

Uncertainty has swelled in the business environment due to various factors, including the prolonged impact of the COVID-19 pandemic, growing concerns over global economic divisions arising with the manifestation of geopolitical risks, and changes in the monetary and fiscal policies of each country. In addition, the tides of change are rising in the industrial structure, economy, and society, as the trend toward digitalization and going green accelerates.

However, at the core of the business activities of the Sumitomo Corporation Group in any business environment are Sumitomo's Business Philosophy, which has been passed down in unbroken succession over our 400-year history, and the Sumitomo Corporation Group's Corporate Mission Statement. Sumitomo's business, while benefiting the Company, must also benefit the nation and society. This is expressed in the phrase "Benefit for self and others, private and public interests are one and the same," which is found in Sumitomo's Business Philosophy. This is precisely what is required in this modern age in which companies are expected to pursue both corporate growth and the resolution of social issues such as climate change. An enterprising spirit is deeply ingrained in the Group and is reflected in its initiatives to adapt to paradigm shifts, including DX and green transformation (GX). We aim to contribute to the sustainable development and evolution of society and become a corporate group that continues to grow while passing on these credos that have been handed down since our founding.

Furthermore, in these times, intangible assets have an even greater role as the source of corporate competitiveness. It is important to show how value creation leveraging intangible assets is closely linked to improving corporate value. For that reason, we have been publishing an annual report since 2017 that combines financial and non-financial information and communicates our initiatives for realizing value creation and improvement of corporate value over the short, medium, and long term. In this Integrated Report 2022, based on feedback from stakeholders, we provide an overall picture of the initiatives of the Sumitomo Corporation Group centered on sustainability management, which is the Group's strategy for growth, and medium-term management plan "SHIFT 2023," which is in its second year. We also tied this report into the ESG Communication Book better this year after repeated discussions.

We will continue to make efforts to further enhance dialogue with stakeholders and utilize that valuable feedback for management through the active disclosure of information, including the publication of the integrated report.

September 2022

Kuniharu Nakamura

Director, Chairman  
Chairman of the Board of Directors



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### Cover Story

We pledge to achieve our mission of further enriching the world, society, and people's lives as set forth in our Corporate Message of "Enriching lives and the world."



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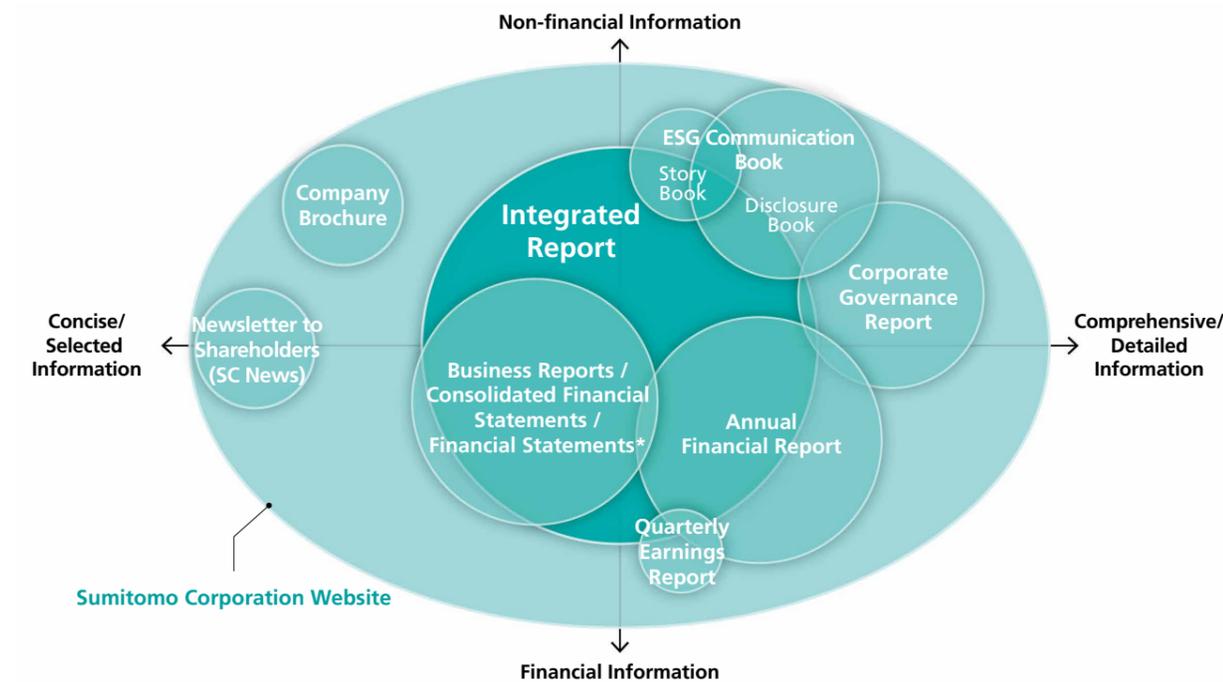
# Core medium for communicating the medium- to long-term growth story of the Sumitomo Corporation Group

At the Sumitomo Corporation Group, to respond to the interests of our stakeholders, we are working to provide both financial and non-financial corporate information by utilizing various information disclosure tools.

