

New Medium-Term Management Plan

2021–2023

May 10, 2021
Sumitomo Corporation

 **Sumitomo Corporation** | Enriching lives and the world

© 2021 Sumitomo Corporation

I would like to explain the new medium-term management plan.

Table of Contents

1 Review and Identification of Issues

- Performance review
- Strategic objectives and response strategies
- Commencement of structural reform
- Results to date

2 Concept of the New Medium-Term Management Plan

- Overview
 1. Business portfolio SHIFT
 2. Framework SHIFT
 3. Management base SHIFT
- Quantitative plan
- Shareholder return (dividend policy)

3 Enhancement of Sustainability Management

- Overview
- Setting of medium-term goals to address key social issues and long term goals
- Responses to climate change issues

Actions to address issues

Backcasting from the picture of a sustainable society

| Medium-Term Management Plan (2018–2020) |
Medium-Term Management Plan 2020
Unceasing Challenge for New Value Creation

Medium-Term Management Plan (2021–2023)

| Enhancement of sustainability management |
“Sustainable growth of Sumitomo Corporation” and
“Contribution to the development of a sustainable society”

I will divide the explanation into 3 parts. First of all, I would like to review and identify our current issues and explain what we have been working on over the past year amidst the drastic changes in the business environment since the spread of COVID-19 infection. I will then explain the new medium-term management plan, which is an extension of these efforts. Finally, I will explain the enhancement of sustainability management that we are promoting to contribute to the sustainable growth of our company and the realization of a sustainable society, while taking a more long-term perspective.

This enhancement of sustainability management is the initiative for very long term, but it is important to accumulate specific efforts from the bottom. We set short- and medium-term goals for the next 3 years, implement the PDCA cycle, and continue to disclose the progress of these efforts.

1

Review and Identification of Issues

First, I will talk about review and identification of issues.

Performance Review

- We achieved the initial forecast and record-high profits in FY2018, but fell short of the initial forecast in FY2019 due to factors including trade friction between the United States and China. In FY2020, we fell into the red as a result of recording a large one-off loss associated with restructuring of unprofitable businesses on top of the impact of COVID-19.
- Likewise, efficiency ratios exceeded the target in FY2018, but not in FY2019 or FY2020.
- As a result of enhanced cash flow management in "emergency mode", we exceeded a post-dividend free cash flow target of ¥200 billion for the three years.

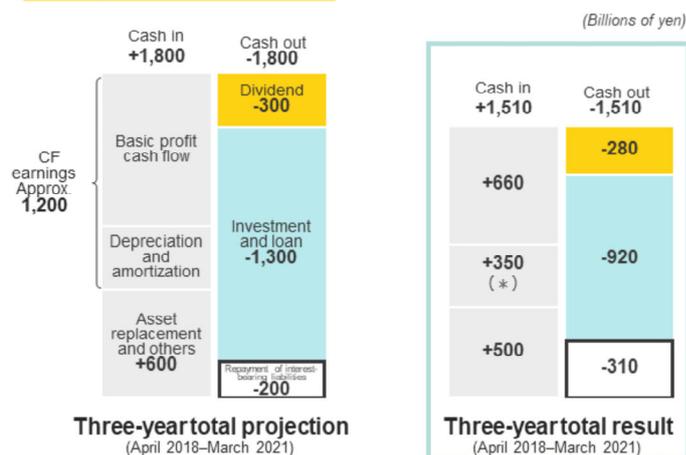
Profit (loss) for the year (attributable to owners of the parent)



Efficiency ratios

	Target	FY2018	FY2019	FY2020
ROA	4% or higher	4.1%	2.1%	-
ROE	10% or higher	12.0%	6.4%	-

Three-year total cash flow



* The amount of ¥50 billion has been deducted from the FY2019 and FY2020 results to reflect the increase in depreciation and amortization resulting from application of IFRS 16 "Leases."

This is a performance review of the Medium-Term Management Plan 2020. In FY2018, We achieved the initial forecast and record-high profits in FY2018, but for 3 years since then, we have been greatly affected by the deterioration of the business environment caused by the trade friction between the United States and China and the impact of COVID-19.

Especially after the end of the second year, the COVID-19 pandemic, which greatly worsened the business environment, and the global economic activity lockdown and the inherent weaknesses in our portfolio that we have been facing for years were exposed.

We will sincerely regret the laxity of management that allowed this to happen, and at the same time, we will do our utmost to identify the issues we are facing, take measures to remove the real causes behind them, root them out, and introduce new framework to overcome the weaknesses in our portfolio. We recognize that this is what we have to do.

With this in mind, we will complete thorough structural reforms and simultaneously achieve a V-shaped recovery in our business performance. We have recently formulated a new medium-term management plan to pursue these 2 goals.

We are also feeling a definite response to the results of the structural reforms implemented during the last fiscal year.

Performance Review

- We achieved the initial forecast and record-high profits in FY2018, but fell short of the initial forecast in FY2019 due to factors including trade friction between the United States and China. In FY2020, we fell into the red as a result of recording a large one-off loss associated with restructuring of unprofitable businesses on top of the impact of COVID-19.
- Likewise, efficiency ratios exceeded the target in FY2018, but not in FY2019 or FY2020.
- As a result of enhanced cash flow management in "emergency mode", we exceeded a post-dividend free cash flow target of ¥200 billion for the three years.

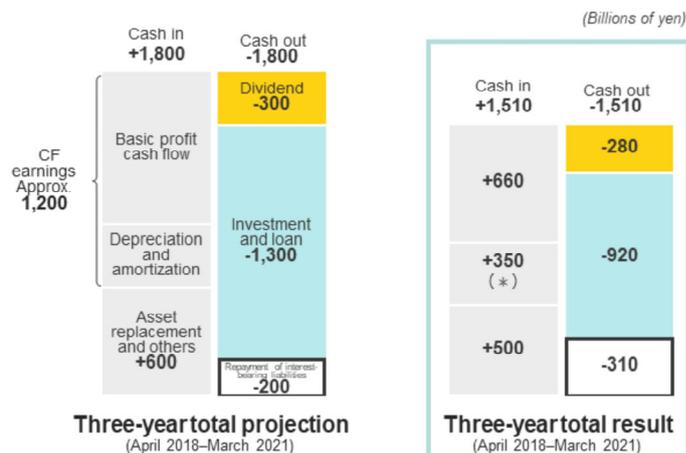
Profit (loss) for the year (attributable to owners of the parent)



Efficiency ratios

	Target	FY2018	FY2019	FY2020
ROA	4% or higher	4.1%	2.1%	-
ROE	10% or higher	12.0%	6.4%	-

Three-year total cash flow



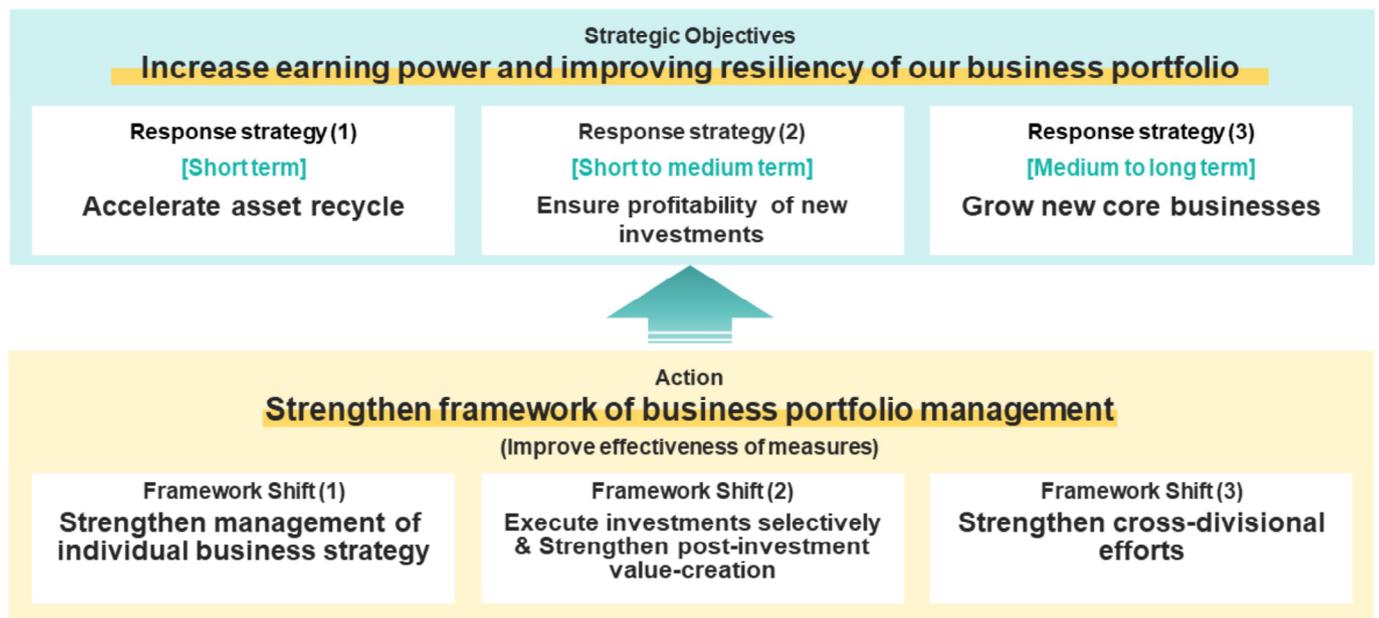
* The amount of ¥50 billion has been deducted from the FY2019 and FY2020 results to reflect the increase in depreciation and amortization resulting from application of IFRS 16 "Leases."

