

# SHIFT 2023

## Part 2

# New Medium-Term Management Plan “SHIFT 2023”

SHIFT 2023 overview ..... 35

**Business Portfolio SHIFT**

Business strategy categories ..... 37

Setting next-generation growth fields ..... 39

Dialogue between Outside Director and the Chief Digital Officer ..... 41

**Framework SHIFT**

Evolution of business strategy management ..... 45

Selective investment & strengthening of post-investment value creation ..... 46

Strengthening of cross-organizational efforts ..... 47

Reallocation of management resources across business units ..... 48

**Management Base SHIFT**

Message from the Chief Administration Officer ..... 49

Direction of HR management reform and initiatives ..... 51

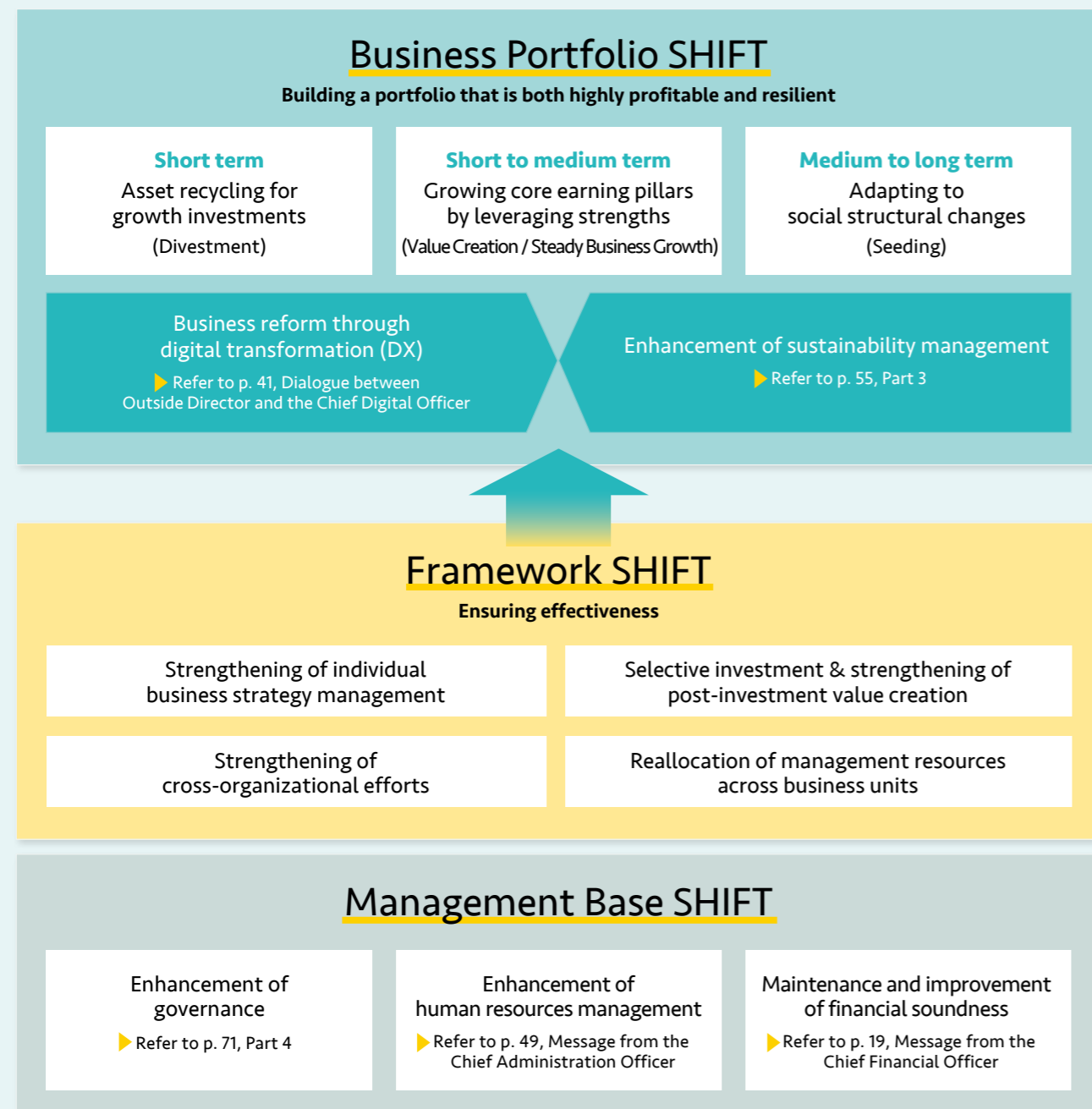


# SHIFT 2023 overview

As public values and lifestyles change, we will “SHIFT” the Sumitomo Corporation Group through structural reform in order to contribute to society via sustainable growth and value creation.

Under the new medium-term management plan “SHIFT 2023,” covering the three years from FY2021 to FY2023, we will focus on a Business Portfolio SHIFT. This will be a shift or transition of our business portfolio to one that combines higher profitability and better resilience to changes in the environment. We will then introduce four new mechanisms by means of a Framework SHIFT to ensure the effectiveness of the Business

Portfolio SHIFT. Additionally, we will work on enhancing governance, enhancing our human resources management, and maintaining and improving our financial soundness in order to promote a Management Base SHIFT to support these efforts. While considering the two major trends of “digitalization” and “requirements for sustainability,” we will aim to get back on the growth trajectory as soon as possible.



## Quantitative plan

We plan to achieve a consolidated net income of ¥230 billion\* in the first year and ¥260 billion in the second year. In FY2023, the third year of the plan, although the business environment is changing rapidly and it is difficult to foresee the future, we are determined to rebuild our business portfolio to be able to generate more than ¥300 billion in consolidated net income, no matter the environment. We will accomplish this by enhancing the profitability of our portfolio and our resiliency to changes in the environment, and aim to achieve record-high profit.

Figure 2 shows the allocation of total cash flow for the three years of the plan. We plan to gradually recover our cash-generating capacity to near the pre-COVID-19 level by FY2023 by steadily working on the effects of profit improvement through the structural reform and new profit growth. We also plan to generate cash inflows of ¥1.4 trillion or more in total over the next three years, including thorough efforts to exit low-profitability businesses and the recovery of capital through divestment.

We will use this cash to increase the profitability and downward resiliency of our portfolio by making investments and loans of around ¥1.1 trillion, mainly in areas with market potential and where we can fully demonstrate our strengths.

## Shareholder returns (Dividend policy)

We plan to allocate ¥260 billion for dividends to return profits to shareholders. Under SHIFT 2023, we decide the annual dividend based on our fundamental policy of paying long-term stable dividend and taking into consideration the status of fundamental earnings capacity, cash flows, and other factors, with a consolidated payout ratio of about 30% as a guideline, maintaining at least ¥70 per share, the same amount as the annual dividend for FY2020. The forecast for consolidated net income for FY2021 is ¥230 billion\*, and in accordance with the above dividend policy, we plan to pay an annual dividend of ¥70 per share (interim: ¥35, year-end: ¥35) for FY2021.

\* Full-year forecast revised upward to ¥290 billion in announcement of first quarter results (August 4, 2021).

Figure 1: Profit (loss) for the year (attributable to owners of parent)

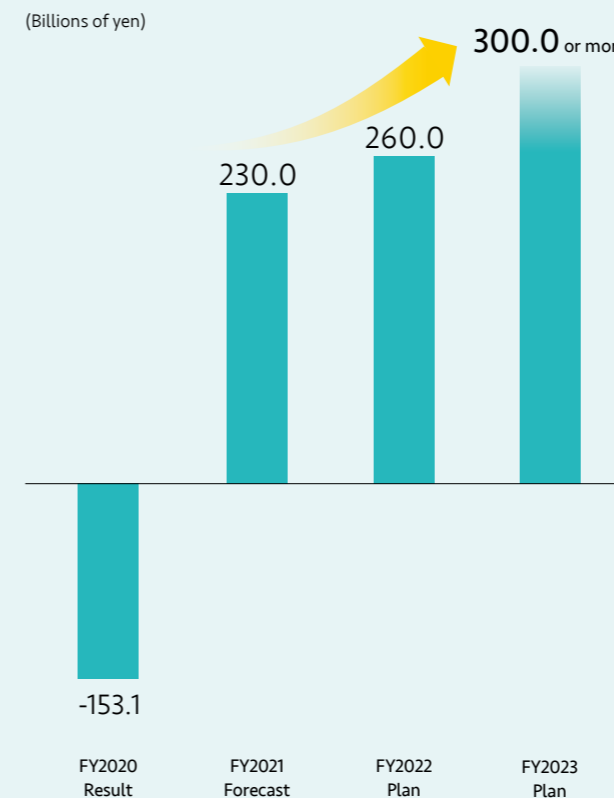
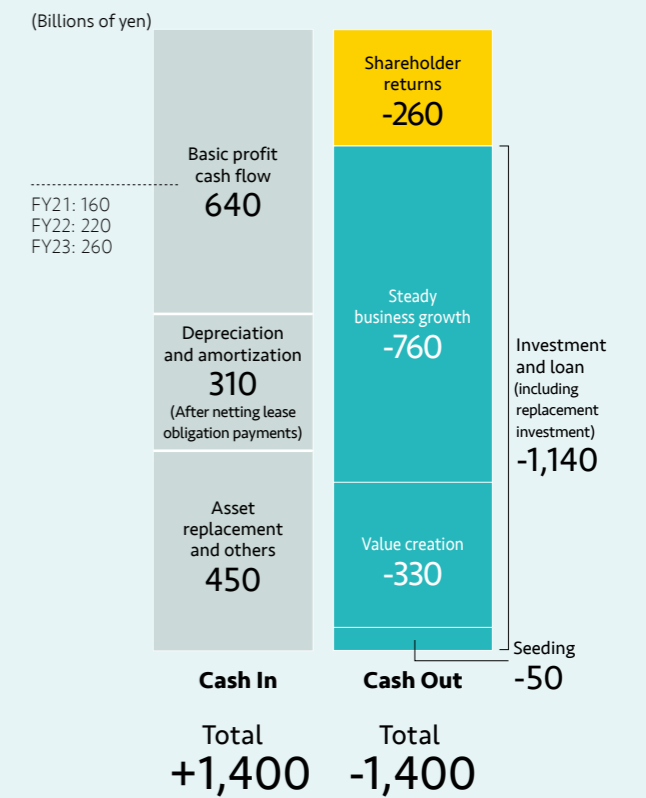


Figure 2: Allocation plan of three-year total cash flow\*



\* Assuming profit for the year of ¥300 billion in FY2023

# Business strategy categories

We divided all our businesses into the four categories of Divestment, Value Creation, Steady Business Growth, and Seeding based on the two axes of “market potential” and “demonstration of strengths,” and set targets according to their respective positions.