The Integrated Report is the primary disclosure tool for this information and serves as the core medium for communicating the medium- to long-term growth story of the Group. In FY2022 in particular, we are providing information on how the Group is steadily getting back on track to growth through the execution

of medium-term management plan "SHIFT 2023" as well as on progress made in sustainability management, which has been set forth as a long-term growth strategy for achieving sustainable growth. Along with this, we also provide messages from Outside Directors, management, officers, and employees.

In addition, to make this report a more useful tool for our stakeholders, we are tying it in more closely with the ESG Communication Book (Story Book/Disclosure Book) from this fiscal year. Please have a look at them as well.



### Scope of Report

- Period covered: April 1, 2021, to March 31, 2022 (Some activities starting on or after April 1, 2022, are included.)
- Organizations covered: Sumitomo Corporation and the Sumitomo Corporation Group

### Referenced Guidelines

- The International Integrated Reporting Framework (IFRS Foundation)
- ISO 26000 (Guidance on Social Responsibility)
- Charter of Corporate Behavior, KEIDANREN (Japan Business Federation)
- Environmental Reporting Guidelines 2018, issued by the Ministry of the Environment
- Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry



### Cautionary Statement Concerning Forward-looking Statements

This integrated report contains management targets relating to medium-term management plans as well as a wide range of other forward-looking statements. They are subject to the influence of a range of factors in the Company's circumstances going forward and do not constitute a guarantee of future business performance or a guarantee that the targets and forecasts will be met. Readers are therefore advised to avoid placing undue reliance on the forward-looking statements contained herein and to be aware that the Company recognizes no obligation to update or revise such statements.

## Main Tools for Information Disclosure

<p><b>Integrated Report</b></p>		<p>As a communication tool for all stakeholders, this is an annual report that integrates our financial and non-financial information. This integrated report helps stakeholders understand the overview of our value creation and the enhancement of corporate value in the short, medium, and long term as well as corporate strategy and the overall progress of our business.</p>
<p><b>ESG Communication Book</b></p>		<p>Of non-financial information, the ESG Communication Book summarizes detailed information about our activities related to sustainability from the perspective of environmental, social, and governance (ESG). We provide the latest related information by disclosing it on our corporate website and updating it as necessary. Starting with the 2022 edition, we are breaking it up into two books, namely the Story Book, which communicates our mechanisms of value creation, and the Disclosure Book, which provides comprehensive information. The information necessary for stakeholders is disclosed in an easy-to-understand manner.</p>
<p><b>Business Reports / Consolidated Financial Statements / Financial Statements*</b></p>		<p>The Business Report conveys important matters related to business results and status of each fiscal year. The Consolidated Financial Statements disclose our corporate group's consolidated financial position and profit/loss. The Financial Statements disclose our non-consolidated financial position and profit/loss. (All three are in accordance with the Japanese Companies Act.)</p>



Click here for details



Click here for details

\* Included in Notice of Convocation

## Disclosure of Information on Our Corporate Website

<p><b>Investor Relations</b>  <a href="https://www.sumitomocorp.com/en/jp/ir">https://www.sumitomocorp.com/en/jp/ir</a></p> <ul style="list-style-type: none"> <li>• Financial Information</li> <li>• Financial Results</li> <li>• IR Meetings</li> <li>• Shareholders Information</li> <li>• Sustainability (ESG Information)</li> <li>• To shareholders and investors</li> </ul>	<p><b>Sustainability</b>  <a href="https://www.sumitomocorp.com/en/jp/sustainability">https://www.sumitomocorp.com/en/jp/sustainability</a></p> <ul style="list-style-type: none"> <li>• Sumitomo Corporation Group's Material Issues</li> <li>• Sustainability-related Principles and Policies</li> <li>• Key Social Issues and Medium- and Long-term Goals</li> <li>• Corporate Sustainability System</li> <li>• Commitment to International Codes of Conduct</li> <li>• ESG Quantitative Data</li> </ul>
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# Enriching lives and the world

We have become who we are today  
by evolving with the times in unison with people and society.

We never pursue easy gains. Integrity and strong unity are  
cherished principles from which we work to create value for society.

As we face a fast-changing world, we look toward the future with renewed anticipation  
and reflect on the meaning of our mission.

To engage, commit and contribute.  
To overcome challenges and come out ever stronger.  
To cultivate the seeds of opportunity, bridge possibilities and create a better tomorrow.

We know that the passions of each individual create our indelible values.  
But we also acknowledge that the power of many is far greater than the effort of one.

So we are united in all our will and determination.

We represent different regions, diverse cultures, and all walks of life.  
Yet we know that the strength of unity begins with respect.  
With this as our foundation, we aim to create a world never seen before.

Passion. Determination. Values.  
These ideas we share universally together to achieve prosperity and realize dreams for all.

This is our enduring promise.