(Continued)

Withdrawing from unprofitable businesses and rebuilding them was a painful process. As President and CEO, I take my responsibility very seriously for the fact that we have been forced to record a one-off loss of approximately JPY350 billion including losses in our core businesses.

I would now like to talk about the structural reforms that we are undertaking and the mid-term management plan that we have just formulated, which is called SHIFT 2023. I would like to explain the contents and the purpose of this project. By implementing this plan, we will do our best to regain the trust of everyone as soon as possible.

Strategic Objectives and Response Strategy



I will explain a strategic objectives and response strategy.

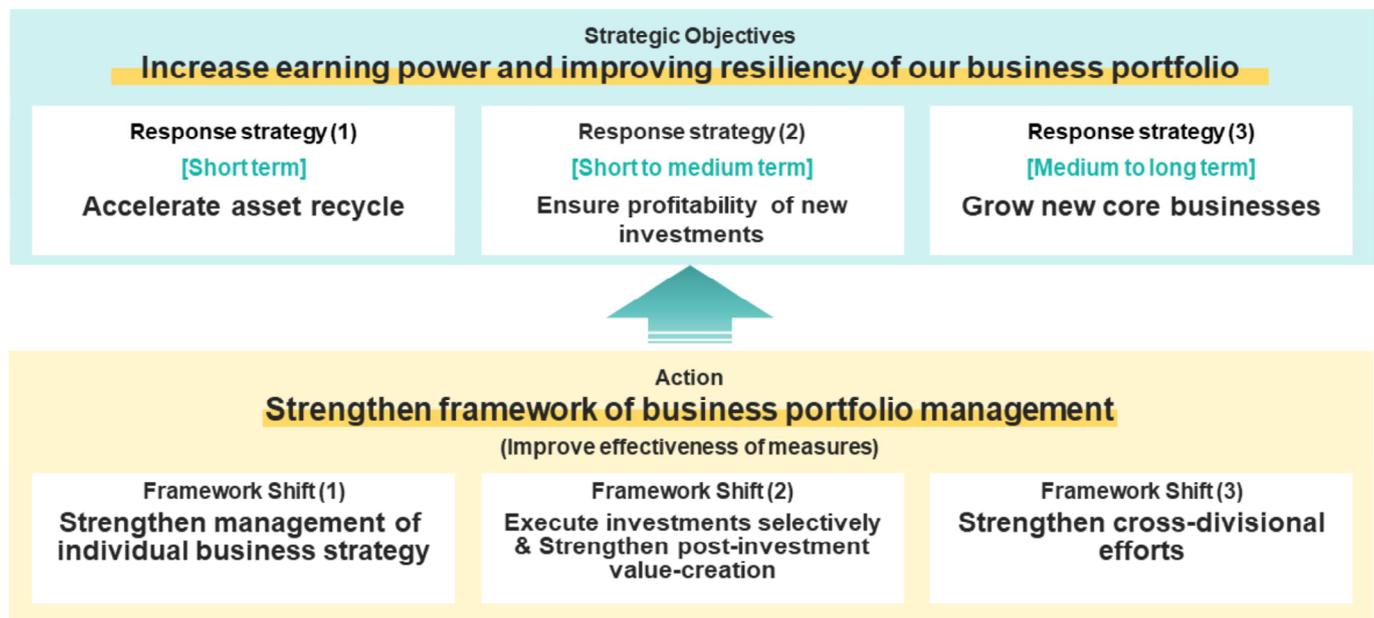
First, our business performance fluctuates and is greatly affected by changes in the global economy, including Japan, and we have an issue with the resiliency to downturn. This is evidenced by the impact of the recent lockdown on global economic activity.

If we divide our overall business into 2 groups, those that have remained profitable and those that have not, we can see that the former group has been able to generate JPY200 billion in earnings and support our business performance even under the current circumstances, while the latter group is less resilient to downturns and will increase its losses as the business environment deteriorates. This is the tendency we have.

First, we will thoroughly work on this latter. This is the acceleration of asset recycle in the direction (1) described in the upper part of the slide. When I say acceleration, I mean that we will do it thoroughly.

At the same time, in order to prevent such a situation from happening again, we will create and adhere to a new investment discipline and management system. This is the ensuring profitability of new investments in (2).

Strategic Objectives and Response Strategy



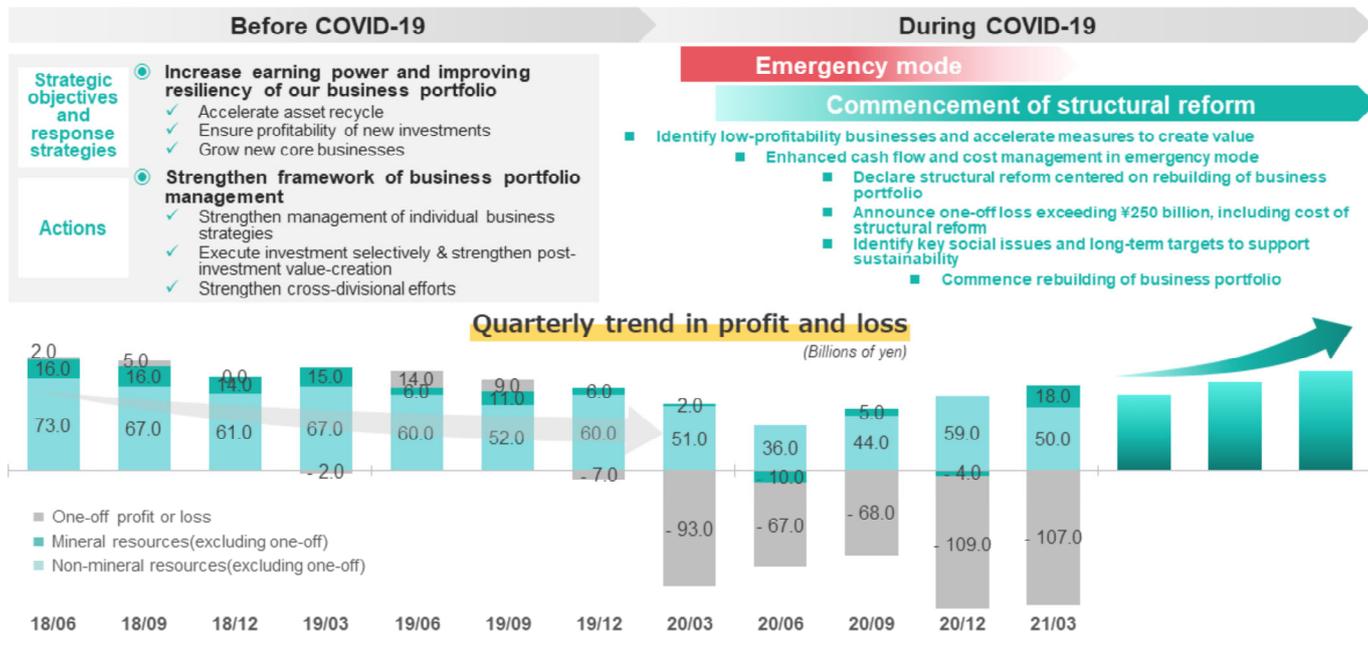
(Continued)

In addition, we will transform our existing businesses into a form that is appropriate to the changing times and strengthen our earning power, and at the same time, we will utilize our strengths and capabilities to develop new core businesses in a more reliable manner. This is the growing new core businesses in (3).