As shown in Figure 1, by having each business in the four categories steadily achieve their targets, we will shift our entire portfolio to business fields where the market potential will be higher and we can fully demonstrate our strengths. We will thus build a portfolio that is both highly profitable and resilient to environmental changes. The category of each business will change from time to time in relation to changes in the market or the Group’s strengths. Along with this, we will reinforce our business portfolio, thereby improving our corporate value. By having the businesses in each category steadily achieve the targets that were set, we aim to see our businesses evolve into ones with market potential and strengths, namely the core businesses in the Steady Business

Growth category in the upper right. Figure 2 provides a quantitative picture of the four categories. The plan is to invest or lend approximately ¥1.1 trillion during the period of SHIFT 2023, primarily in the Steady Business Growth category where market growth is anticipated and the Group’s strengths have already been demonstrated. We will do this while recouping our funds by replacing assets in the Divestment, Value Creation, and Steady Business Growth categories. More specifically, we plan to expand investment in the business areas of domestic real estate, construction equipment rental, and renewable energy related businesses among others.

Figure 1: Clarifying individual business strategies’ position through categorization

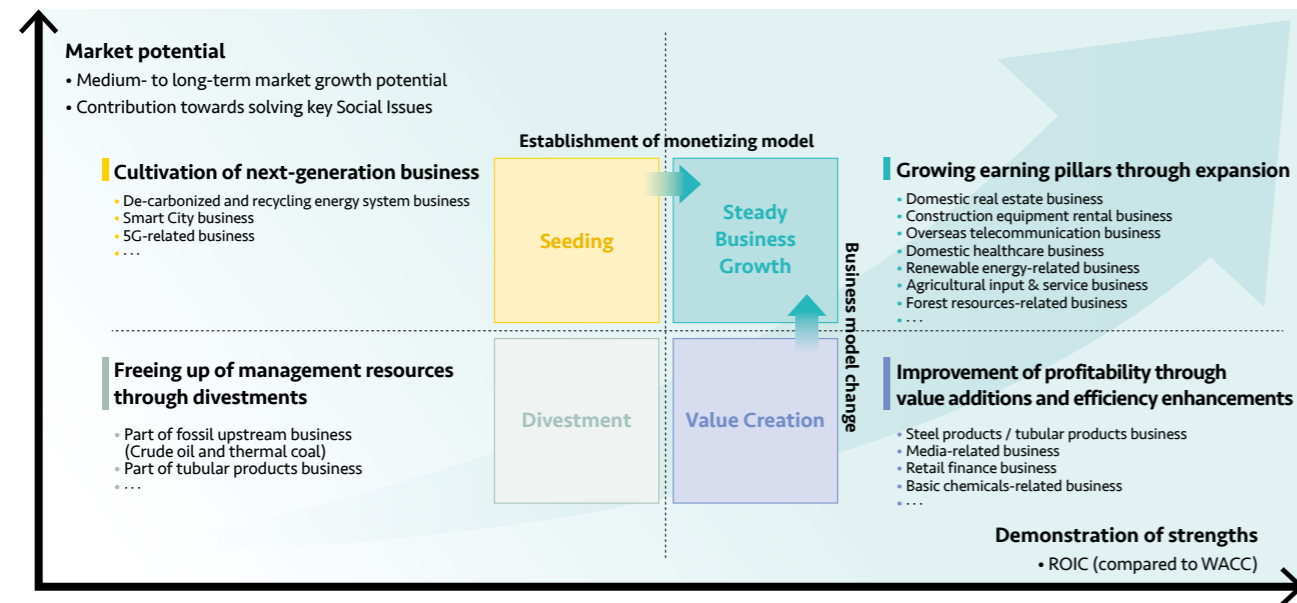
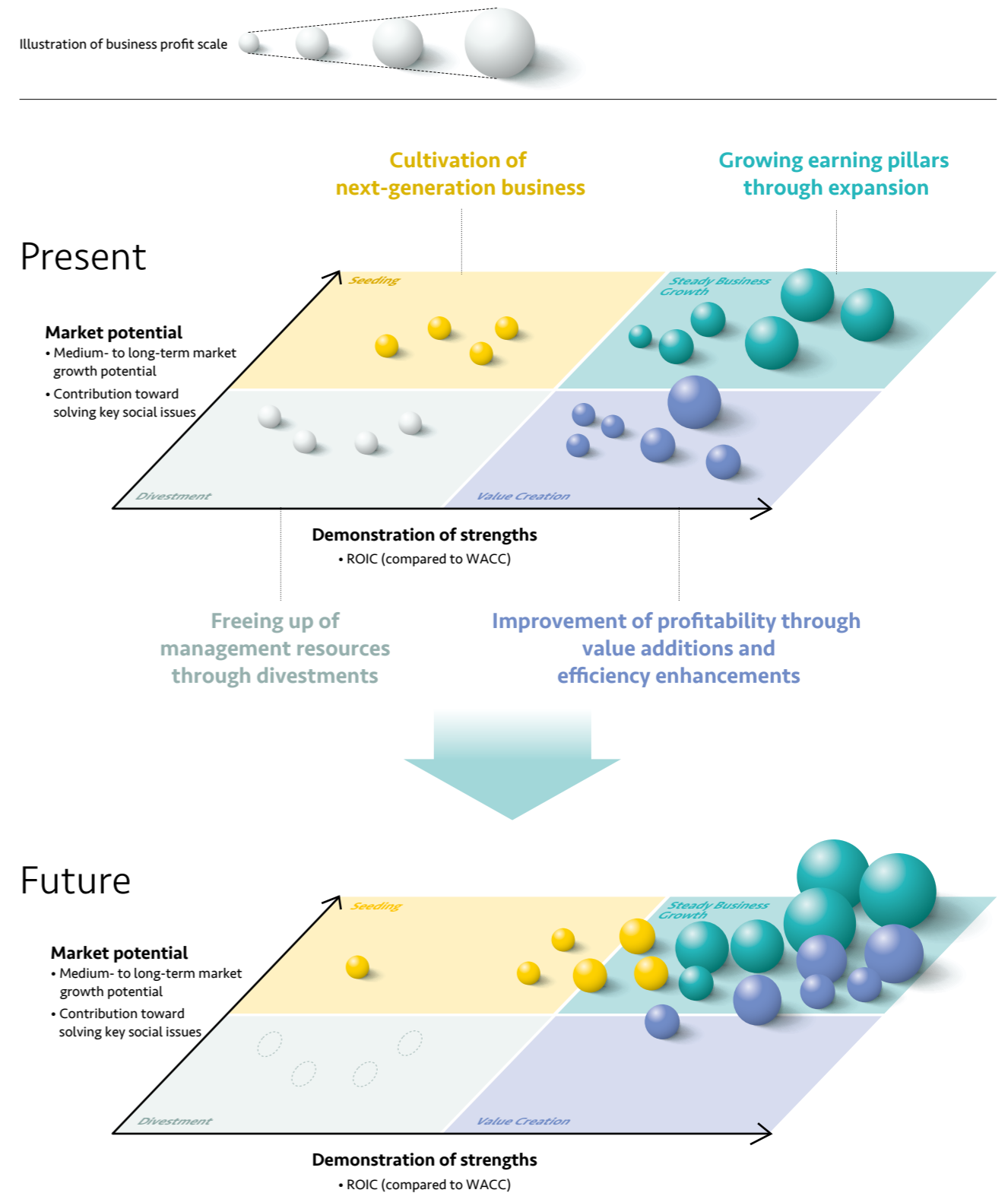


Figure 2: Quantitative picture by business strategy category

		Asset recycling for growth investments	Growing core earning pillars by leveraging strengths		Adapting to social structural changes
		Divestment	Value Creation	Steady Business Growth	Seeding
FY2020	Asset scale	¥400 billion	¥3 trillion	¥4.4 trillion	¥50 billion
	Profit scale	-¥10 billion	¥40 billion	¥160 billion	-
SHIFT 2023	Cash generated through asset disposal (Three-year total)	¥100 billion	¥180 billion	¥170 billion	-
	Investments and loans (including renewal investment) (Three-year total)	-	¥330 billion	¥760 billion	¥50 billion
	Profit improvement (from FY2020)	+¥10 billion or more	+¥80 billion or more	+¥40 billion or more	-

Illustration of Business Portfolio SHIFT



# Setting next-generation growth fields

We will establish six next-generation growth fields and will bolster efforts to cultivate new core businesses from a medium- to long-term perspective.

It is important to shift our business portfolio to a form consistent with a sustainable society. As such, we will focus on six strategic themes for next-generation growth to enhance our sustainability management.

We will further develop our efforts in the areas of "Technology × Innovation," "Social Infrastructure," and "Healthcare," which were the focus areas in Medium-Term Management Plan 2020. At the same time, under SHIFT 2023, we focus on the three new themes of "Energy Innovation," "Retail/Consumer," and "Agriculture" as fields with high market appeal and high potential for leveraging our strengths. We will strategically allocate our management resources to cultivate Group businesses for the next generation with a view to helping resolve social issues.