 **Sumitomo Corporation**

Our Corporate Message of “Enriching lives and the world” embodies Sumitomo’s Business Philosophy, which has been passed down in unbroken succession since our founding over 400 years ago, and our mission of enriching society and people’s lives around the world. Part of Sumitomo’s Business Philosophy is “Benefit for self and others, private and public interests are one and the same.” This expresses our desire to create value for ourselves as well as the nation and society to achieve mutual growth. This desire has also been passed down via the Sumitomo Corporation Group’s Corporate Mission Statement. “Enriching lives and the world” is a compass that shows the Sumitomo Corporation Group which way to go even in these uncertain times in order to keep growing together with society.

Message from the President and Chief Executive Officer

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Returning to a growth trajectory,  
we will accelerate SHIFT 2023 to enter  
the phase of demonstrating the true value  
of the Sumitomo Corporation Group.

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Masayuki Hyodo  
Representative Director, President and CEO



### Looking back on the first fiscal year of SHIFT 2023

Under the three-year medium-term management plan SHIFT 2023, which began in FY2021, we are working on fundamental structural reforms with making the shift to a business portfolio that is both highly profitable and resilient as the top priority.

FY2021, the first year of the plan, was a year of progress in our transformation, with the introduction of various measures to address many issues. We have steadily implemented them and strengthened our earning power amid drastic changes in the business environment. As a result, we set a new record for our consolidated profit for the year attributable to owners of the parent, which amounted to ¥463.7 billion. Although this was partly due to the rising resource prices and a rebound effect of economic activities resumption from the COVID-19 pandemic, this is the result of the united efforts of all executives and employees of the Sumitomo Corporation Group, and I feel good about the performance.

On the other hand, we are still half-way where we envisioned ourselves to be at the time of planning SHIFT 2023. We are further accelerating the three “shifts” stated in SHIFT 2023: Business Portfolio SHIFT, Framework SHIFT—which strengthens the PDCA cycle

of business strategy management and optimal allocation of management resources to ensure effectiveness of Business Portfolio SHIFT—, and Management Base SHIFT—achieved through enhancement of governance and human resources management as well as maintenance and improvement of financial soundness—in FY2022, the second year of the medium-term management plan.

### Focusing on achieving results to meet the expectations of shareholders and investors

We revised the profit plans for FY2022 and FY2023 to ¥370 billion and ¥380 billion, respectively, and both were significantly higher than the initial plans announced in May 2021. These incorporate the progress of SHIFT 2023 and an uplifting effect provided by the external environment. Behind the profit plan, which is still lower than the FY2021 results, there is our basic stance of enhancing our basic earning power by completing the structural reforms undertaken in SHIFT 2023, rather than relying on the uplifting effect of the external environment being as strong as that of FY2021. As shown in our three-year rolling plan, regardless of the external environment, we will accomplish the structural reforms set forth in the current medium-term management plan so that we can achieve the profit level of ¥450 billion in FY2024. It is our

responsibility to strengthen the downside resistance of our business portfolio, and at the same time continuing to raise the earning level of non-mineral resources business, and steadily raise the earning power of the entire Group to the level that it should be.

Based on this approach and changes in the external environment, we have reviewed our shareholder return policy and the executive remuneration plan. In regard to shareholder returns, we have further clarified the policy to ensure dividend stability and increase dividends in line with profit growth. It also demonstrates our commitment to raising return on equity (ROE) to the 12–15% range expected by the market.

We reviewed the executive remuneration plan with the aim of reinforcing the motivation of executives to achieve such management goals. We have further increased the ratio of variable remuneration, which consists of performance-linked bonuses and stock-based remuneration, and now newly reflect our stock price growth rate in performance-linked bonuses.

Renewing our desire to share value with our shareholders and investors through sustainable improvement in our stock price, we will continue to enhance our earning power.

### Building a business portfolio that is both highly profitable and resilient

Under the Business Portfolio SHIFT, which is the top priority of SHIFT 2023, we are enhancing our earning power in various ways. In FY2021, we have made steady progress on exiting from low-profitability businesses, which we have been working on since the start of structural reform in FY2020. In addition, each Strategic Business Unit (SBU) has soundly implemented specific measures toward resolving their respective priority issues. We also are increasing the earning power of our entire business portfolio by expanding investment capital with discipline for SBUs and businesses, not only for current profitability, but also for growth and competitiveness that will lead future profits.

We will continue to leverage the strengths of each SBU and enhance our earning power at a faster pace while focusing on delivering results.

In addition, we are also steadily promoting the Framework SHIFT and the Management Base SHIFT that support the Business Portfolio SHIFT. Put differently, these two shifts create a framework and working environment that will bring out the full potential of each individual, SBU, group company, and group as a whole and enhance our earning power. We ourselves make the most of them to deliver even better results.

I would like to talk about the guideline for investment selection, which was established as a framework for improving the probability of investment success and maximizing value, as an example. The guideline is not simply designed to enforce stricter investment discipline. When making new investments, based on the guideline, we not only review the targets for short-term profits and scale, but also our goals beyond them and the kind of value and transformation that we will bring to society. In other words, it is properly link to future corporate value by increasing the quality of investment decisions through discussions that are even deeper than before while keeping in mind the concept of grand design—one of the keys of Sumitomo’s Business Philosophy. Furthermore, by having more members from different positions participating in discussions and learning from each other in such decision-making process, I am convinced that we will cultivate business professionals with diverse and multilayered perspectives and insights, leading to medium- to long-term growth.