By planning and implementing specific measures based on the 3 points I mentioned above, we will increase earning power and improving resiliency of our business portfolio.

The outline of specific measures will be explained later in the SHIFT 2023 section.

Commencement of Structural Reform



I would like to briefly review what we have been working on last year.

First, look at the bottom bar graph. This is the quarterly profit trend for the past 3 years, and we can see that our revenue has been on a steady decline before coronavirus pandemic.

The drastic changes in the business environment caused by COVID-19 pandemic made our weaknesses more apparent, but even before that, our overall portfolio earnings were affected by changes in the business environment, such as the trade friction between the United States and China, as well as the inability to respond to the challenges of individual businesses, which forced a decline in both sales and profits.

The cause for this is that we have not been able to adequately respond to the various issues I mentioned earlier.

It was last year that we started to take action against this. Although we started the year with a very uncertain outlook, we switched the entire Group to an emergency mode, enhanced our cash flow and cost management, and solidified our footing while implementing structural reforms for future growth with an eye on with COVID-19 and afterCOVID-19.

In addition to accelerating our rebuilding and exit low-profitability businesses, we have been reviewing our cross-shareholdings and writing off losses, including structural reform costs.

In addition, we have visualized and reevaluated our strategies for all businesses, and in some cases, we have made major course corrections to our strategies to organize and confirm what we should do in the future.

Results to Date

Specific efforts	Results										
<ul style="list-style-type: none"> Identify low-profitability businesses and accelerate measures to create value 	<ul style="list-style-type: none"> Of the 101 companies identified, exit from 32 companies was completed by the end of FY2020 By accelerating the efforts, the earnings improvement below is expected during the period of the new medium-term management plan <table border="1"> <thead> <tr> <th>Category</th> <th>No. of companies</th> <th>Earnings improvement (estimated)</th> </tr> </thead> <tbody> <tr> <td>Establishment of road map for turnaround</td> <td>71</td> <td rowspan="3">Approx. ¥70 billion (from the result of FY2020)</td> </tr> <tr> <td>Major projects for turnaround</td> <td>5</td> </tr> <tr> <td>Exit</td> <td>69</td> </tr> </tbody> </table>	Category	No. of companies	Earnings improvement (estimated)	Establishment of road map for turnaround	71	Approx. ¥70 billion (from the result of FY2020)	Major projects for turnaround	5	Exit	69
Category	No. of companies	Earnings improvement (estimated)									
Establishment of road map for turnaround	71	Approx. ¥70 billion (from the result of FY2020)									
Major projects for turnaround	5										
Exit	69										
<ul style="list-style-type: none"> Improve cash flow management 	<ul style="list-style-type: none"> By steadily implementing asset disposal, ¥110 billion in cash was recovered in FY2020 (¥50 billion of which was from sales of cross-shareholdings) Working capital was improved by approx. ¥200 billion in FY2020 Investments were limited to strategically important ones and made on a selective basis 										
<ul style="list-style-type: none"> Tighten cost management 	<ul style="list-style-type: none"> SG&A expenses were reduced by more than ¥32 billion in FY2020 										
<ul style="list-style-type: none"> Commence rebuilding of business portfolio 	<ul style="list-style-type: none"> Individual business strategies as well as portfolio strategy of each business unit were discussed and confirmed 										
<ul style="list-style-type: none"> Enhancement of sustainability management 	<ul style="list-style-type: none"> Key social issues and long-term targets were identified Medium-term targets as milestones were established and incorporated into specific KAI/KPI 										

This section summarizes the results of the structural reforms to date.

In terms of dealing with low-profitability businesses, we have completed the exit from over 30 companies, despite the extremely difficult environment. In addition, although we still have a long way to go, we have already formulated concrete plans for about 150 other operating companies that are expected to improve their earnings by approx. JPY70 billion in total during the period of the new medium-term management plan.

We have also been steadily reducing our cross-shareholdings.

We have also completed the brush-up and evaluation of all business strategies for the rebuilding of our business portfolio, and we will steadily implement the PDCA cycle while thoroughly reviewing them.

In the midst of this critical situation, we will continue to build on the momentum of the structural reforms we have undertaken as a Group to achieve even greater results by incorporating more systematic and effective measures in the new medium-term management plan.

2

Concept of the New Medium-Term Management Plan

SHIFT→2023→

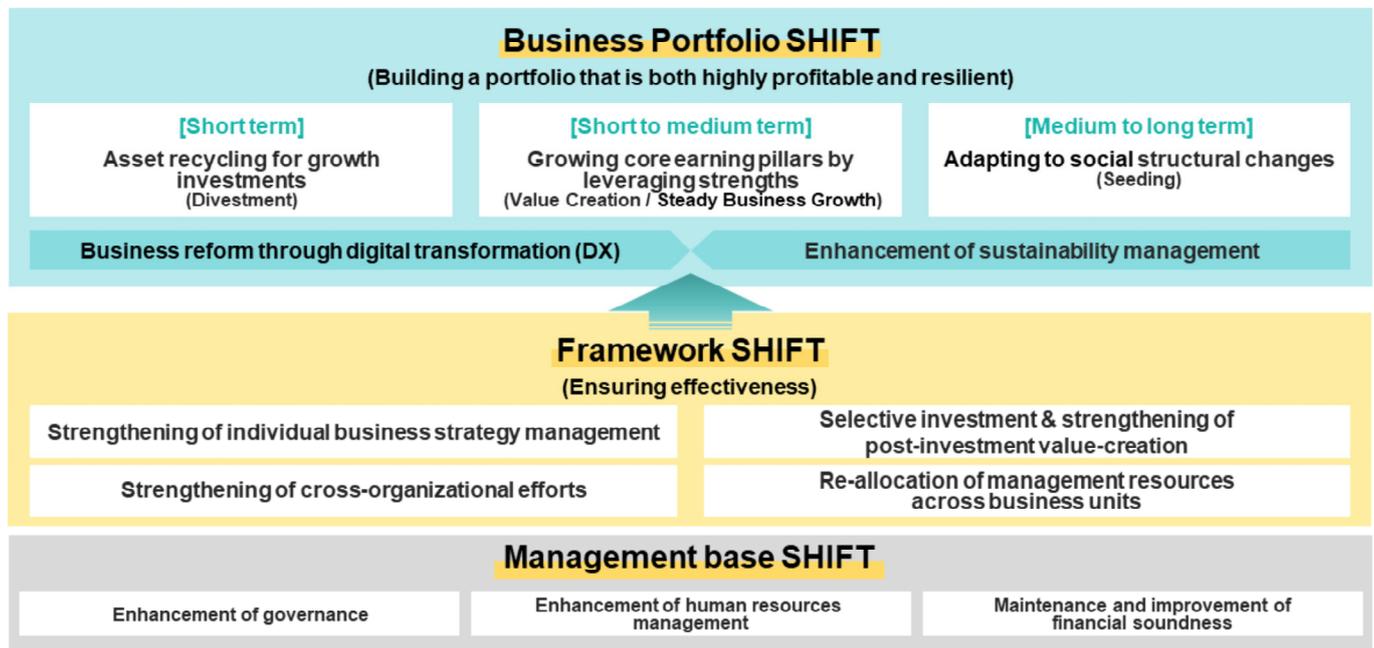
 **Sumitomo Corporation** | Enriching lives and the world

The name of the new medium-term management plan is “SHIFT 2023”. We will shift ourselves through structural reform. We need to make a shift in ourselves in order to address the challenges from our reflection in the past, to ensure our sustainable growth, and to contribute to society by creating new value in the midst of major changes in the values and lifestyles of the people.

It is a shift in the business portfolio, a shift in management resources, a shift in individual business strategies and business models, and a shift in the framework that supports them.

It is also a shift in our own consciousness and behavior that is most important. Under the banner of the word "shift," this is a demonstration of our determination to carry through with structural reform.

SHIFT 2023 Overview



This is the overall picture of the new medium-term management plan.

The top part shows what we should do in the new medium-term management plan, the middle part is the framework to support it, and the bottom part is the base to support it, the continuous strengthening of the management base.

The new medium-term management plan calls for a shift in our business portfolio to one that is both highly profitable and resilient to changes in the business environment.