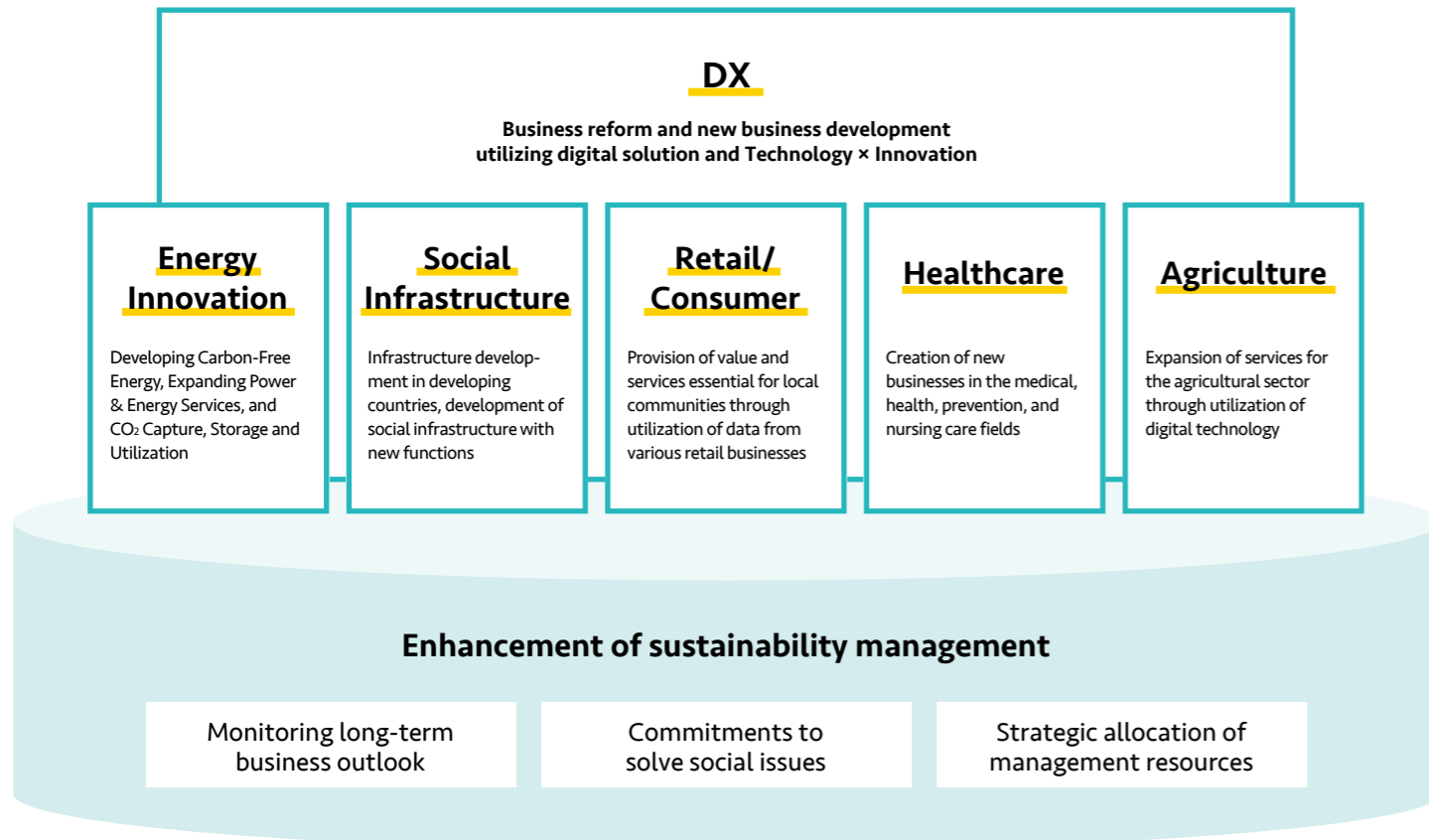
Our DX efforts are beginning to contribute to the improvement of the Group's profitability by organizing the DX

infrastructure of our group companies while incorporating the world's most advanced technologies. We will further strengthen our efforts to become a leader in industry innovation while focusing on results.

In the field of next-generation energy, increasingly severe climate change will accelerate changes in the social structure, such as the shift in energy from fossil fuels to renewable energy. We consider this change to be a business opportunity and will create new energy management service businesses with a view to realizing a carbon-neutral society.

In addition, in the fields of Social Infrastructure, Retail/Consumer, Healthcare, and Agriculture, we will anticipate major changes in the social structure and establish a new revenue base that will support the next generation of our Group while helping resolve social issues by creating new value through the leveraging of our strengths.

## Next-generation growth fields



## Case Study

### Promotion of DX in the retail business

#### Promotion of retail DX, based on the sophistication of demand forecasting at Summit

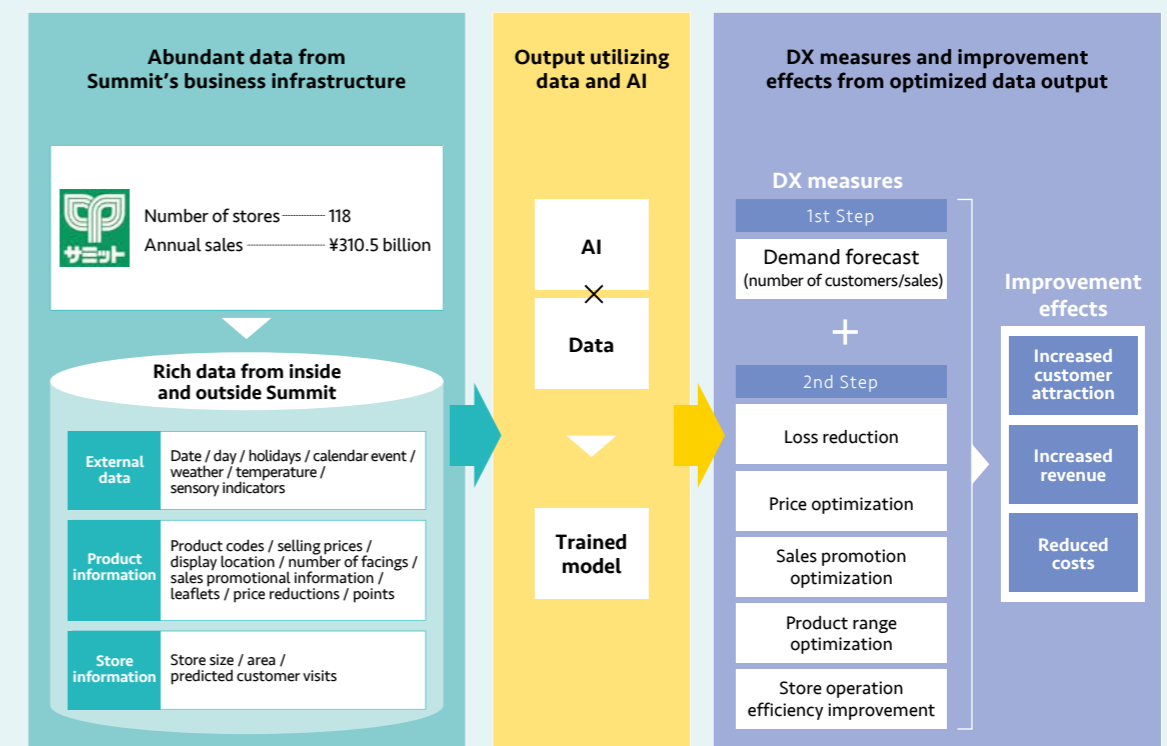
The Sumitomo Corporation Group is working on many B2C businesses that are closely tied to the daily lives of consumers, including supermarket Summit and drugstore Tomod's as well as mobile communications business operator T-Gaia, cable television company J:COM, and real estate businesses. We are currently working on building a new platform that offers convenience by implementing and utilizing digital technologies and data with this B2C business infrastructure.

Paving the way in promoting DX is Summit. Summit carries mainly perishable goods and is performing well despite the COVID-19 pandemic, but at the same time, it has begun pursuing further efficiency in store operations. Although most of the decisions related to operations have been left up to the

managers of each store in the past, utilizing artificial intelligence (AI) and other digital technologies together with abundant internal and external data from the Summit business infrastructure—including product and store information, day of the week, and temperature—makes it possible to more precisely predict demand. With this, our aim is to control the number of each item for purchase, manufacturing volumes, and timing of discounts in order to eliminate waste.

Eliminating waste will have two effects. The first is the impact on profit by improving the waste situation of the past, and the second is the reduction of food loss, which is growing concern in society. Through DX, we will contribute to resolving social issues such as this.

#### Increasing the efficiency of and optimizing store operations through DX



Dialogue between Outside Director and the Chief Digital Officer

# Business innovation in the new era of digital transformation

Digital technologies will drive the Business Portfolio SHIFT that is part of "SHIFT 2023." Value creation responding to changing social structures will become possible by implementing digital technologies at the front lines of businesses and building new business models. Here, we present the panel discussion on digital transformation (DX) strategy with Outside Director Akiko Ide and Chief Digital Officer Toshikazu Nambu on Investor Day 2021, held in June.



**Akiko Ide**  
Outside Director

June 2020 Outside Director, Sumitomo Corporation  
She served in several key positions for many years at a major telecommunications carrier, working as a group company executive and as a full-time audit & supervisory board member of the parent (holding) company. Through these and other roles, she has accumulated wide-ranging knowledge and a wealth of experience in information and communications, business management and corporate governance, etc.



**Toshikazu Nambu**  
Chief Digital Officer

He joined Sumitomo Corporation in 1982. After serving as General Manager for the Americas and Senior Managing Executive Officer of the Company, he has been serving as Representative Director, Executive Vice President, General Manager of the Media & Digital Business Unit, and Chief Digital Officer (CDO) since April 2020. He is responsible for the DX activities of the Group and supervises a wide range of domestic group companies.