### The three-pillars growth strategy that hones the respective strengths of the Company, its group companies, and the Group as a whole

In parallel with enhancing the earning power of individual SBUs—and in turn Sumitomo Corporation—and group companies, it is also necessary to increase our total strength while seeking overall optimization as the Sumitomo Corporation Group. I call this the three-pillars growth strategy when talking to our employees, with the three pillars being a strong Sumitomo Corporation, a set of strong group companies, and a strong Sumitomo Corporation Group. Specifically, in addition to enhancing the management of group companies as we undertake the enhancement of group governance, which is part

Steadily raising our earning power to the level it should be



of our Framework SHIFT, Sumitomo Corporation take on the role of creating and developing businesses as an integrated trading company as well as become the core of synergy creation within the group. As a result, sustainable development for our Group as a whole will be achieved.

I believe that pursuing synergy between the individual (both individual businesses and individual persons) and the whole, the Group in other words, can create value unique to integrated trading company. Individuals are honed and become stronger as company optimization is pursued, and this, in turn, increases the total strength of the whole. I believe this synergy between the individuals and the whole builds up our strengths as an integrated trading company that seeks to address change, and enable us to increase the corporate value of the Group.

#### Accelerating the Business Portfolio SHIFT centered on enhancement of sustainability management

Under SHIFT 2023, we are further enhancing our sustainability management that grows Sumitomo Corporation sustainably together with society. With society's needs changing significantly, I see the essence of sustainability management as changing ourselves to contribute toward addressing these changes. In particular, in an age where companies are required to contribute to global and social sustainability, the Business Portfolio SHIFT and enhancement of sustainability management are inextricably linked. To realize sustainable growth, it is essential to transform the business model itself from a long-term perspective centered on sustainability.

Based on this thinking, we identified six key social issues in FY2020 to further advance sustainability management. Since then, we have been continuously

working toward long-term and medium-term goals related to each issue. The key lies in two themes: the sustainability of society and development and evolution of society. In other words, it is to seek the sustainable development of Sumitomo Corporation Group while harmonizing sustainability and prosperity of society.

For example, Summit, a Japanese supermarket chain, goes beyond simply being a place for buying food. It is working on various initiatives to contribute toward development of local communities, including incorporating the functions of a community space where people can receive health advice. At the same time, as to the sustainability of society, Summit is taking steady steps toward resolving social issues through its business activities, such as mitigating climate change by introducing solar power generation at stores and contributing to sustainable resource recycling by leveraging DX to reduce food loss.

As seen in the example of Summit, I firmly believe that continuing to create the value required by society while continuously transforming business models will lead to sustainable growth of the Group.

In addition, based on our belief in growing together with society, we are making multilayered efforts to solve social issues through our unique social contribution activities in addition to our business activities. 100SEED is a global social contribution activity program that celebrates the 2019 centennial of Sumitomo Corporation's founding, reflecting a poll of global employees. Our employees around the world are participating hands-on in resolving local community issues by utilizing our diverse skills and experiences with a view of society 100 years into the future.

Going forward, we will further enhance sustainability management while contributing to solving social issues at the forefront of our minds, and will continue to work hard to realize a sustainable society and increase corporate value.

#### Our tasks in an era of uncertainty

The future continues to remain highly uncertainty, including the spread of COVID-19 and the Russia-Ukraine situation. Stepping back a bit further, however, we have overcome various crises since our founding in 1919. The Group has been engaged in business activities overseas for more than half a century, built a system for managing country risks, identified local needs, and contributed toward growing both local communities and the Group. Learning from history and developing management strategies from a long-term view that takes changes into perspective, we will properly discern the ever-changing circumstances and respond them without missing any opportunities. Above all else, we are putting our Corporate Mission Statement into practice while continually creating value required by society for each moment as well as one step ahead of the times. We will respond to various changes without deviating from these core beliefs.

I believe that business has the power to enrich the world. With this belief in mind, I will continue to steer Sumitomo Corporation's management while placing emphasis on the following—continuing to be a company that always meets the needs of times and society through the practice of Sumitomo's Business Philosophy and Management Principles; promoting businesses that enable sustainable prosperity of the world; implementing diversity and inclusion so that our more than 70,000 employees can help to create new value; and developing as many diverse professionals as possible to change society and the world for the better. Together with our stakeholders, we will contribute to realizing our Corporate Message of "Enriching lives and the world."

