultural productivity worldwide.

### Agricultural business platforms



## Changing and expanding platforms

### Rollout of direct sales system to prime agricultural nations with sufficient market size and growth potential

Our overseas agricultural input and service business was launched in Romania, an agricultural nation with approximately four times the cultivated land area of Japan. Alcedo S.R.L., which we acquired in 2011, is Romania's largest general agricultural material sales company, with 3,500 customers, or approximately one-third of the country's farmers. In 2015, we acquired a stake in Agro Amazonia Produtos Agropecuários Ltda., a general agricultural input sales company in Brazil, another major

agricultural nation. During the period of Medium-Term Management Plan 2020, we made Agro Amazonia a wholly owned subsidiary in 2018, and acquired a stake in the Ukrainian general agricultural input sales company Spectr.\* By reinforcing our existing sales channels with the locally focused marketing of these prime local direct sales operators and Sumitomo Corporation's wide-ranging and global industry networks, we will work to support the sustainable growth of agriculture in their respective regions.

\* Spectr-Agro LLC and Spectr-Agrotechnika LLC

### Global rollout of agricultural business



## Intensifying support

### Constructing digital platforms using agricultural data to spread co-prosperity along the whole of the value chain

Sumitomo Corporation not only uses the direct sales system to strengthen agricultural material sales in each region but is also working to intensify the comprehensive services it offers: farming finance, purchasing of agricultural products, and solutions to improve productivity by employing agritech such as drones.

To advance these support systems, we will also drive digitization in each region. For example, focusing on markets where we can leverage our strengths in the agricultural input and service business, such as Japan, Brazil and Romania, we intend to explore the potential for instance of utilizing agricultural data and constructing digital platforms. As an example of data utilization, in addition to data and expertise on weather, market prices, agricultural technology, and other factors, we will collect and analyze data from individual farmers on their historic use of materials, including crop protection products, fertilizers, and seeds, as well as historic yields. This will allow us, for instance, to present best practices in terms of what crops to grow and which materials to use when and in

what quantity to maximize return. Through effective use of agricultural data in this way, we will pursue innovation in the practice of agriculture, which has tended to rely on experience and instinct, and will construct and develop digital platforms that function as ecosystems promoting co-prosperity among all business operators in the value chain including farmers.



Alcedo provides guidance in the use of technology