## Trajectory of Sumitomo Corporation Group's DX activities

— Could you summarize DX strategy and activity in the Sumitomo Corporation Group?

**Nambu** The first step in our Group's DX strategy was the launch of the DX Center in 2018. The center began with the 15 talented experts assembled from various business units. In around three years, it grew to a size of 150 members, and during that time, we have increased collaboration with SCSK Corporation and undertaken other initiatives, such as establishing Insight Edge, Inc., which specializes in AI technologies. We have also made such moves as starting up a corporate venture capital (CVC) in Israel (the fifth location in our global CVC network) to expand horizons for digital technologies. In parallel with setting up these organizations, I visited and communicated with our

members domestically and globally to create momentum within our Company to push our DX strategy.

— What reactions and issues did you encounter when promoting that strategy?

**Nambu** There were 70 DX projects in FY2018, but the number has expanded to over 300 as of June 2021. The use of digital technologies as a major business tool has become entrenched in our Group, and I think we are now "Ready for DX." Three years ago we introduced robotic process automation (RPA), and through it we have achieved optimization of over 200,000 hours within the Group. I believe that is a clear result.

However, we are still at the stage of introducing digital technologies to improve business issues to the front lines of our businesses. I think the challenge is going to be creating a social and financial impact as well as achieving commercialization.

**Ide** I believe the key point and difficulty in introducing digital technologies to the business front lines is its penetration within the Company. From this perspective, our Group's development of a DX promotion system and initiatives for creating momentum within the Company are well developed. I would even say they are too good to remain within the Company.

## Business creation through DX

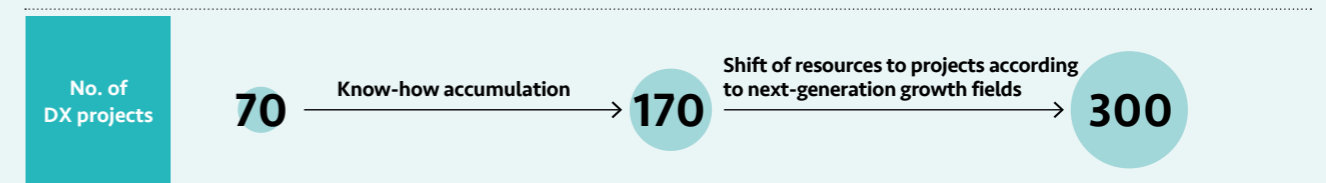
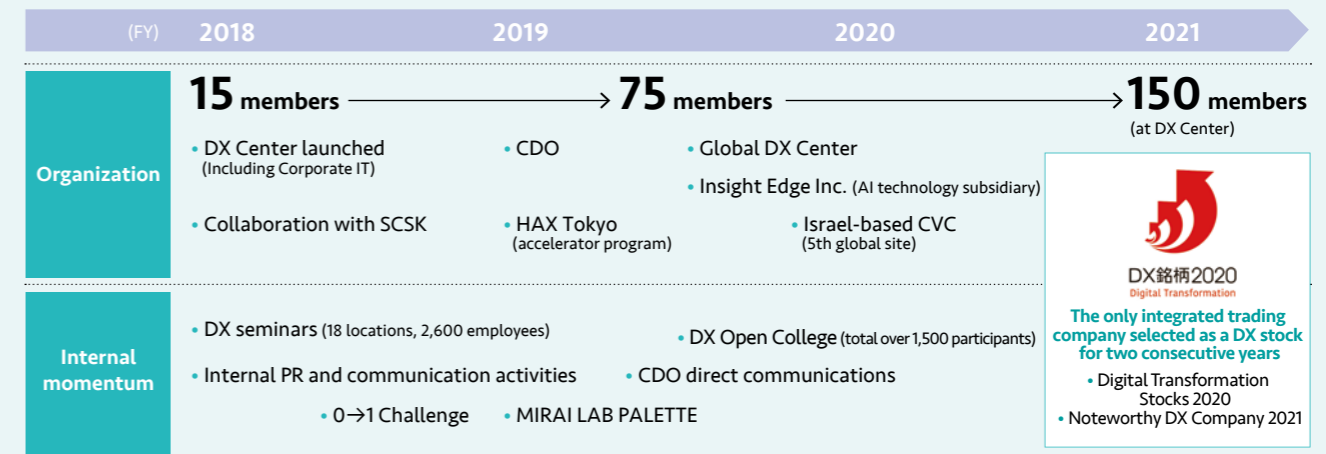
— What do you think is the significance of an integrated trading company like Sumitomo Corporation undertaking DX?

**Ide** I regard the skills unique to an integrated trading company—the ability to create businesses—as essential in promoting DX. Digital technologies are just tools. It gives significance when tools are implemented in business and



innovation is stimulated. In this respect, having many business front lines globally and understanding a wide range of industries and issues will be major strengths in generating innovation. So it makes sense for an integrated trading company to undertake DX, and I feel that we are extremely compatible with it.

## DX activity timeline



**Economic effects**

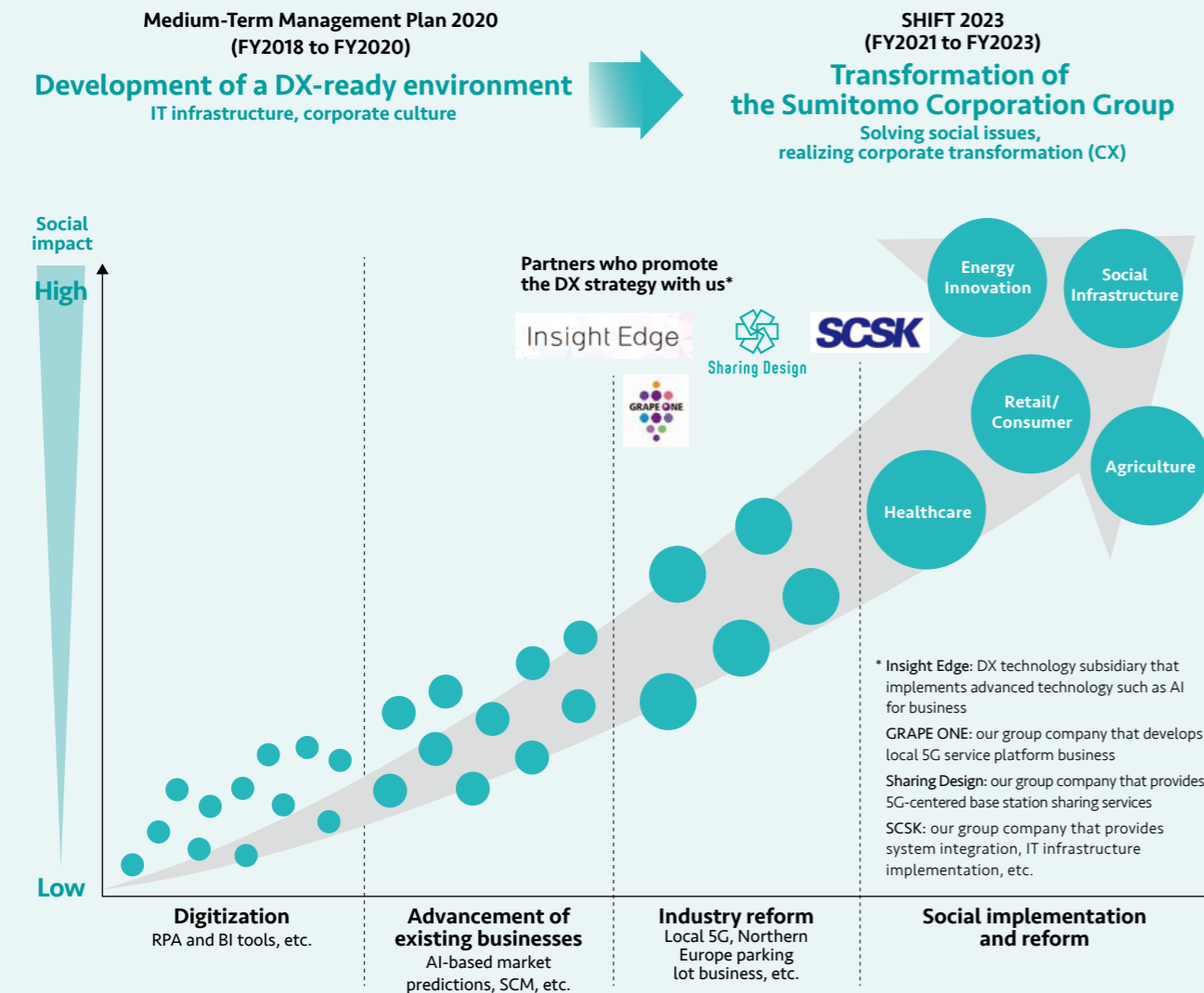
- Sales growth
- Cost reductions
- More sophisticated decision-making
- Group company value improvements
- Industry DX and vertical SaaS
- Equity in earnings

## Dialogue between Outside Director and the Chief Digital Officer Business innovation in the new era of digital transformation

**Nambu** In promoting DX strategy, an integrated trading company can easily identify issues that various industries face, and also discover solutions and ways to achieve them. Here, perspectives at the macro and micro levels are important. By identifying issues through an overview of an entire industry from the macro level, and then applying them to each business, and staying close to the front lines, we can examine issues at the micro level. Thus, we can understand the real situation of industries through macro- and micro-level perspectives. We can then provide comprehensive solutions while implementing digital technologies and utilizing data. I see this as the raison d'être of an integrated trading company.

**Ide** Few players are able to attain an overview of an entire supply chain. In that sense, I believe an integrated trading company can demonstrate its unique abilities. Another important matter is coordination between overall and partial optimization. When attempting to address social issues, there is overall optimization, which contributes to society as a whole, and also partial optimization, which is closely tied to frontline needs. At times, the two come into conflict, and coordinating them is essential when promoting projects. I believe that an integrated trading company skilled in creating businesses accumulates expertise on how to smoothly address such conflicts.