Transforming the business from a long-term perspective based on the times



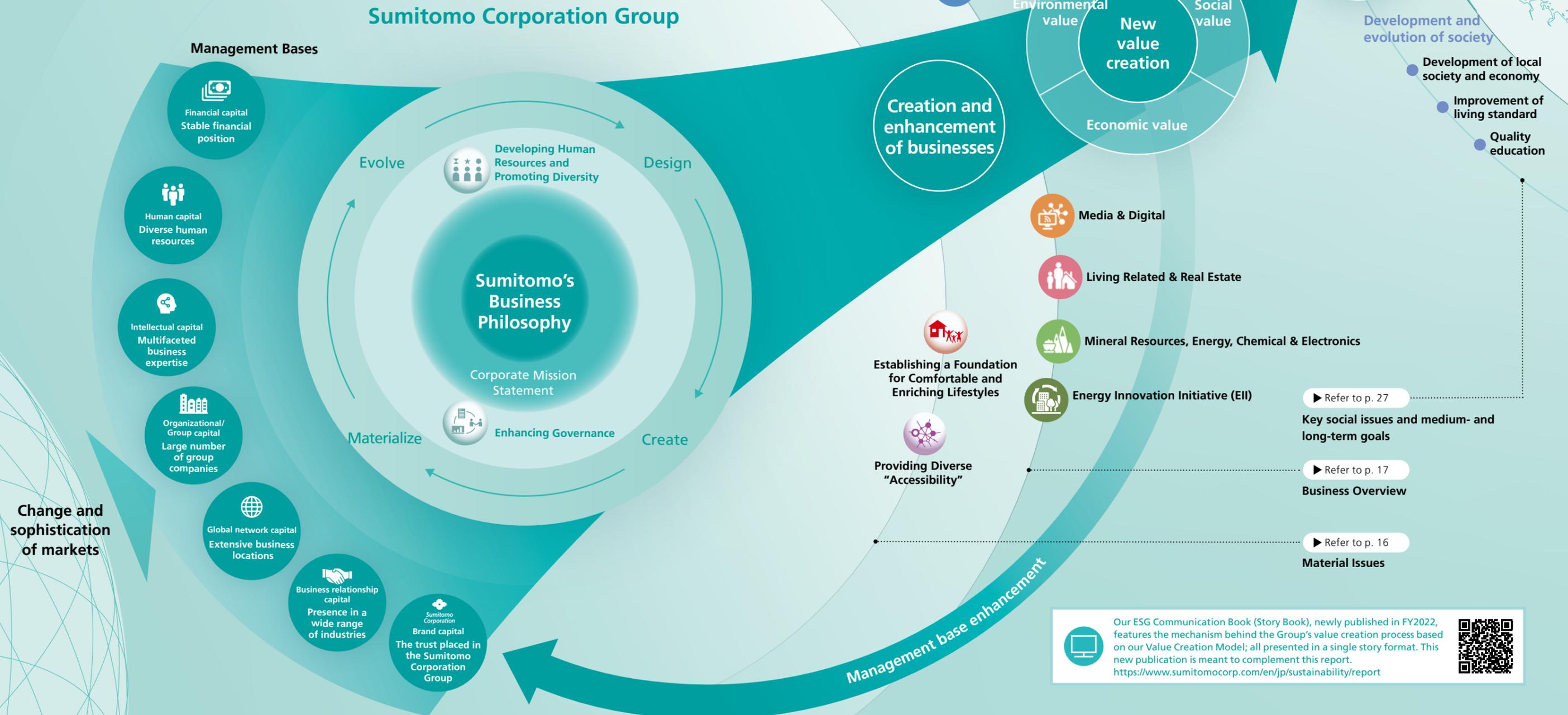
For further details on Summit's initiatives, please see our ESG Communication Book (Story Book).  
<https://www.sumitomocorp.com/en/jp/sustainability/report>



# Creating new value for today and tomorrow

The Sumitomo Corporation Group pursues the creation of new businesses and the enhancement of existing businesses based on Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement that has been passed down over the years. We accomplish it by anticipating changes in the times and quickly assessing the challenges of the global environment and society while combining the management base comprised of seven types of capital with the diverse business functions of the business group.

The Sumitomo Corporation Group contributes to realizing a sustainable society by creating social, environmental, and economic value through its business activities. The mechanism for this entire process of value creation is illustrated in the Value Creation Model presented here.



## Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement passed down through the generations

### Sumitomo's Business Philosophy encapsulated in four phrases

#### Place prime importance on integrity and sound management without pursuing easy gains

This phrase expresses a business approach based on building a reliable foundation of trust rather than simply seeking short-term gain. A business enterprise is there to pursue profit, but this management stance, which instead prioritizes relationships of trust and sound operations over immediate gain, is what has formed the corporate ethos of today's Sumitomo Group businesses.

#### Benefit for self and others, private and public interests are one and the same

This phrase expresses the idea that Sumitomo's business must go beyond benefiting Sumitomo itself to also benefit the nation and society. In other words, it encapsulates the belief that "it is not enough for Sumitomo's business to aim to enrich itself only, it must have the grander goal of serving the interests of the nation and society."

#### Grand design

This phrase expresses a planning approach which, rather than pursuing immediate profit, looks far ahead to devise a careful plan that will benefit both Sumitomo and society. This attitude—which is in sync with today's values of prioritizing management based on medium- to long-term rather than short-term perspectives—is thus a Sumitomo tradition handed down since our earliest days.

#### An enterprising spirit

This phrase expresses the approach of actively embracing new things and ideas, and maintaining a strong focus on goals that is not affected by difficulties. This thinking has formed the Sumitomo Group's corporate culture of "facing contemporary change positively and staying one step ahead of it, letting go of out-of-date businesses and starting new ones to meet contemporary needs instead, and then nurturing them with dedication and determination."