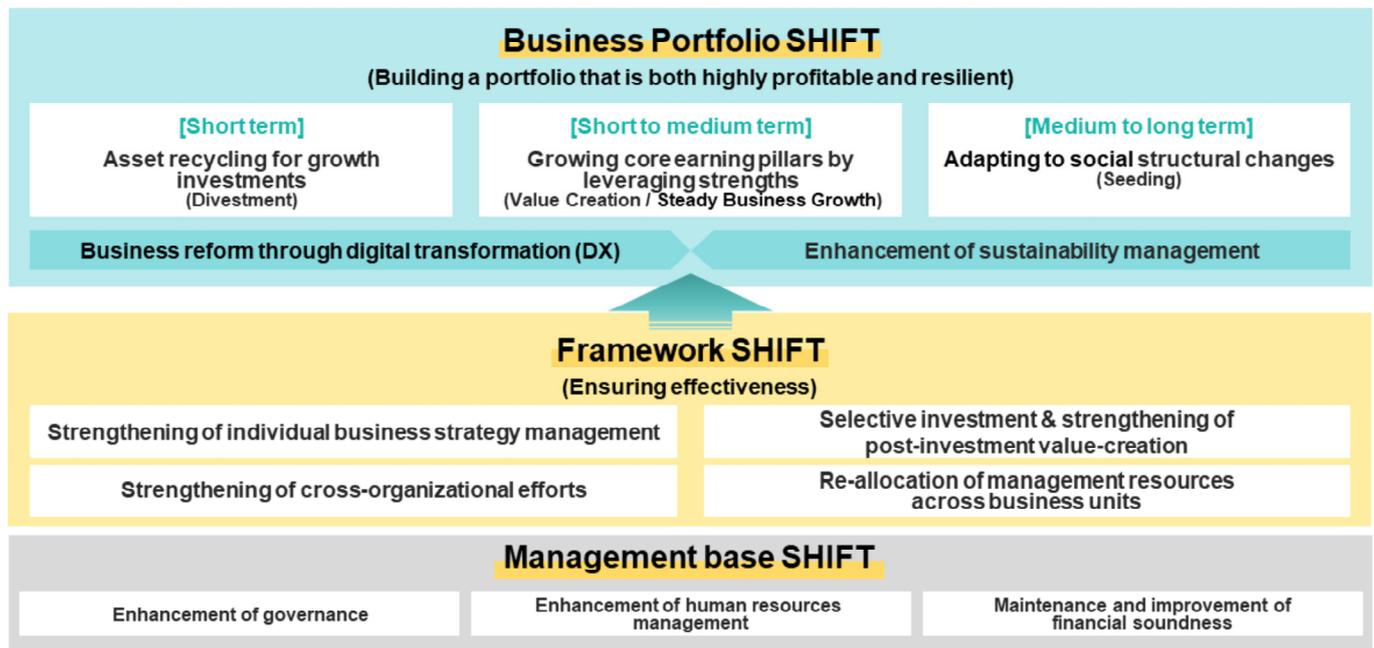
While firmly grasping the 2 major social trends of digitization and the demand for sustainability, we will selectively invest the management resources recovered through thorough asset recycling in strengthening and nurturing the pillars of earnings that take advantage of our strengths.

We will also continue our efforts in the field of seeding, which is a challenge to changes in the social structure, or in other words, a medium- to long-term perspective, with a focus on results.

The framework to support this has been set up based on the concept of ensuring effectiveness. We will thoroughly do what we say we will do, and we will strictly evaluate what we do. We will make thorough efforts to implement it again.

In addition, we will build and operate a framework to firmly confront and resolve each of the issues we have just outlined in the section on Strategic Objectives and Response Strategy.

SHIFT 2023 Overview



(Continued)

First, talking about the upper left of the framework, strengthening of individual business strategy management. We will build a framework to make decisions on the allocation of management resources by steadily implementing the PDCA cycle after brushing up individual business strategy discussions in depth.

For selective investment & strengthening of post-investment value-creation that is shown next to it, we will enhance our investment capability by enhancing careful selection of investments, post-investment value creation, and the evaluation system based on the performance of the investment.

For strengthening of cross-organizational efforts that is on the left below of the framework, we will further evolve the inter-organizational collaboration and cross-functional efforts that we have been working on in the previous medium-term management plan to build a framework for launching practical businesses in new fields with stronger driving power.

Finally, for reallocation of management resources across business units in the lower right-hand corner, we will further strengthen the framework that encourages the reallocation of management resources across business units and reallocate management resources from the perspective of company-wide optimization.

For management base SHIFT shown at the bottom, we will explain in a separate slide later.

1. Business Portfolio SHIFT

(2) Quantitative picture by business strategy category

- Plan to generate ¥450 billion in cash through asset disposal in total.
- Plan to invest around ¥1,100 billion mainly on Value Creation and Steady Business Growth categories where our strengths have been demonstrated and probability of success is high.

Business Portfolio SHIFT			
Asset Disposal	Value Creation	Steady Business Growth	Seeding
Asset Disposal	Value Creation	Steady Business Growth	Seeding
Asset Disposal	Value Creation	Steady Business Growth	Seeding

		Asset recycle 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	¥80+ billion	¥40+ billion	-

This is a quantitative image for each of the 4 categories.

The asset and profit size as of the end of the last fiscal year for each category, is shown in the upper row.

We plan to invest around JPY1,100 billion in investments and loans during the period of the new medium-term management plan, focusing on the category of Steady Business Growth that are highly attractive in the market, have already proven our strengths, and have a high probability of success, while ensuring the recovery of funds through asset recycling in each category.

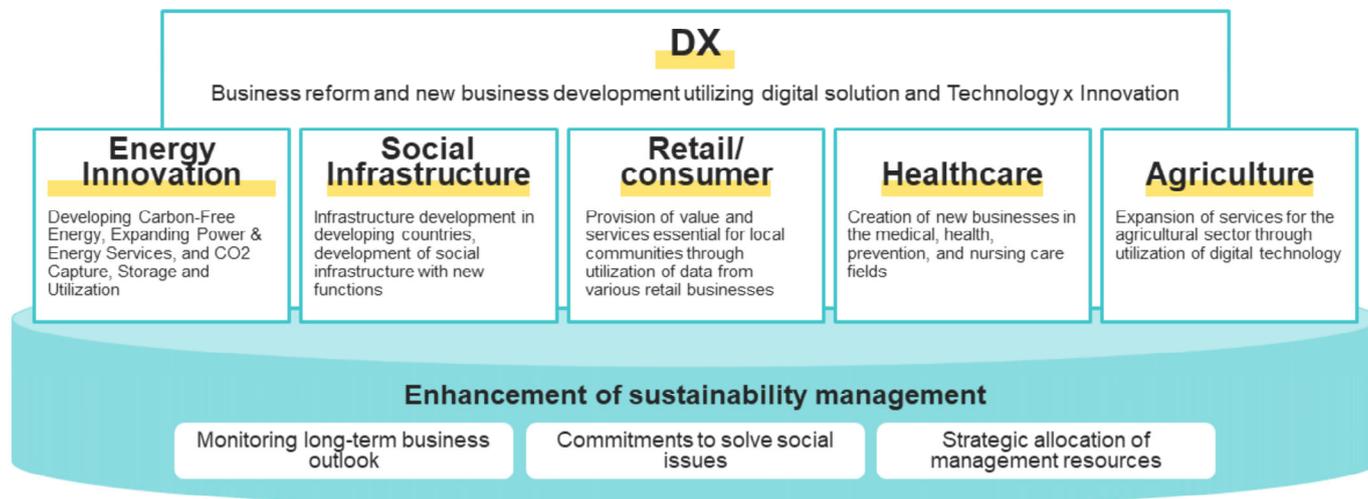
Specifically, we plan to expand investments in the domestic real estate business, construction equipment rental business, and renewable energy-related businesses.

1. Business Portfolio SHIFT

(3) Next-generation growth fields

- Six "next-generation growth fields" have been identified based on market potential and our strengths. We will strengthen and cultivate businesses in these fields in the medium to long term throughout the entire organization.