### Phases of business creation through DX



### DX strategy in SHIFT 2023

#### — What is the position of the DX strategy in SHIFT 2023?

**Nambu** DX and sustainability are two major prime themes in society that have a significant impact on the Business Portfolio SHIFT. The DX strategy is our powerful tool for achieving the goals of SHIFT 2023. In the period of this medium-term management plan, the DX Center and SCSK will continue to aim to achieve early development of business concepts and expand them while being close to the business organizations.

**Ide** There is certainly high potential in DX, and I can understand the importance of actively allocating funds and human resources. Personally, I have high expectations, but I also think it is important to have a detailed picture for evaluating its results and the timing for obtaining returns.

It is necessary for DX activities to evaluate those returns. I think a future topic for the Board of Directors will be how to evaluate the progress with DX being undertaken at the initiative of various segments.

**Nambu** It is of course necessary to monitor the effects of investments. Using DX in business is about reducing costs while increasing added value to grow the top line through digital technologies toward improving the efficiency of existing operations. Through that process, we deepen our understanding of businesses, create new business models in those fields, and increase added value. If we achieve good

results, we will deploy the model within the business area and apply it laterally to other fields. We will also employ the process with new investments and business areas. I believe the sum of economic added value from such activities should be evaluated as the returns from DX activities.

In "SHIFT 2023," as we enhance the individual strategies of each Strategic Business Units (SBU), returns from the DX perspective will be taken as KPIs and become an organizational goal. Overall, we will continue monitoring and managing the degree of accomplishment.



# Evolution of business strategy management

We will restructure all businesses not as organizations but as Strategic Business Units (SBUs) to promote discussions that are more focused on strategy.

When engaging in discussions on strategy, we will not divide the businesses into organizations but into SBUs sharing the same strategy to facilitate more active discussions focused more directly on strategy and clarify the persons responsible for those strategies. By refining and enhancing the individual strategies through discussion and increasing the commitment of those who will implement them, we will increase the feasibility of the value creation measures of existing businesses and the probability of success with new businesses.

To effectively implement the business strategies put together by each SBU, we will establish detailed KPIs and KAIs for each strategy, and thoroughly manage the plan-do-check-act (PDCA) cycle, while also systematically implementing organizational evaluations according to the degree of execution of the strategies.

In addition, while promoting a companywide shift in our portfolio, we will clarify the position and role of each SBU based on discussions on strategy. In line with this, we will execute a dynamic shift in management resources

companywide, including properly timed business exits and divestments, and bold investment of funds and human resources in businesses in the Steady Business Growth category.

Thorough implementation of this cycle will also promote competition between SBUs. We will review strategies as appropriate while adjusting the position and role of the SBU as needed according to changes in the business environment and the status of execution of the strategies. Allocation of management resources will be focused on SBUs that are capable of becoming earnings pillars of the Group and those with future potential. Those SBUs to which this does not apply will be eliminated so that management resources will only be allocated to those businesses that are worth investing in. We will conduct business evaluations and allocation of management resources to each SBU with the same strictness of approach as the market mechanism. The result will be the building of a portfolio consisting of surviving SBUs that are highly profitable and resilient.

## Measure of individual business strategy management

Process	Aim / Key points
1 <b>Defining strategic business units ("SBU")</b>	<ul style="list-style-type: none"> <li>Group individual businesses based on common strategy regardless of existing organizations</li> <li>Stimulate discussions on strategy</li> </ul>
2 <b>Evaluation of each SBU's strategy</b>	<ul style="list-style-type: none"> <li>Analyze external environment and our strengths by SBU and evaluate SBU strategy</li> <li>Benchmark ROIC against WACC to assess SBU's strength</li> </ul>
3 <b>Determining allocation of management resources according to each SBU strategy</b>	<ul style="list-style-type: none"> <li>Categorize SBUs as Steady Business Growth, Value Creation, Divestment and Seeding</li> <li>Build business portfolio with high profitability and resiliency by shifting management resources</li> </ul>
4 <b>Establishment of KPIs and KAIs according to SBU category</b>	<ul style="list-style-type: none"> <li>Establish detailed targets for accomplishing roles according to SBU category</li> </ul>
5 <b>Thorough PDCA</b>	<ul style="list-style-type: none"> <li>Review progress and update strategy as necessary through Management strategy meetings (twice per year)</li> <li>Evaluate organizations based on the progress of SBU strategy execution</li> </ul>

# Selective investment & strengthening of post-investment value creation

We will revise our strategy at each investment stage and build an investment management system that draws on past lessons.

Once an investment has been made the decision to withdraw becomes difficult, and in the event of withdrawal, losses tend to be larger. Therefore, we have adopted a unified framework that covers everything from the entry into the investment to the exit and that takes into account changes in the portfolio as a whole, as well as the nature of the risks involved in each individual investment opportunity, while reviewing the process for assessing and following up investment projects as appropriate.

When assessing investment projects, the investment theme is clarified at the initial stage of the process and is verified as a key point of due diligence. In addition, by applying a discount rate appropriate to each business risk, we are able to calculate an "appropriate price" for the investment and evaluate the opportunity from both quantitative and qualitative aspects.

With regard to the decision-making process for investments, the Business Unit Investment Committee or the Company Investment Committee meets at each stage of consideration and implementation, depending on the scale and importance of the project. From an early stage, these committees conduct in-depth discussions regarding the strategic positioning of the project, the background to and the

reasoning behind the selection of the project, and the various factors that may affect the success of the investment.

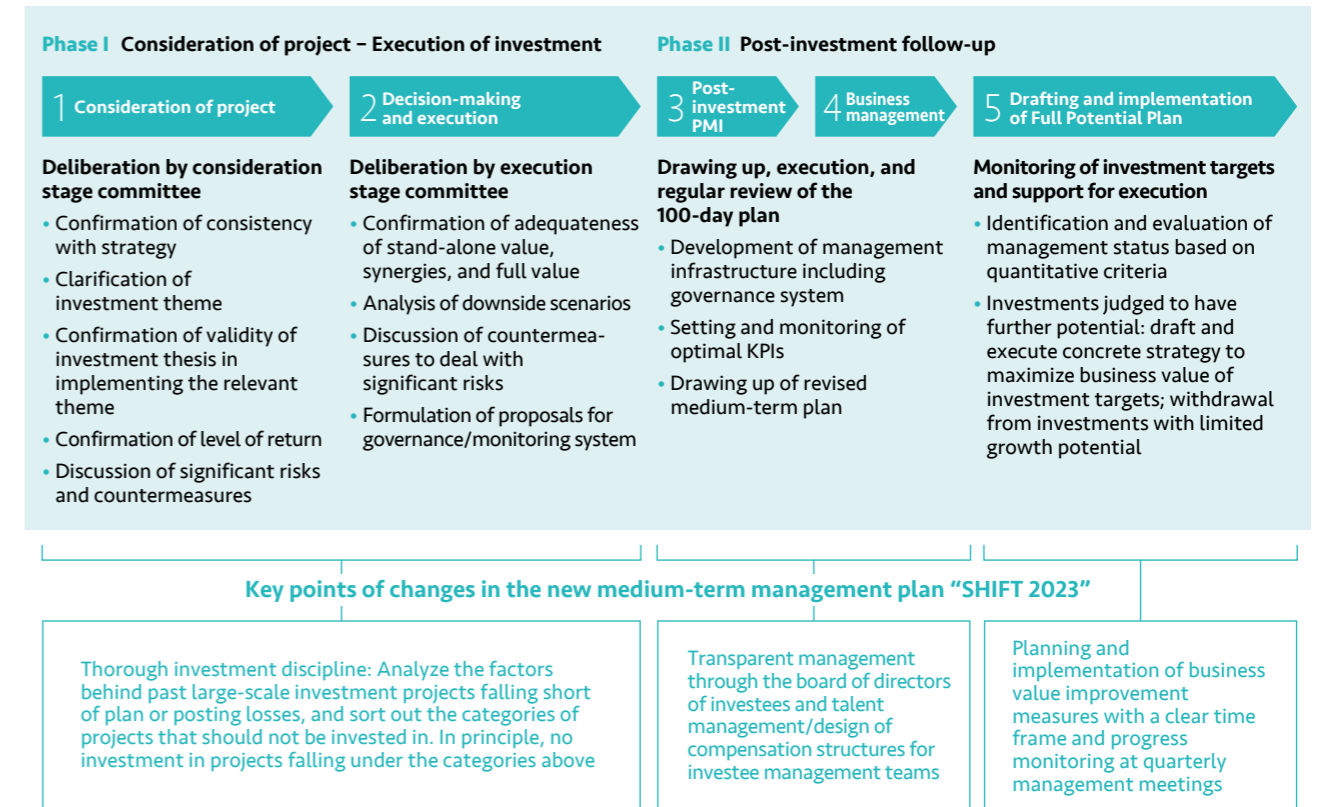
We will also develop a system that allows us to take steps to avoid repeating past regret at each stage of the investment process—(i) selecting individual businesses for investment and making investment decisions, (ii) managing businesses after investment, and (iii) evaluating businesses based on investment performance. Specifically, we will increase the value of each business by steadily implementing the planned measures, including establishment of strict investment discipline for selecting investments, development of an optimal governance structure for increasing the value of each business after investment, and investing the right resources at the right time.

Stepping up our monitoring efforts, we will set a clear time frame and make improvements to business investments that do not increase in value as expected. If improvement is not expected, we will engage in thorough asset recycling.

(▶ Refer to p. 32)

Furthermore, to increase our commitment to value creation, we will also consider a new compensation system linked to investment performance.

## Investment risk management framework



## Strengthening of cross-organizational efforts

We will establish a new business development framework that goes beyond the domains of existing business units to create the future core businesses of the Group.