### Sumitomo Corporation Group's Corporate Mission Statement

<b>Corporate Vision</b>	We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.
<b>Management Principles</b>	<ul style="list-style-type: none"> <li>• Corporate Mission: To achieve prosperity and realize dreams through sound business activities</li> <li>• Management Style: To place prime importance on integrity and sound management with utmost respect for the individual</li> <li>• Corporate Culture: To foster a corporate culture full of vitality and conducive to innovation</li> </ul>
<b>Activity Guidelines</b>	<ul style="list-style-type: none"> <li>• To act with honesty and sincerity on the basis of Sumitomo's Business Philosophy and in keeping with the Management Principles</li> <li>• To comply with laws and regulations while maintaining the highest ethical standards</li> <li>• To set high value on transparency and openness</li> <li>• To attach great importance to protecting the global environment</li> <li>• To contribute to society as a good corporate citizen</li> <li>• To achieve teamwork and integrated corporate strength through active communication</li> <li>• To set clear objectives and achieve them with enthusiasm</li> </ul>

## Areas of emphasis for sustainable value creation

Over the years, we have conducted our business activities guided by Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Management Principles and Activity Guidelines. Nowadays, how companies are working to help resolve social issues is growing in importance. In April 2017, we identified "Six Material Issues to Achieve Sustainable Growth with Society" based on Sumitomo's Business Philosophy and Sumitomo Corporation Group's Management Principles. These are priority issues to be addressed by leveraging our strengths through our business activities. Our material issues take the form of six issues comprising our approaches to social contributions through our businesses summarized into four phrases and two management issues.

We have positioned them as important elements within the establishment of business strategies and in the decision-making process for individual businesses.

Meanwhile, the key social issues and accompanying goals established in 2020 clearly define the role we will play in achieving a sustainable society. They ensure that our sustainability management initiatives steer us toward the sustainable growth of the Company and society. We believe that both material issues and key social issues are essential in order to understand how our business relates to social issues and also to make clear commitments to society.

▶ Refer to p. 27, Key social issues and medium- and long-term goals

**Leveraging our trust-based relationships with customers and partners across the globe and utilizing our business expertise, we will secure our growth and address social issues simultaneously by fulfilling our Corporate Mission, "To achieve prosperity and realize dreams through sound business activities."**



#### Achieving Harmony with the Global Environment

To realize recycling-oriented society and mitigate climate change, we are working to establish frameworks for the efficient use of resources and stable supply of renewable energy. In doing so, we will achieve growth in harmony with the global environment.



#### Contributing to the Development of Local Communities and Industries

We steadily procure and provide goods and services to meet the needs of people in various countries and regions and contribute to developing industrial platforms. Through these means, we will create a virtuous cycle in which we can grow and develop together with local communities.



#### Establishing a Foundation for Comfortable and Enriching Lifestyles

We strive to realize more convenient and comfortable lifestyles by providing goods and services for daily use while also responding to needs for high-quality lifestyles in order to support the physical and mental health of people around the world.



#### Providing Diverse "Accessibility"

We provide diverse accessibility to open up the possibility of creating new value. To this end, we will improve mobility for safe and efficient flow of people and goods, and expand the network connecting information and finance.

**As a prerequisite for resolving the issues listed above, we strive to maintain and enhance our Management Style that places prime importance on integrity and sound management with utmost respect for the individual and our Corporate Culture full of vitality and conducive to innovation.**



#### Developing Human Resources and Promoting Diversity

In order to create new value and innovation by allowing our diverse personnel to fully exercise their abilities in a variety of fields, we will promote the development and empowerment of human resources, which represent our most important management resources.



#### Enhancing Governance

We will enhance our ability to draft and implement strategies for achieving sustainable growth and to provide appropriate supervision of these strategies, all while maintaining transparency. In this manner, we will improve management efficiency and maintain sound management.

# Implementing strategies by the Strategic Business Units (SBUs) in seven operating segments

## Business Unit/Division

**Metal Products**





- Steel Products Division
- Tubular Products Division

The Metal Products Business Unit is involved in the trade of metal products, including steel sheets, tubular products, and railway products. The business unit offers unique service features in response to customer needs both domestically and internationally, while building a strong value chain along each product line.

**Transportation & Construction Systems**





- Beyond Mobility Business Dept.
- Lease, Ship & Aerospace Business Division
- Mobility Business Division 1
- Mobility Business Division 2
- Construction & Mining Systems Division

The Transportation & Construction Systems Business Unit is engaged in businesses in the transportation system (such as ships, aircraft, and automobiles) and construction equipment fields (including mining equipment, agricultural equipment, and industrial vehicles). The business unit conducts business while evolving in response to the changes of the times.

**Infrastructure**





- Social Infrastructure Business Division
- Global Power Infrastructure Business Division
- Logistics Infrastructure Business Division

The Infrastructure Business Unit contributes to achieving harmony with the global environment and development of local communities and industries through a global infrastructure business that meets national, regional, and social needs.

**Media & Digital**





- Media Division
- Digital Business Division
- Smart Communications Platform Business Division

The Media & Digital Business Unit is engaged in businesses in the areas of media, digital business, and smart communications platform.