Business Portfolio SHIFT		
Business Strategy	Business Portfolio	Business Strategy
Business Strategy	Business Portfolio	Business Strategy
Framework SHIFT		
Business Strategy	Business Portfolio	Business Strategy
Business Strategy	Business Portfolio	Business Strategy
Management base SHIFT		
Business Strategy	Business Portfolio	Business Strategy
Business Strategy	Business Portfolio	Business Strategy



(Continued)

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

In the fields of social infrastructure, retail/consumer, healthcare, and agriculture, each of which is also undergoing major changes in social structure, we will anticipate change and establish a new revenue base that will support the next generation of our company while solving social issues by creating new value through leveraging our strengths.

2. Framework SHIFT

(1) Strengthen of individual business strategy management



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

We will now explain the contents of the portfolio shift.

The first is to strengthen of individual business strategy management. I mentioned earlier that we have reclassified all of our businesses into strategic business units and organized their positioning. Internally, we refer to these strategic business units as Strategic Business Units or SBUs. The purpose is to have discussion within each strategic unit, regardless of the framework of an organization.

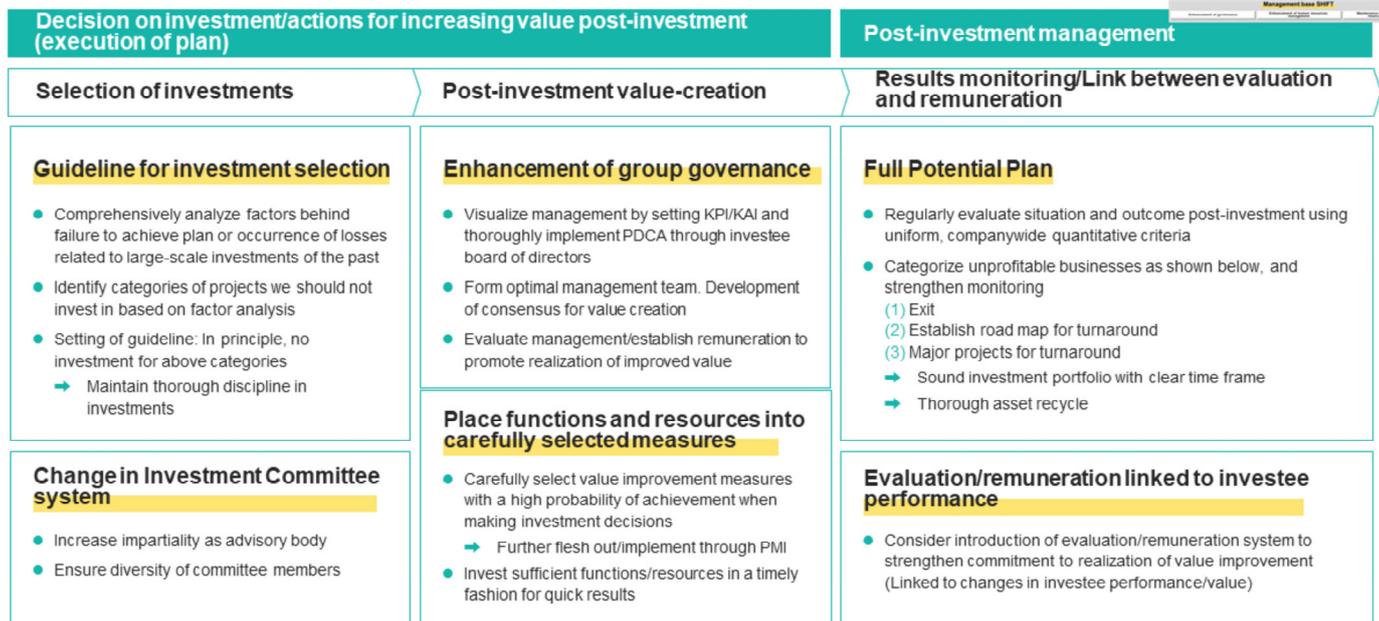
By discussing in the business group with the same strategy, we are able to deepen our strategic discussions more directly than in conventional organizational units, which we believe will lead to speedy decisions on asset recycling and improve the probability of investment success by raising the level of strategy.

After evaluating the strategy for each SBU and clarifying its positioning, we will set appropriate KPIs and KAIs according to the strategy, and implement the steady achievement of the strategy.

In order to ensure the effectiveness of these efforts, we will thoroughly implement PDCA management for each SBU.

2. Framework SHIFT

(2) Selective investment & strengthening of post-investment value-creation



The second is to strengthen the framework for carefully selecting individual business investments and post-investment value-creation.

As explained in the previous slide, formulating a solid strategy in advance is the first step in improving the probability of success in business investment. At the same time, it is also important to build an investment management system that avoids repeating past mistakes by implementing new measures based on past reflections at each stage of investment.

By establishing investment guidelines based on lessons learned from past investment failures, we will be more disciplined and selective when selecting projects.

After the investment is made, we will establish the optimal governance structure for the value creation of each business, and steadily implement the planned value creation measures by fully allocating the necessary resources to realize the value improvement of the operating company.

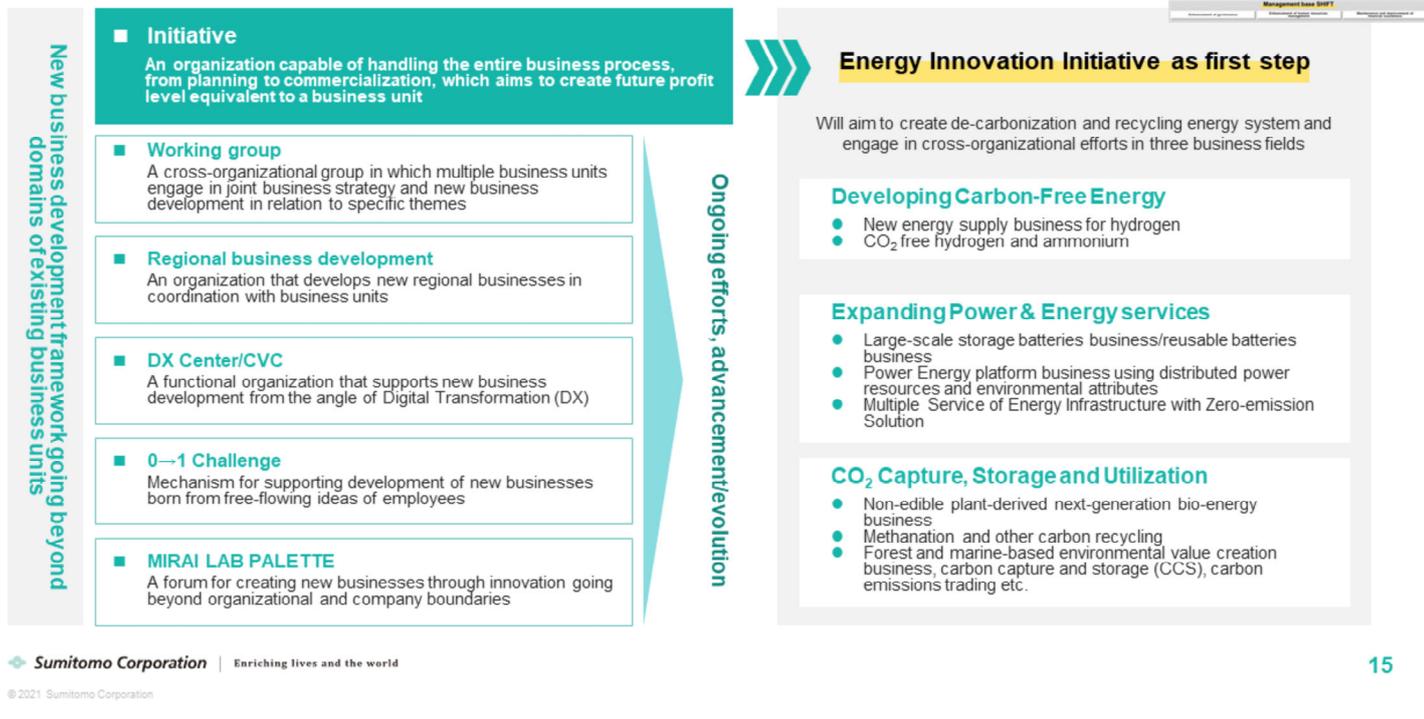
In addition, we will strengthen our monitoring more than before.

For business investments where value creation is not progressing as expected, we will set a clear time frame, implement improvement measures, or immediately and thoroughly replace assets for projects where improvement is not expected.

In order to increase our commitment to the realization of value creation, we will also establish and implement a new personnel, human evaluation, and remuneration system linked to the performance of our investments.