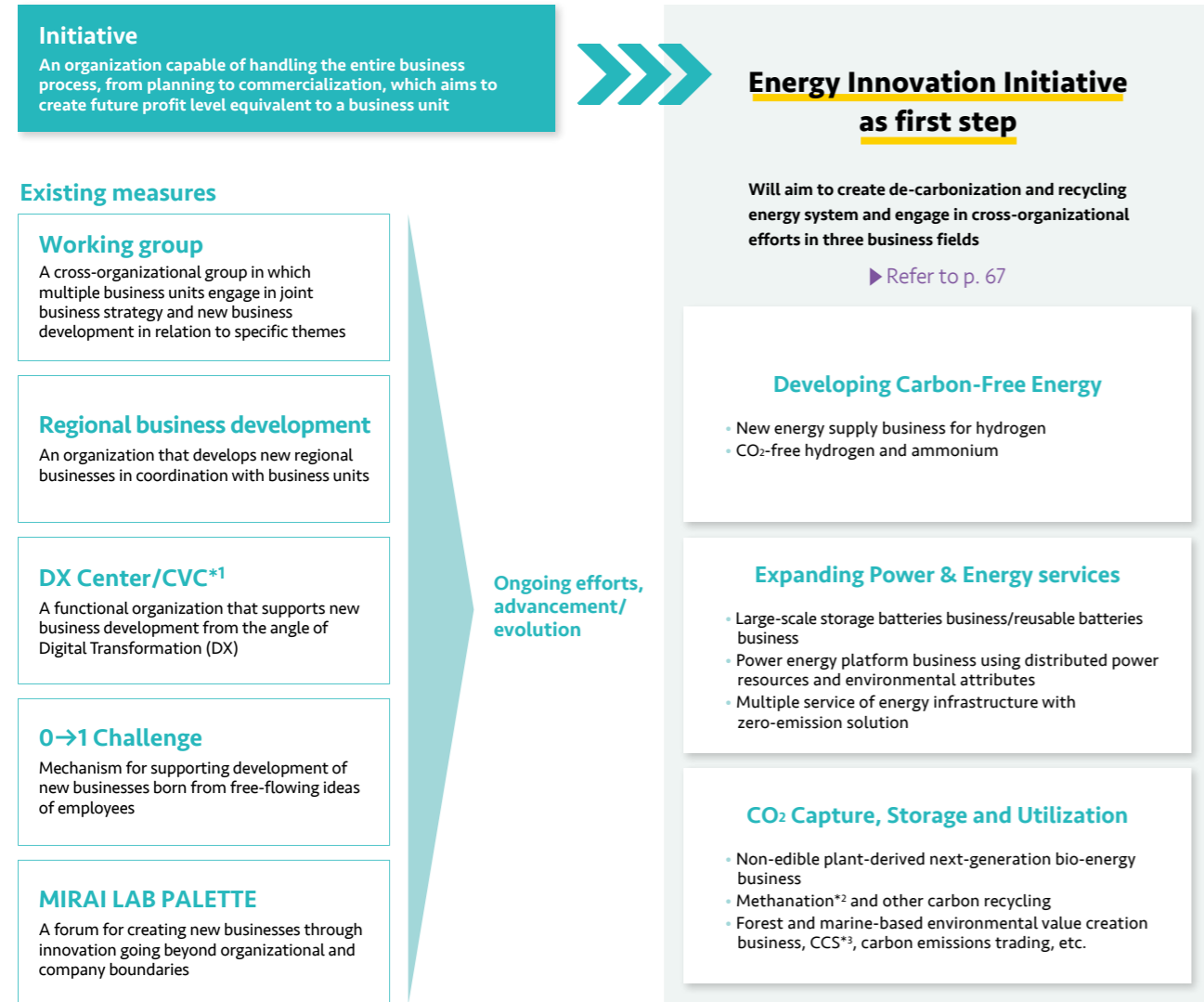
The Group has promoted initiatives beyond business units so far, including strengthening cross-organizational collaboration and cross-functional capabilities, but with limited results in realizing business. Our new measures go a step further.

We set up a new organization called "Initiatives" that aims to create future profits equivalent to our existing business unit on specific themes. Initiatives will sketch out a grand design from a companywide perspective that gives a bird's-eye view of the specific themes transcending departmental boundaries, and then work to create next-generation

businesses from a medium- to long-term perspective. The first initiative, Energy Innovation Initiative (EII), was established in April 2021. International cooperation as represented by the Paris Agreement, policy shifts in various countries, technological innovation, corporate declarations of carbon neutrality, and the holding of climate change summits will further accelerate the changes in social structure caused by climate change in the future. We will create new value in the energy field by pooling the Group's knowledge beyond the boundaries of conventional organizations.

### New business development framework going beyond domains of existing business units

#### New measures in SHIFT 2023



Ongoing efforts, advancement/evolution

\*1 CVC: Corporate Venture Capital  
\*2 Methanation: Technology that takes carbon dioxide (CO<sub>2</sub>), which is a greenhouse gas, and combines it with hydrogen (H<sub>2</sub>) obtained from water to produce methane (CH<sub>4</sub>)  
\*3 CCS: Carbon dioxide Capture and Storage Technology for isolating CO<sub>2</sub> in the ground or ocean floor, capturing it, and collecting it for storage

## Reallocation of management resources across business units

To promote the Business Portfolio SHIFT, we will establish a system for reallocating human resources and funds across business units from the standpoint of companywide optimization.

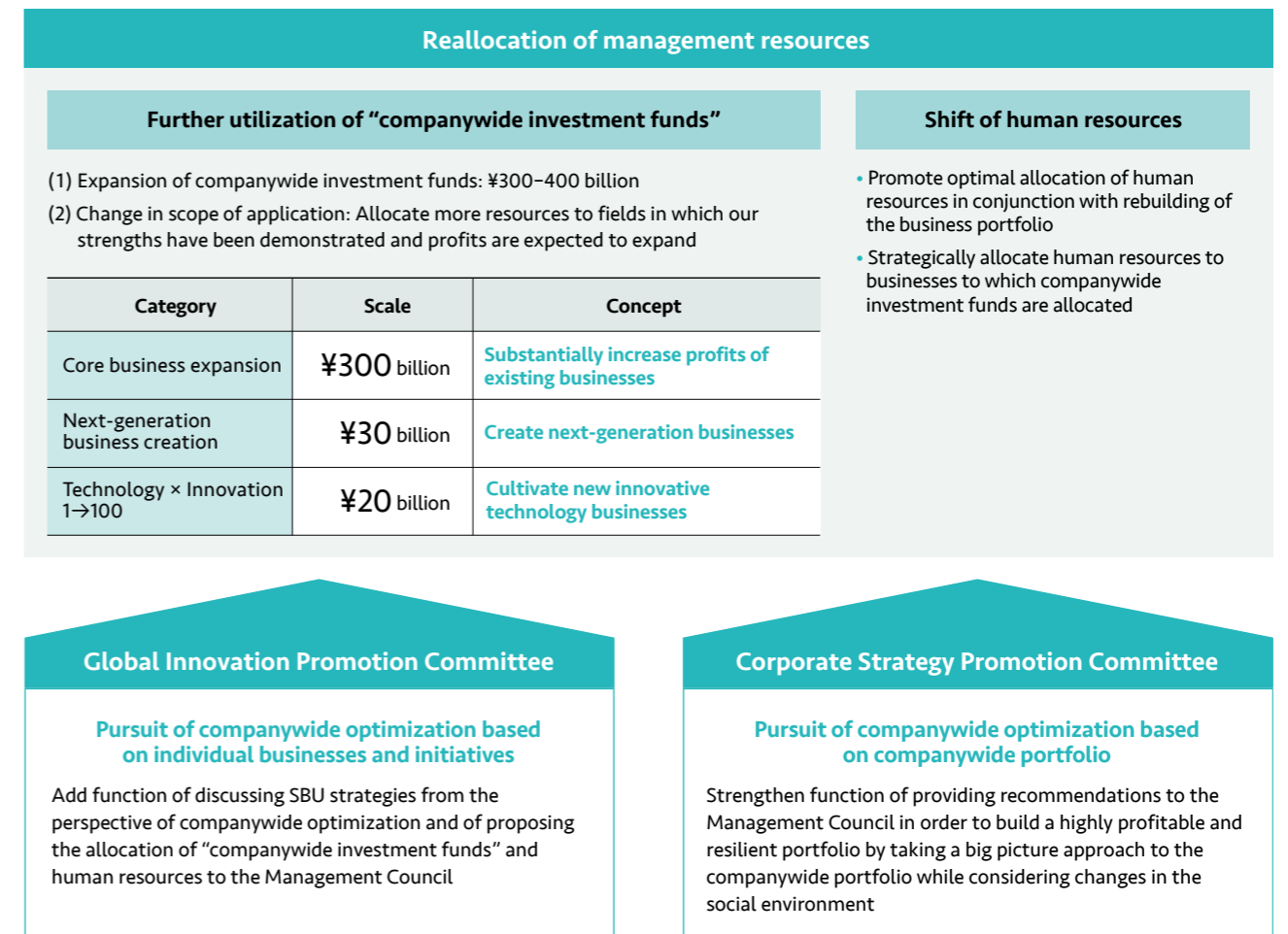
Under SHIFT 2023, from a companywide perspective, we will prioritize allocation of management resources to business domains in which we are already demonstrating our strengths within those sectors where market growth is expected. This will allow us to nurture and expand new core businesses. We will strengthen and expand the functions of the two companywide committees, which are advisory bodies to the Management Council, in order to accelerate the reallocation of management resources in pursuit of companywide optimization.

One is the Global Innovation Promotion Committee. We will expand the functions of the organization, which has been

responsible for strengthening and promoting cross-functional capabilities with a focus on DX and innovation, to make it an organization that promotes businesses and initiatives that are the focus of the entire company.