**Living Related & Real Estate**





- Lifestyle Business Division
- Construction material & Real Estate Business Division

The Living Related & Real Estate Business Unit is engaged in businesses in the fields of retail, healthcare, food, construction materials, and real estate.

**Mineral Resources, Energy, Chemical & Electronics**





- Mineral Resources Division No. 1
- Mineral Resources Division No. 2
- Energy Division
- Basic Chemicals & Electronics Division
- Life Science Division

The Mineral Resources, Energy, Chemical & Electronics Business Unit is engaged in businesses in the fields of mineral resources, energy, basic chemicals, electronics, and life sciences.

## Cross-functional Initiatives

**Energy Innovation Initiative (EII)**





The EII develops next-generation businesses in the field of decarbonization and next-generation energy.

▶ Refer to p. 29, Focus: Taking up the challenges of the EII

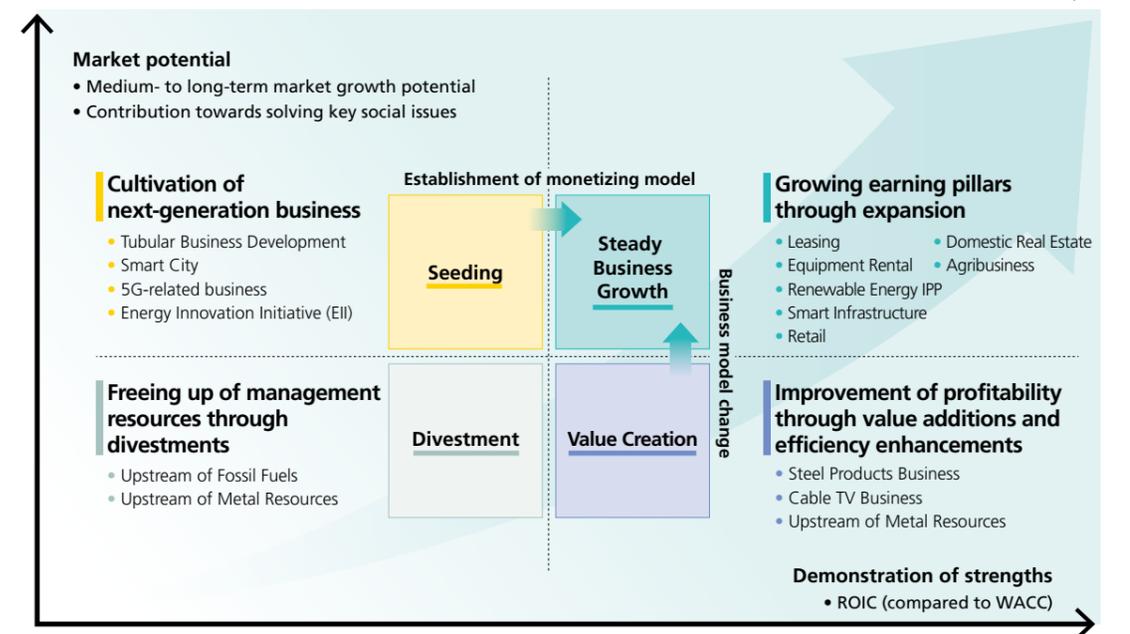
## SBU mechanism for individual business strategy management

### Accelerating the Business Portfolio SHIFT

The Sumitomo Corporation Group traditionally implemented organization-based strategy. This meant that strategy was planned at the individual business segment level, and then cascaded down into the strategies of each division and department. However, business strategy management at the organization level posed some issues. For example, strategies tended to be bound by existing organizations and similar strategies existed across multiple organizations. To resolve these issues, in FY2021 we introduced a new mechanism to reinforce business strategy management. This mechanism is the Strategic Business Unit, or SBU. Grouping individual businesses based on common strategy regardless of existing organizations (establishing SBUs) has resulted in more dynamic strategy discussions. Specifically, we clarified the roles and objective of each SBU using the four strategic

categories of Divestment, Value Creation, Steady Business Growth, and Seeding, after analyzing the external environment and the Company's strengths along with evaluating the validity of SBU strategy while using return on invested capital (ROIC) compared to weighted average cost of capital (WACC). In addition, we formulate management resource allocation plans according to the strategies of each SBU, confirm the progress of KPIs and KAs set according to the roles through management strategy meetings, and review the strategies. We have also partially regrouped the SBUs, and as of March 31, 2022, we have approximately 60 SBUs. In this manner, while thoroughly implementing the PDCA cycle, each SBU will fulfill its role and achieve its objectives to dynamically realize the Business Portfolio SHIFT including speedy business value improvement and timely asset recycling.