2. Framework SHIFT

(3) Strengthening of cross-organizational efforts



The third is a further strengthening of cross-organizational efforts.

In the previous mid-term plan, we have promoted initiatives beyond business units by promoting inter-organizational collaboration, establishing working groups, and strengthening cross-functional capabilities, but we are aware of the issue that the driving force for actual business realization is weak.

In the new medium-term plan, we will go a step further in our response. A new system of initiatives will be established as an organization that aims to create future profit level equivalent to a business unit on specific themes.

It is an organizational framework as a profit center in which all business units commit to the activities and strongly promote the development of new businesses with the support of the entire company.

The Energy Innovation Initiative, announced in March, is the first of these initiatives. 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 take on the challenge of creating new value in the energy field by bringing together the knowledge of the Group beyond the boundaries of conventional organizations.

2. Framework SHIFT

(4) Re-allocation of management resources across business units



Re-allocation of management resources

Further utilization of “companywide investment funds”

- (1) Expansion of companywide investment funds: ¥300–400 billion
- (2) Change in scope: Allocate more resources to fields in which our strengths have been demonstrated and profits are expected to expand

Category	Scale	Concept
■ Core business expansion	¥300 billion	Substantially increase profits of existing businesses
■ Next-generation business creation	¥30 billion	Create next-generation businesses
■ Technology x Innovation 1->100	¥20 billion	Cultivate new innovative technology businesses

Shift of human resources

- Promote optimal allocation of human resources in conjunction with rebuilding of business portfolio
- Strategically allocate human resources to businesses to which companywide investment funds is allocated

Global Innovation Promotion Committee

Pursuit of companywide optimization based on individual businesses and initiatives

Add function of discussing SBU strategies from the perspective of companywide optimization and of proposing the allocation of “companywide investment funds” and human resource to the Management Council

Corporate Strategy Promotion Committee

Pursuit of companywide optimization based on companywide portfolio

Strengthen function of providing recommendations to the Management Council in order to build a highly profitable and resilient portfolio by taking a big picture approach to the companywide portfolio while considering changes in the social environment

Finally, the fourth is the re-allocation of management resources across business units.

In order to promote a company-wide shift in the business portfolio, we will reallocate management resources, namely human resources and funds, across organizational boundaries from the perspective of company-wide optimization.

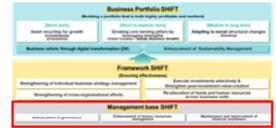
In addition, by prioritizing the allocation of company-wide quotas to business areas in which the Company has already demonstrated its strength and where market growth is expected, the Company will nurture and strengthen the Company's new core businesses at the will of the entire Company.

In addition, we will strengthen the functions of the 2 committees, which are advisory bodies to the Management Council, in order to accelerate the reallocation of management resources in pursuit of company-wide 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 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 a function to this organization to analyze and propose the optimal allocation of management resources for the entire company, taking into account changes in the social environment and overlooking the Company's portfolio.

3. Management Base Shift



	Purpose, policy, theme	Specific measures
Enhancement of governance	<ul style="list-style-type: none"> Strengthen the function of the Board of Directors to further enhance corporate governance Improve effectiveness of group governance 	<ul style="list-style-type: none"> Establish effective supervision of key management policies and strategies (allocation of management resources, strategies related to business portfolio, sustainability management, etc.) and to further strengthen objectivity Introduce and roll out group management policy
Enhancement of human resources management	<ul style="list-style-type: none"> Human resources management reform to realize Global HR Management Policy Promote Diversity & Inclusion Promote allocation of right people in right positions on a global basis Health and productivity management and work style innovation 	<ul style="list-style-type: none"> Revise the HR management system <ul style="list-style-type: none"> Break free from traditional seniority system thinking and thoroughly implement "pay for job, pay for performance" Cultivate and deploy multiple-track career and top tier professionals Improve evaluation/remuneration system, including introduction of 360-degree evaluations Promote Diversity & Inclusion measures tailored to each country/locations Develop platform for allocating right people in right positions on a global basis Promote health and productivity management and pursue new work styles for the new normal
Maintenance and improvement of financial soundness	<ul style="list-style-type: none"> Continued discipline in cash flows Maintaining Risk-weighted Assets within Core Risk Buffer 	<ul style="list-style-type: none"> Maintain investment discipline, without over-reliance on interest-bearing Liabilities (Ensure positive three-year total post-dividend free cash flow) Continue managing Risk-weighted Assets (total amount of risk) within the Core Risk Buffer (shareholders' equity)

As the last part of the new medium-term management plan measures, I will explain the shift in the management base.

In terms of strengthening governance here, we will promote the strengthening of the functions of the Board of Directors to further enhance corporate governance, and we will also strive to improve group governance by introducing the Group management policy.

To strengthen human resources management, we will promote human resources management reforms that embody the Global HR Management Policy formulated last year.

As one of the measures, we revised our personnel system last month with the keywords of "Pay for job, Pay for performance," and "Developing world's top-tier professionals."

We also released details on our website today, so please take a look at that as well.

With this revision as a springboard, we will further promote Diversity & Inclusion and realize the right people in the right places on a global scale.

We will switch from the stage of spreading awareness to the stage of implementation, and promote specific measures according to the actual situation at each of our bases.

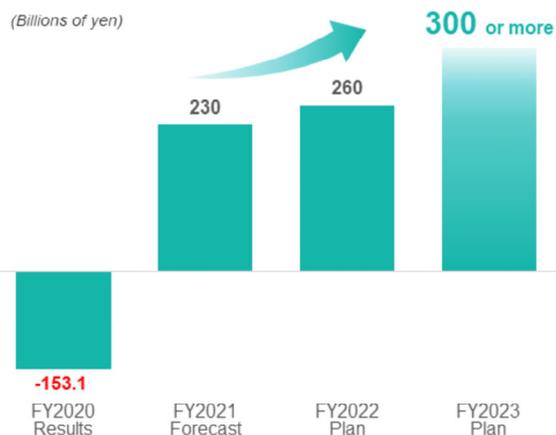
In addition, we will continue to make persistent efforts to promote health management and work style reforms with the aim of maximizing the performance of both the organization and the individual in the era of the new normal in which the COVID-19 pandemic will be prolonged.

In terms of maintaining and improving financial soundness, we will continue to manage Risk-weighted Assets to keep them within our Core Risk Buffer while maintaining cash flow discipline.

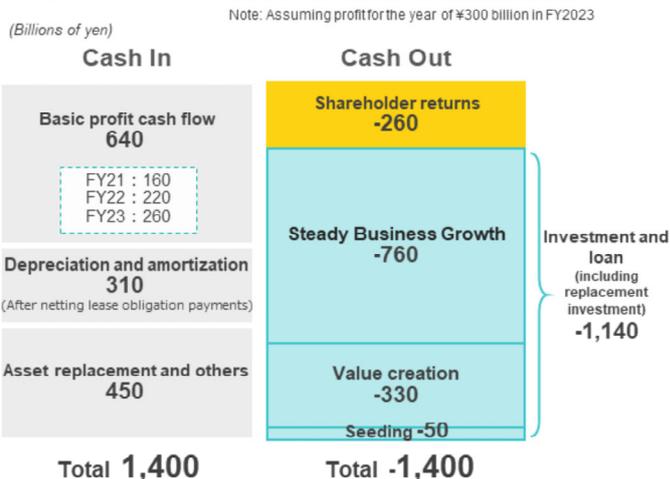
Quantitative Plan

- With the profit improvement from structural reform and the promotion of measures from the medium-term management plan, and aim to achieve **¥300 billion or more and record-high profit in FY2023**.
- With approximately ¥1.4 trillion of cash inflow, inclusive of **basic cash flow of ¥640 billion for three-year in total**, the Company will make investments and loans of around ¥1.1 trillion, while securing positive post-dividend free cash flow for three-year in total.

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



Allocation plan of three-year total cash flow



I will explain the quantitative plan.

We plan to achieve a consolidated net income of JPY230 billion in the first year and JPY260 billion in the second year. In the third year, although the business environment is changing rapidly and it is difficult to foresee the future, we are determined to strengthen our portfolio to be able to generate more than JPY300 billion in profit no matter what the environment is by enhancing the profitability of our portfolio and our resiliency to changes in the environment.

The figure on the right shows the image of the allocation of the total cash flow for the 3 years.

We plan to gradually recover our cash-generating capacity to near the pre- COVID-19 pandemic level in the third year by steadily working on the effects of profit improvement through structural reforms and new profit growth.