The other is the Corporate Strategy Promotion Committee. In the past, this organization was in charge of planning and promoting medium-term management plans, but we will add the function of analyzing and proposing optimal allocation of management resources, taking into account changes in the social environment and the Company's portfolio as a whole.

### Reallocation of management resources across business units





## Message from the Chief Administration Officer

**We seek to create new value by producing talents who can compete on the global stage.**



**Takayuki Seishima**  
 Representative Director,  
 Senior Managing Executive Officer,  
 Chief Administration Officer  
 and Chief Compliance Officer

### Goals for our human resources strategy

In medium-term management plan “SHIFT 2023,” we will promote a proper job rotation in conjunction with rebuilding our business portfolio. Specifically, we will pursue the allocation of the right talents to the right places that is in line with the approach of each Strategic Business Unit (SBU), after close consultation and discussion with each organization. We will also strategically allocate talents to business fields where market growth can be expected and where we can fully demonstrate our strengths. To effectively implement this shift of talents, enhancement of our human resources management is essential.

In our previous plan, Medium-Term Management Plan 2020, we established “Diversity & Inclusion: Make diversity a source of competitiveness” as the basis for our human resources strategy, and since then, we have put some measures into practice to achieve further Diversity & Inclusion. We believe that accepting and leveraging diverse perspectives and

ideas for new value creation is the key to succeed in this dynamic, changing world.

Additionally, after detailed discussions that involved overseas regional organizations, we established the Global HR Management Policy in 2020. This policy sets forth our basic approach to human resources management around the world. Our aim is to become an organization that can expand the number of individuals capable of creating new value in the global area across the entire Group.

Within the policy, we defined our goals as “SC people” and “SC organization.” As to “SC people,” we aim to be a group of individuals “creating new value on a global scale, sharing the Sumitomo Corporation (SC) Group’s vision and mission, and maintaining high aspirations and a continuous intrinsic motivation with an Enterprising Spirit.” As to “SC organization,” we aim to build a Great Place to Work on a global scale, where individuals continuously and passionately create new value. We aim to be an organization recognized for nurturing talents that continuously take on new challenges throughout the world.

In order to survive in the global competition, we need to speedily achieve the vision established in our policy. But at present, I recognize that some organizations in our company are still far from doing so.

We cannot aim to become a strong organization without strong individuals. In other words, we must first achieve our goal as “SC people.” To do so, all our employees need to obtain and enhance world-class expertise and professionalism, and to become “true professionals” who can create new value continuously.

I believe that expanding our pool of these “true professionals” is an urgent matter. And with this talent pool, we can advance toward becoming the “SC organization” we aim to be.

In addition to these goals, the policy aims to realize the following key concepts with regards to human resources management: Diversity & Inclusion; right talents to the right places on a global basis; autonomous growth of individuals; fair treatment according to performance; and enhancing our people management capabilities. These concepts may seem to be “obvious” at first glance, however, accumulating such “obvious” practices over the course of our daily business activities would definitely create a corporate culture and climate that fosters first-class professionals. A firm core is indispensable as we aim to cultivate both the ideal individuals and the ideal organization. With these “obvious” practices serving as our compass, we will implement the human resources management that looks ahead at the next 100 years.

### Toward the reform of human resources management

In April 2021, we introduced a new human resources system as one measure for embodying “What We Aim For” as clarified in our Global HR Management Policy, which is our ideal form of

human resources management.

As noted above, there is an urgent need for us to expand the pool of talents who can be considered true professionals. By operating the new human resources system, we aim to secure and develop top-tier professionals in various fields.

For example, based on the concept of “Pay for job, Pay for performance,” we introduced a job grading system for all managers that enables us to terminate seniority-based management. More closely than ever, it links job significance and performance to compensation.

Revamping the evaluation system to one which is based on more interactive discussions between supervisors and subordinates, will promote human resources management that maximizes the potential of each individual according to their aptitudes and strengths. (▶ Refer to p. 51)

In terms of global HR management, we have so far worked on implementing succession planning, the Global Mobility Policy, and a global human resources database. Now that Sumitomo Corporation Japan has introduced a job grading system which is already commonly applied overseas, this job grading system as well as our conventional efforts will provide us with a common foundation and approach for promoting the strategic allocation of talents across regions and countries, on a global consolidated basis. (▶ Refer to p. 52) By accelerating this movement, we strive to achieve our goal of allocating the right talents to the right places on a global basis. No matter how good our strategies are or how well we design our jobs, without the right personnel to fulfill them, we will not be able to implement those strategies.

SHIFT 2023 aims to promote the reform of human resources management in a way that will enhance the world-class capabilities of each individual. And we believe this reform would be a driver for an early return to growth trajectory. To face our business environment and the ever-changing world, we have taken the first step to embed in our organization a new pattern of HR ideas and actions that are not bound by conventional values.

For details on the Global HR Management Policy, please visit our corporate website.  
<https://www.sumitomocorp.com/en/jp/about/talent/policy>



## Direction of HR management reform and initiatives

To achieve the ideal vision for its human resources strategy, Sumitomo Corporation will, throughout the Group, augment the number of human resources who can continue to grow autonomously, refine their professionalism, and challenge for generating new value globally.

### New human resources management system for growth and vitality

In April 2021, Sumitomo Corporation Japan began operating a new human resources management system. We will remove restrictions and unleash the energy of individuals brimming with motivation and ambition. We will then channel their strengths into sustainable growth for the Group through human resources management that is both highly transparent and satisfying.

#### — Introducing a job grading system

We have abolished seniority-based management at the manager level. Instead, we have introduced a new job grading system whereby grades are determined in accordance with the significance of the job. We will focus on the expertise and skills required for each job and make those requirements clearer than before. We will strive to allocate the best talent in optimal place. The new system will link duties and results to compensation more strongly than ever.

This kind of job-focused human resources management will maximize organizational performance by enabling a highly agile allocation of human resources and revitalizing human resources of all generations, from younger to more senior employees. Besides management job groups that are responsible for organizational management, we will establish expert job groups that demonstrate high levels of creativity and expertise. We will do so as part of our efforts to pursue professionalism in line with the increasingly sophisticated business environment.

#### — Evaluation system for promoting autonomous growth of individuals

In these revisions, we have revamped the evaluation system and human resources development system. As well as creating opportunities for taking on diverse challenges through business strategies, we will provide a fruitful human resources

#### Measures to enable autonomous career development

Evaluation system	Introducing 360-degree evaluation
	Introducing absolute evaluation
HR development	Career assessments
	Open recruitment system
	Expansion of rotations
	Diverse training programs


development programs. In this way, we will support individuals' autonomous career development according to each person's strengths and aptitudes.

Key factors in the new evaluation system are the introduction of "360-degree evaluation" and "absolute evaluation." These will enable us to work more productively than ever with individuals who possess various strengths and aptitudes. Furthermore, by bolstering our review of individual career trajectories, experience, aptitudes, and challenges through "career assessment," which we have been conducting conventionally, we will stimulate the growth of both the organization and the individuals within it.

In addition to above, we will harness the potential of each individual to the fullest, and will promote the development and creation of top-tier professionals in numerous business fields by utilizing all the human resources development tools we have developed thus far: open recruitment system, job rotation, trainee system, and training programs.

We will also introduce an assessment of how much degree each SBU, which is the strategic unit established in SHIFT 2023, has executed its strategy. The aim is to reinforce the commitment "we all have a role to play" toward fulfilling the strategies of the SBUs. We will boost our commitment to creating new value and successfully enhancing value through evaluations based on post-investment performance.

For further details on HR development, please visit our corporate website.  
<https://www.sumitomocorp.com/en/jp/about/talent/development>



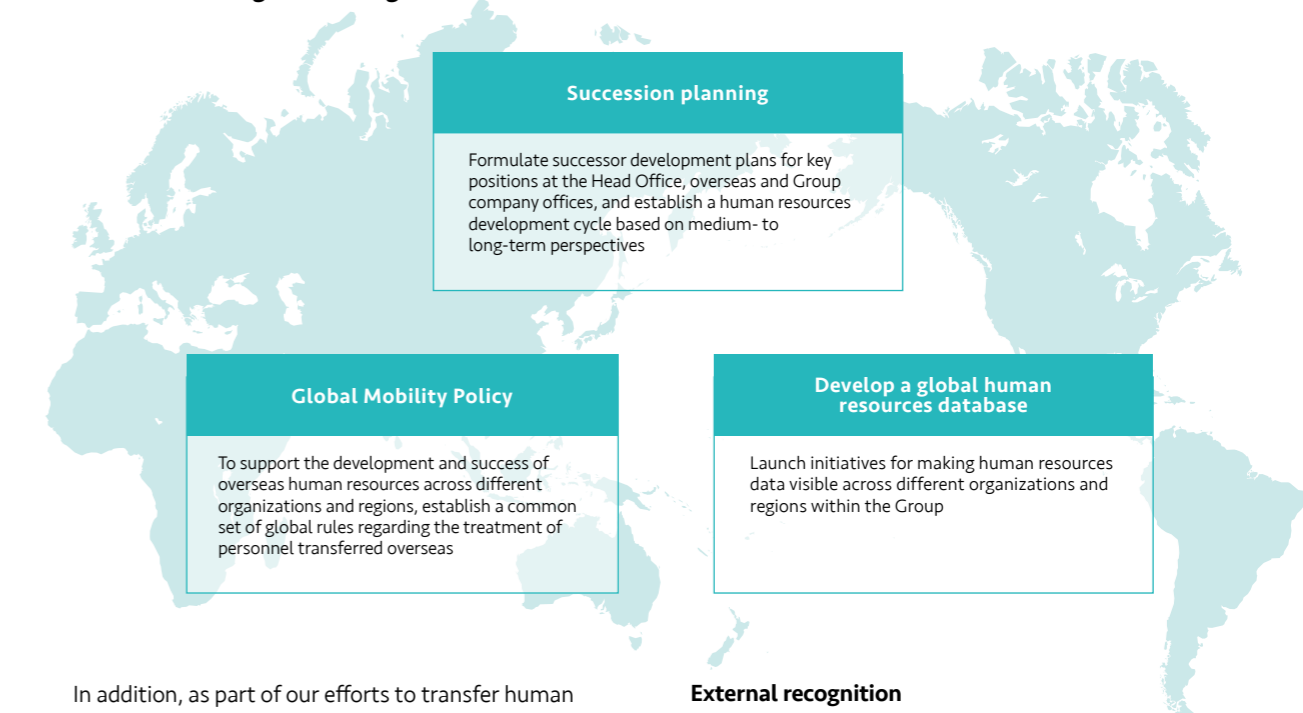
### The allocation of right talents to the right places on a global basis: Diversity & Inclusion

By revising the job grading and evaluation systems, we aim to develop a platform for global Diversity & Inclusion that will enable us to allocate the right talents to the right places worldwide. With this procedure, we will achieve optimal allocation of human resources, which transcends the boundaries of countries and regions. It will fulfill the needs of our business strategy and revitalize both our human resources and organizational strength.