### Strategy Categorization Clarifying SBU Roles



# Increasing financial and non-financial management capital, the sources of our value creation

As of March 31, 2022

	Overview	Characteristics of capital (typical indicators)	Main measures for maintaining and increasing capital
 <p><b>Financial capital</b> Stable financial position</p>	<p>We have a solid financial position owing to our balancing of the Core Risk Buffer (RB) and Risk-weighted Assets (RA) and our stable financing. While expanding profitability with cash flow discipline, we are working on further enhancing our financial position and improving the stability of management.</p>	<p><b>Total assets</b> ¥9.6 trillion</p> <p><b>Shareholders' equity</b> ¥3.2 trillion</p> <p><b>Core RB-RA</b> ¥660 billion</p> <p><b>Free cash flow</b> ¥174.7 billion*1</p> <p><b>Net DER</b> 0.7    <b>ROE</b> 16%    <b>ROA</b> 5%</p>	<ul style="list-style-type: none"> <li>• Diversified range of financing sources in Japan and overseas</li> <li>• Maintaining balance between Core RB-RA</li> <li>• Enhancing cash management</li> <li>• Improving resilience and profitability through the Business Portfolio SHIFT                             <ul style="list-style-type: none"> <li>- Exiting/turnaround of low-profitability businesses</li> <li>- Creating new core businesses</li> </ul> </li> <li>• Improving probability of investment success by thorough investment discipline</li> </ul>
 <p><b>Human capital</b> Diverse human resources</p>	<p>We recruit human resources with diverse backgrounds, develop them as professionals with extensive knowledge and expertise, and deploy human resources, an important management resource, globally.</p>	<p><b>Number of employees (Consolidated basis)</b> 74,253</p>	<p>▶ Refer to p. 57, Focus: Evolving HR management for sustainable development</p>
 <p><b>Intellectual capital</b> Multifaceted business expertise</p>	<p>We leverage our business expertise to develop, invest in, and manage businesses. This expertise, in areas including risk management, logistics solutions, and financial services, has been built up over many years.</p>	<p><b>Diverse business domains</b> 6 business units + 1 initiative</p> <p><b>Diverse SBUs</b> Business development Business investment/management</p>	<ul style="list-style-type: none"> <li>• Expertise in each business field (Project management skills, deep knowledge related to products and industry, collective strength as an integrated trading company, etc.)</li> <li>• Mechanisms for creating new business opportunities (Introduction of initiative program, GIPC*2, DX Center, 0→1 Challenge)</li> <li>• Sharing of business management expertise (implementation of Group Management Policy)</li> <li>• Companywide risk management (Investment risk, credit risk, market risk, country risk, social/environmental risk, natural disaster risk, etc.)</li> <li>• Implementation of many internal training programs (Sumisho Business College)</li> </ul>
 <p><b>Organizational/Group capital</b> Large number of group companies</p>	<p>Owning world-class group companies in a wide range of industries, we use our accumulated management knowledge to improve profitability and further strengthen our business foundations.</p>	<p><b>Consolidated subsidiaries and associated companies</b> (As of April 1, 2022) 893</p>	<ul style="list-style-type: none"> <li>• Utilization of pool of human resources at group companies</li> <li>• Sharing of best practices in group company management (such as for compensation system)</li> <li>• Sharing of corporate functions (shared services)</li> <li>• Dialogue with group companies using the Basic Elements, in which past business management expertise has been gathered</li> </ul>
 <p><b>Global network capital</b> Extensive business locations</p>	<p>Operating from offices located worldwide, we leverage our network of ties with industry and government in each country to ensure that our businesses are swift to identify and respond to local needs.</p>	<p><b>Number of offices</b> (As of April 1, 2022) 131 locations 66 countries and regions</p>	<ul style="list-style-type: none"> <li>• Enhancement of profitability through combination of product and regional strategies</li> <li>• Timely capture of latent demand in each region and business development based on regional needs</li> <li>• Development of regional and management human resources</li> <li>• Building of intelligence functions in main offices</li> </ul>
 <p><b>Business relationship capital</b> Presence in a wide range of industries</p>	<p>By deepening our relationships with business partners that we have cultivated in a variety of industries, we establish our presence in each industry, and implement multifaceted development of the business.</p>	<p><b>Number of clients</b> Approx. 100,000</p>	<ul style="list-style-type: none"> <li>• Enhancement of public relations activities, including participation in industry groups and public-private collaboration</li> <li>• Utilization of customer base and enhancement of communication in sales activities</li> <li>• Improvement of stakeholder engagement</li> <li>• Creation of business opportunities through corporate venture capital (CVC) activities and MIRAI LAB PALETTE operations</li> </ul>
 <p><b>Brand capital</b> The trust placed in the Sumitomo Corporation Group</p>	<p>We have lived by Sumitomo's Business Philosophy, which has been passed down for approximately 400 years, and the Sumitomo Corporation Group's Management Principles, which "place prime importance on integrity and sound management." This is an ideal that we have consistently embodied and will continue to honor.</p>	<p><b>Sumitomo's Business Philosophy</b> <b>Sumitomo Corporation Group's Corporate Mission Statement</b> <b>History of Sumitomo Corporation</b> 103 years</p>	<ul style="list-style-type: none"> <li>• Wide communication of top management messages</li> <li>• Enhancement of branding activities through embodiment of our Corporate Message of "Enriching lives and the world"</li> <li>• Various training (level-specific training, Besshi Copper Mine visits, etc.)</li> <li>• Thorough compliance</li> </ul>

\*1 Adjusted Free Cash Flow (After netting repayments of lease liabilities)

\*2 Global Innovation Promotion Committee