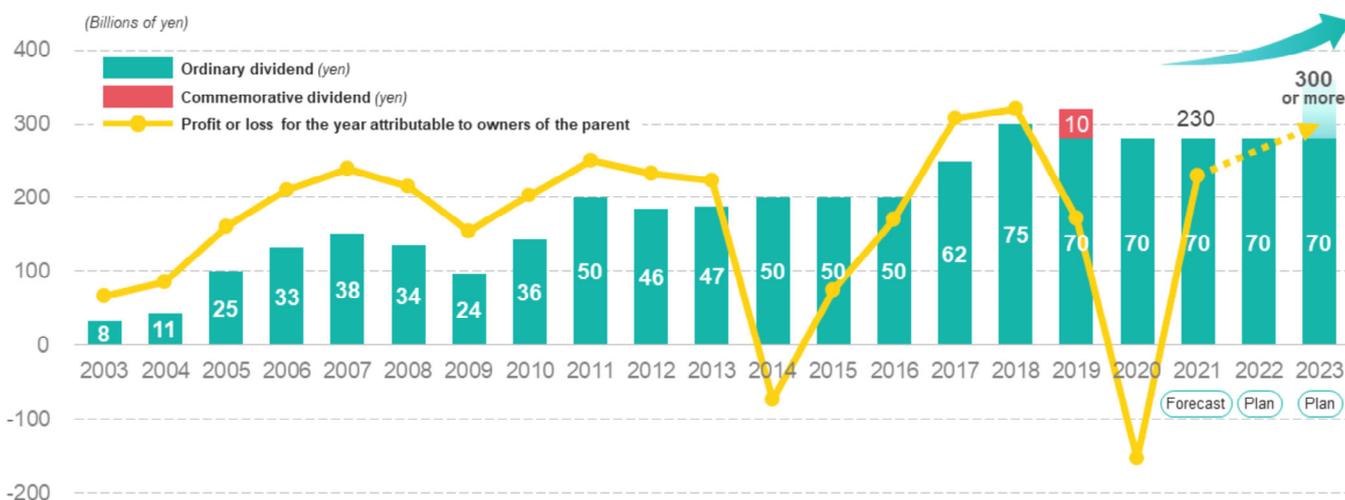
We plan to generate cash inflows of more than JPY1.4 trillion in total over the next 3 years, including the exit from unprofitable businesses and the recovery of capital through the realization of value.

We will use this cash to increase the profitability and downward resiliency of our portfolio by making investments and loans of around JPY1.1 trillion, mainly in areas where the market is highly attractive and where we can fully demonstrate our strengths.

In addition, we plan to allocate JPY260 billion for dividends to return profits to shareholders.

Shareholder Return (Dividend Policy)

- Sumitomo Corporation aims to increase dividends by achieving medium- and long-term earnings growth while adhering to its fundamental policy of paying shareholders a stable dividend over the long term.
- Under the medium-term management plan (SHIFT2023), we decide the annual dividend based on 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.
- In FY2021, we plan to provide a dividend of ¥70 per share (interim dividend of ¥35 and year-end dividend of ¥35).



At the end of the part of the new medium-term management plan, I will explain our dividend policy.

While our basic policy is to provide stable dividends over the long term, we aim to increase the amount of dividends through medium- to long-term profit growth. There is no change in this basic policy.

Under its new medium-term management plan, while aiming for an early recovery in earnings through a shift in our business portfolio, we will decide the annual dividend based on 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 yen per share, the same amount as the annual dividend for FY2020.

Based on the above, we plan to provide an annual dividend of JPY70 per share for FY2021, as we plan to achieve a consolidated net income of JPY230 billion.

3 Enhancement of Sustainability Management

In the last part of this presentation, I would like to explain our efforts to enhance sustainability management.

Enhancement of Sustainability Management Overview

- Transform the Sumitomo Corporation Group's business activities suitable for the realization of sustainable society

Pursue sustainable growth with society



As we have already announced, we are now working on further enhancement of our sustainability management. This is a shift in our business activities to a form that is consistent with a sustainable society, and is one of the key initiatives of this mid-term management plan.

In order for us to achieve long-term growth, it is very important for us to build a portfolio that leverages the strengths of our own value creation model, and to incorporate the theme of social sustainability into our management.

We are strongly committed to resolving social issues and promoting strategic allocation of management resources by backcasting from our vision of a sustainable society to identify the opportunities and risks of long-term changes in the business environment.

Enhancement of Sustainability Management

Setting medium-term goals to address key social issues and long-term goals

Key social issues	Long-term goals	Medium-term goals (newly set)
Sustainability of society	Mitigation of climate change	<ul style="list-style-type: none"> ■ Reduce the Group's CO₂ emissions 50% or more by 2035 (compared to 2019) <ul style="list-style-type: none"> - Reduce CO₂ emissions of the power generation business by 40% or more by 2035 (of which reduce 60% or more for coal-fired power generation business); power generation portfolio in 2035 to comprise 20% coal-fired, 50% gas-fired and 30% renewables (*1) in terms of net ownership generation capacity. - Reduce indirect CO₂ emissions (*2) associated with the fossil fuel upstream business by 90% or more by 2035. - Reduce CO₂ emissions in all other businesses (*3). ■ Establish businesses that will form the foundation for a sustainable energy cycle in society <ul style="list-style-type: none"> - Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy (3GW or more by 2030)(*4), and expand new power and energy services. - Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation. - Capture, store and utilize CO₂ via carbon recycling, forestry business, CCS, and emissions credit trading, etc.
	Circular economy	<ul style="list-style-type: none"> ■ Shift to recyclable, efficient technologies and products ■ Use renewable and recyclable raw materials, collect waste, and promote improved efficiency of product usage <ul style="list-style-type: none"> - Expand use of raw materials derived from recycled or renewable resources. - Improve efficiency of product usage and expand businesses that promote longer product life (sharing, sales of used items, leasing, rentals, etc.). ■ Sustainable use of natural resources ■ Reinforce the sustainable procurement system for major natural resources used by the Group <ul style="list-style-type: none"> - Identify major natural resource-related commodities requiring sustainable procurement, establish procurement policy, promote certification, and strengthen voluntary auditing system.
	Respect for human rights	<ul style="list-style-type: none"> ■ Respect human rights through all of our businesses and supply chains ■ Promote and ensure respect for human rights in accordance with the United Nations Guiding Principles on Business and Human Rights and Sumitomo Corporation Group's Human Rights Policy <ul style="list-style-type: none"> - By 2023, achieve 100% participation rate in human rights education based on the Guiding Principles, and 100% implementation rate in regional organizations and subsidiaries - Strengthen risk analysis in human rights due diligence to accurately assess risks in all businesses, including the supply chain, and implement risk mitigation measures by 2025. Establish a more effective grievance mechanism(*5) based on assessment results. ■ Ensure a safe workplace environment <ul style="list-style-type: none"> - Strengthen efforts to achieve zero accidents at major business workplaces, focusing on manufacturing, processing, and projects involving large-scale construction. ■ Achieve a diverse organization grounded in mutual respect <ul style="list-style-type: none"> - Provide a safe working environment that is free from discrimination and harassment. - Promote human resource management that enables individuals to demonstrate their abilities regardless of nationality, age, gender, sexual orientation, gender identity, or any other attributes or values.

(*1) As of 2020 : coal 50%, gas 30%, renewables 20% (*2) Indirect CO₂ emissions generated by others with the use of fossil fuel (*3) Contribute to CO₂ reduction by setting targets for individual businesses (*4) As of 2020 : 1.5GW (1GW = 1 billion W) (*5) A process that employees, local residents or other stakeholders can use to lodge complaints regarding human rights violations and other issues related to enterprise's business activities including its supply chain, for resolving such issues

In June last year, we set 6 key social issues and long-term goals to demonstrate our role in realizing a sustainable society, and now we have set our mid-term goals as milestones.

This table summarizes the long-term goals for each of the 3 key social issues related to social sustainability, as well as the new medium-term goals that have recently been set.

To pick up on some of them, for example, we set an interim goal for climate change to become carbon-neutral by 2050, for enhancement of human rights due diligence for respect for human rights, etc.