#### — Promoting strategic personnel shifts and rotations

We are promoting our allocation of human resources and development of management personnel across business units and regions through succession planning for key positions in our global consolidated management, from the perspective of allocating the right person in the right place. As measures for encouraging members of regional offices to work beyond national borders, we are making efforts to apply our Global Mobility Policy and develop a global human resources database.

### Platform for HR management on a global basis



In addition, as part of our efforts to transfer human resources across business domains, we have since 2018 been promoting the strategic allocation of such resources to growth domains including DX-related businesses. In SHIFT 2023, we will make more dynamic efforts to transfer human resources across business units in accordance with reviews of our companywide business portfolio.

#### External recognition



#### — Promotion of women's empowerment

Sumitomo Corporation considers the promotion of women's empowerment to be one of the most important issues for Diversity & Inclusion in Japan. Accordingly, it has set out to achieve the following goals by FY2030 and is implementing various measures to attain them:

- Increase the proportion of female management to 20% or more
- Increase the proportion of female department manager positions to 10% or more
- Increase the proportion of female directors and corporate auditors to 30% or more

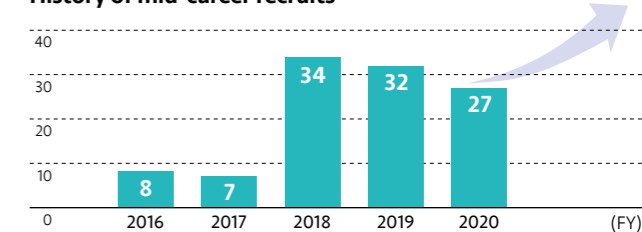
Specifically, we are taking the initiative to strengthen our recruitment capabilities by providing examples on active participation of women and reviewing our recruitment methods and processes, in addition to expand systematic human resources development through succession planning. At the same time, we are promoting improvements to our infrastructure and environment that enables women to take on the challenge of career development without hesitation, and we are continuously encouraging the change of mindset within the Company.

#### — Expansion of mid-career recruiting

In our next-generation recruiting strategy, we will enhance mid-career recruitment. The emphasis will be on specialization and accelerating the development of top-tier professionals in various business areas. As well as recruiting new graduates, we are actively pursuing mid-career recruitment of young career professionals. In that way, we can secure and develop human resources with high potential.

Through these actions, the Sumitomo Corporation Group will continue to build a vibrant and diverse human resources portfolio by promoting women's empowerment and strengthening mid-career recruitment.

#### History of mid-career recruits



## Direction of HR management reform and initiatives

### Health management and work style reforms

The Sumitomo Corporation Group is promoting health management and workstyle reforms. These are part of its efforts to create an environment in which diverse individuals can exercise their full potential.

In regard to health management, in September 2018, we formulated the Declaration of Iki-iki Waku-waku Health and Productivity Management based on the belief that physical and mental health are the most important factors for employees to maximize their performance and sustain the creation of new value. Since 2017, we have been recognized as a “White 500 company” for five consecutive years. We will expand our health management measures furthermore.

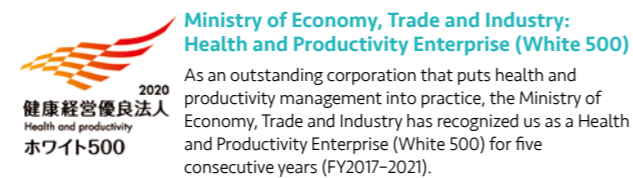
In terms of workstyle reform, we introduced the telework and “super flex” systems in November 2018. In 2019, we implemented an initiative called WorkStyle Transformation 2019: its goal is to popularize new workstyles by using the two systems.

Through these preparations, we have developed a system that can respond flexibly to various changes in the working environment. As COVID-19 was spreading around the world in March 2020, the Group was able to smoothly transition to a telecommuting system for all employees. We will continue to promote workstyle reforms with respect to the new normal of the post-COVID-19 world.

We would motivate every employee to design his/her

work style through flexible way of working where employees strive to combine the best aspects of in-person and remote work. This would make ongoing efforts to strive for further improvements of organizational and individual performance through re-organization of work environment where the company and employees could autonomously manage the organization.

In recognition of these efforts, we were selected as one of the Top 100 Telework Pioneers by the Ministry of Internal Affairs and Communications (MIC) in 2019 and received the Minister of Health, Labor and Welfare Award for Telework Promotion Companies (Telework Awards) in 2020.



#### Ministry of Economy, Trade and Industry: Health and Productivity Enterprise (White 500)

As an outstanding corporation that puts health and productivity management into practice, the Ministry of Economy, Trade and Industry has recognized us as a Health and Productivity Enterprise (White 500) for five consecutive years (FY2017–2021).



#### Ministry of Internal Affairs and Communications: Top Hundred Telework Pioneers

In FY2019, we were selected by the Ministry of Internal Affairs and Communications as one of the Top Hundred Telework Pioneers. The Top Hundred Telework Pioneers is announced by the Ministry of Internal Affairs and Communications and consists of those companies and organizations promoting the introduction and utilization of teleworking that have put together a solid track record.

### Message from an Outside Director

#### Encouraging More Active Involvement of Women in Business within Sumitomo Corporation

Kimie Iwata, Outside Director



As well as women in career-track positions, Sumitomo Corporation has many women employed in clerical positions who are just as talented. They are now able to continue working after having given birth, but there are limits to their job scopes and promotions owing to their positions as clerical employees.

Going forward, it is necessary to let women have opportunities to widen their job scopes and experience work of high difficulty regardless of whether they are career-track or clerical employees. There is also the issue of overseas transfers, which is a particular feature of trading companies. Our company policy is to assign transfers only with the employee’s

agreement. However, the two aspects of transfers—one that benefits the employee’s development and another that makes balancing family life difficult—affect both men and women, and it is necessary to tackle these challenges.

Toward promoting the active involvement of women in business, Sumitomo Corporation has established and announced the proportions of women in three categories: directors and corporate auditors, general managers, and managers. Those targets were determined through discussions by the Board of Directors, which will track progress and provide necessary advice toward achieving the targets.

### Messages

#### Sumitomo personnel with high aspirations and an enterprising spirit taking up the challenge of creating new value

#### Becoming Vice President of the authorized Toyota Dealer in Bangkok has allowed me to experience the sense of responsibility and fulfillment in setting the right course for the company.



For more than 10 years after joining the Company, I was involved in the automotive sales and marketing business, including being dispatched to automobile manufacturers (Hino Motors, Ltd. and Toyota Motor Thailand Co., Ltd.) twice. In April 2021, I became Vice President of a company engaged in automobile sales and service in Bangkok and President of the holding company at the age of 33. Through this new experience in a senior management position, I have been reminded of the sense of responsibility and mission of doing my best to have everyone, including customers and employees, value our company. It’s not easy, but I feel the fulfillment in determining the course that the company should take and rise to challenges while demonstrating leadership to our roughly 400 employees.

Moriyuki Fukui, President, Summit Auto Management (Thailand) Co., Ltd., Vice President, Toyota Summit Co., Ltd.

#### I will demonstrate leadership as General Manager of the Overseas Real Estate Business Department.



During my more than 25 years with the Company, I have worked on condominium development, operation and development of retail facilities and offices, and real estate fund management. For a time, I was also in charge of business development and corporate planning at Sumitomo Corporation Middle East FZE in Dubai. Since April 2021, I have been in charge of the real estate business, primarily in the United States and Asia as General Manager of the Overseas Real Estate Business Department at the Head Office. At Sumitomo Corporation, we have diverse human resources who are playing active roles globally regardless of gender. I will demonstrate leadership within this diverse environment to further grow the business, leveraging our strengths while addressing the needs of society.

Minako Sakuma, General Manager, Overseas Real Estate Business Department

#### As a special subsidiary, we contribute to the development of the Sumitomo Corporation Group through daily operations together with employees who have disabilities.



Sumisho Well Support Co., Ltd. has 56 employees, 39 of which have disabilities. The company offers a workplace where those with disabilities can work long term with peace of mind. Employees with disabilities take the lead in performing work such as simple office tasks and light work entrusted by Sumitomo Corporation and group companies. During the COVID-19 pandemic, personal computers were loaned out to all employees starting in October 2020, and through training and practice, they are now able to hold meetings and engage in telework from home. In addition, we are working to improve our skills by having multiple employees acquire computer-related qualifications in the aim of personal growth and independence. All employees, including myself, go about our work with pride that we are contributing to the development of the Sumitomo Corporation Group through our jobs.

Koichi Shikata, Chief Administration Officer, Sumisho Well Support Co., Ltd.

Please visit the Sumisho Well Support website to view videos demonstrating employees working in a vigorous and lively fashion. (In Japanese only)  
<https://sumisho-sws.com/>