Enhancement of Sustainability Management

Setting medium-term goals to address key social issues and long-term goals

Key social issues	Long-term goals	Medium-term goals (newly set)
Development and evolution of society	<ul style="list-style-type: none"> Contribute to development of local industries and human resources Develop industrial and social infrastructure 	<ul style="list-style-type: none"> Develop local industries, create jobs, and develop human resources through the Group's global business operations <ul style="list-style-type: none"> Promote sustainable, highly productive and value-added industries, and coexist with local communities through business. Create employment and develop management and highly skilled human resources at the Group's business sites. Establish industrial and social infrastructure that contributes to the sustainable development of society <ul style="list-style-type: none"> Promote infrastructure that enables access to high-quality energy, water, transportation, logistics, communications, and financial services, as well as businesses that enhance urban functions.
	<ul style="list-style-type: none"> Provide advanced lifestyle-related services 	<ul style="list-style-type: none"> Deliver advanced lifestyle services that help to solve social issues such as urbanization and aging populations <ul style="list-style-type: none"> Provide more advanced services and new functions that improve the standard of living, such as mobility, media and telecommunications, healthcare services, and smart city development, based on new technologies and concepts.
Quality education	<ul style="list-style-type: none"> Contribute to quality education 	<ul style="list-style-type: none"> Provide quality and equal learning opportunities through 100SEED(*) activities <ul style="list-style-type: none"> Quantitatively expand the scope of learning opportunities. 100% satisfaction of beneficiaries. Continue to have at least 5% of all employees participate annually (scope is Sumitomo Corporation, regional organizations and Group companies).

(*) Social contribution projects with employee participation at Sumitomo Corporation Group

This table shows the 3 key social issues related to the development and evolution of society, the long-term goals for each, and the newly established medium-term goals. To achieve these goals, each sales organization will set up specific action plans and promote initiatives by implementing the PDCA cycle.

While firmly controlling the risks associated with changes in society, we will protect our corporate value in the future, and at the same time, take advantage of these changes as opportunities, leading to sustainable growth for our company. We will continue to manage and monitor the progress of these activities and disclose them to the public.

Enhancement of Sustainability Management

Responses to climate change issues

Changes in business portfolio associated with achieving carbon neutrality in 2050

- Reduce CO₂ emissions 50% or more by 2035 (compared to 2019)
- Power generation business**
CO₂ emissions: Reduce 40% or more (of which 60% reduction or more for coal-fired power generation business)
Net ownership generation capacity: coal 20%, gas 50% renewables 30%
- Fossil fuel upstream business**
CO₂ emissions (*1): Reduce 90% or more
For coal-fired power generation business, no further involvement in IPP (Independent Power Producer) nor EPC (Engineering, Procurement, Construction) business(*2) and will end all the coal-fired power generation business in the late 2040s. For thermal coal mine interest, no additional investment and aim to achieve zero equity production from thermal coal mines by 2030.

Scope of carbon neutrality(*3)

	Scope 1 Direct emissions	Scope 2 Indirect emissions from acquired electricity etc.	Scope 3 Other indirect emissions
Sumitomo Corporation/Subsidiaries	Approx. 1 million tons		Fossil fuel upstream business Approx. 16 million tons
Associated companies (equity method)	Thermal power generation business (including facilities under construction) Approx. 43 million tons		

Develop new businesses for realizing a sustainable energy cycle

- Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy, and expand new power and energy services
- Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation
- Capture, store and utilize CO₂ via carbon recycling, forestry business, CCS, and emissions credit trading, etc.

Responses to climate change risks

- Regularly monitor the status of major risks in light of global trends in climate change at the Management Council and the Board of Directors
- Consider measures including reduction of exposure based on risk status

Information disclosure on climate change risks

Disclose governance, strategy (including scenario analysis^(*4), risk management, targets and KPIs related to climate change based on TCFD recommendations, and continue to enhance the content of disclosure.

*1 Indirect CO₂ emissions by others associated with the use of energy resources produced

*2 As the only exception, we acknowledge the project of Unit 3 and 4 of Matarbari plant in Bangladesh, which is under discussion between the Bangladesh and Japanese governments, as a potential expansion project of the Unit 1 and 2 project which we participate as a contractor. We will judge the possibility of participating in the Unit 3 and 4 project based on dialogue with our various stakeholders and also after we confirm the project's consistency with the Paris Agreement (this will be the last project of coal-fired power generation business that we may have a possibility to consider).

*3 As of 2019

*4 Based on the IEA's Stated Policies Scenario and Sustainable Development Scenario, conduct analysis for power, resources, transportation equipment and materials industries which are highly impacted by climate change

Finally, I would like to make an additional explanation about addressing the issue of climate change among the key social issues.

We have already set a goal of becoming carbon neutral by 2050, which includes CO₂ emissions from our electric power business including equity method affiliates and so-called Scope 3 fossil fuel upstream business.

We have recently set a mid-term goal of reducing CO₂ emissions by more than 50% by 2035.

In addition, we will not engage in new power generation projects or construction contracts for coal-fired power generation, which emits relatively large amounts of CO₂, with the exception of expansion work for some projects in which we are involved. We also decided not to make any new investments in the thermal coal mine business, and shifted to a policy of withdrawing management resources from these areas over the long term.

On the other hand, in order to realize a sustainable energy cycle for society, we will develop businesses related to the supply side and demand side of energy, as well as the CO₂ absorption and utilization cycle, mainly through the Energy Innovation Initiative and other activities as explained earlier, and promote a shift in the allocation of management resources in light of the global de-carbonization.

Enhancement of Sustainability Management

Responses to climate change issues

Changes in business portfolio associated with achieving carbon neutrality in 2050

- Reduce CO₂ emissions 50% or more by 2035 (compared to 2019)
 - Power generation business**
CO₂ emissions: Reduce 40% or more (of which 60% reduction or more for coal-fired power generation business)
Net ownership generation capacity: coal 20%, gas 50% renewables 30%
 - Fossil fuel upstream business**
CO₂ emissions (*1): Reduce 90% or more
For coal-fired power generation business, no further involvement in IPP (Independent Power Producer) nor EPC (Engineering, Procurement, Construction) business(*2) and will end all the coal-fired power generation business in the late 2040s. For thermal coal mine interest, no additional investment and aim to achieve zero equity production from thermal coal mines by 2030.

Scope of carbon neutrality(*3)

	Scope 1 Direct emissions	Scope 2 Indirect emissions from acquired electricity etc.	Scope 3 Other indirect emissions
Sumitomo Corporation/Subsidiaries	Approx. 1 million tons		Fossil fuel upstream business Approx. 16 million tons
Associated companies (equity method)	Thermal power generation business (including facilities under construction) Approx. 43 million tons		

Develop new businesses for realizing a sustainable energy cycle

- Develop hydrogen and other forms of carbon-free energy, increase supply of renewable energy, and expand new power and energy services
- Expand businesses encouraging electrification, fuel conversion, improved energy and coal efficiency, and energy conservation
- Capture, store and utilize CO₂ via carbon recycling, forestry business, CCS, and emissions credit trading, etc.

Responses to climate change risks

- Regularly monitor the status of major risks in light of global trends in climate change at the Management Council and the Board of Directors
- Consider measures including reduction of exposure based on risk status

Information disclosure on climate change risks

Disclose governance, strategy (including scenario analysis^(*4)), risk management, targets and KPIs related to climate change based on TCFD recommendations, and continue to enhance the content of disclosure.

*1 Indirect CO₂ emissions by others associated with the use of energy resources produced

*2 As the only exception, we acknowledge the project of Unit 3 and 4 of Matarbari plant in Bangladesh, which is under discussion between the Bangladesh and Japanese governments, as a potential expansion project of the Unit 1 and 2 project which we participate as a contractor. We will judge the possibility of participating in the Unit 3 and 4 project based on dialogue with our various stakeholders and also after we confirm the project's consistency with the Paris Agreement (this will be the last project of coal-fired power generation business that we may have a possibility to consider).

*3 As of 2019

*4 Based on the IEA's Stated Policies Scenario and Sustainable Development Scenario, conduct analysis for power, resources, transportation equipment and materials industries which are highly impacted by climate change

(Continued)

We recognize that stakeholders are increasingly concerned about the issue of climate change, both from the perspective of its social importance and its impact on our business. In order to respond to these issues, our Management Council and Board of Directors will regularly monitor changes in the business environment related to climate change and the expected impact on our business, and consider how to respond.

We will also continue to proactively disclose our governance, strategy, risk management, targets and other initiatives in line with TCFD and other non-financial disclosure standards.

[END]