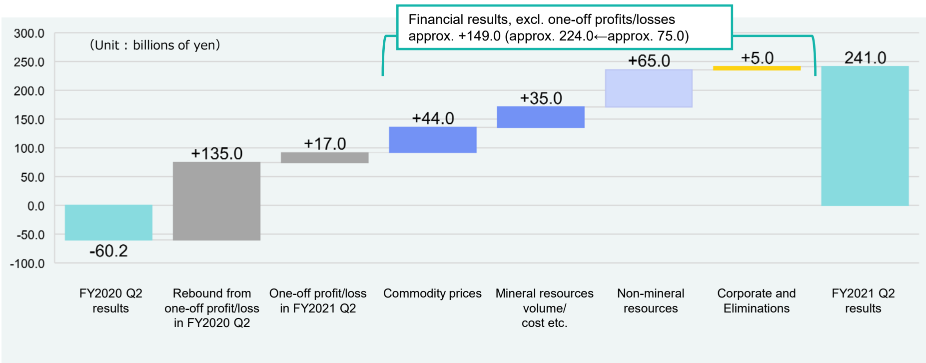
Quarterly Results for FY2021

(Six-month period ended September 30, 2021)

November 4, 2021
Sumitomo Corporation

1. Operating Results (Profit/Loss for the Period)

(Unit: billions of yen)	FY2020 Q2 (Apr.-Sep.) (A)	Q1 (Apr.-Jun.)	Q2 (Jul.-Sep.)	FY2021 Q2 (Apr.-Sep.) (B)	Increase/ Decrease (B)-(A)
Profit / loss (-) for the period	**-60.2**	**107.3**	**133.7**	**241.0**	**+301.2**
One-off profits/losses	approx. -135.0	approx. +14.0	approx. +3.0	approx. +17.0	approx. +152.0
excl. one-off profits/losses	approx. **75.0**	approx. **93.0**	approx.**131.0**	approx. **224.0**	approx. **+149.0**
Mineral resources *1	-4.0	22.0	53.0	75.0	+79.0
Non-mineral resources *2	73.0	68.0	70.0	138.0	+65.0
Corporate and Eliminations	6.0	3.0	8.0	11.0	+5.0



*1 Mineral resources is a sum of Mineral Resources Division No.1, Mineral Resources Division No.2 and Energy Division.
*2 Non-mineral resources is calculated by subtracting "Mineral resources" and "Corporate and Eliminations" from the total.
*3 Due to reorganization carried out as of 1st Apr. 2021, the breakdown of FY2020 Q2 results, excl. one-off profits/losses are reclassified and described.

〈Profit / Loss for FY2021 Q2〉
(compared to FY2020 Q2)

【One-off profits/losses】
- ✓FY2020 Q2 one-off losses including impairment loss in several businesses such as nickel mining and refining business in Madagascar
- ✓FY2021 Q2 one-off profit from restructuring of project finance in nickel mining and refining business in Madagascar (approx. +¥14.0 bil.)

【excl. one-off profits/losses (results) 】

■ Mineral resources
- ✓Increase in earnings by higher mineral resources prices
- ✓Resume of operation in nickel mining and refining business in Madagascar

■ Non-mineral resources
- ✓Tubular products business in North America and automotive related business : recovery
- ✓Leasing business : improvement in earnings
- ✓Real estate business : large scale properties delivered

(Reference) Key indicators			FY2020 (Apr.-Sep.) Results	FY2021 (Apr.-Sep.) Results
Exchange rate		(YEN/US$)	106.93	109.81
Interest rate	TORF 6M	(YEN)	NA	-0.03%
	LIBOR 6M	(YEN)	-0.01%	-0.06%
	LIBOR 6M	(US$)	0.51%	0.17%
Copper *		(US$/MT)	5,490	9,102
Nickel		(US$/lb)	5.99	8.26
Iron ore *		(US$/MT)	91	184
Coking coal **		(US$/MT)	117	200
Crude Oil (Brent) *		(US$/bbl)	40	65

* These commodities show the prices in Jan.-Jun.
** Market price

Profit for the period was JPY241.0 billion.

Although our business management has been affected in no small way by a wide variety of disturbance factors brought about by the repeated, wavelike cycle of the suspension and resumption of global economic activity due to the COVID-19 pandemic, the positive effects have prevailed in our H1 results, resulting in a record-high half-year profit.

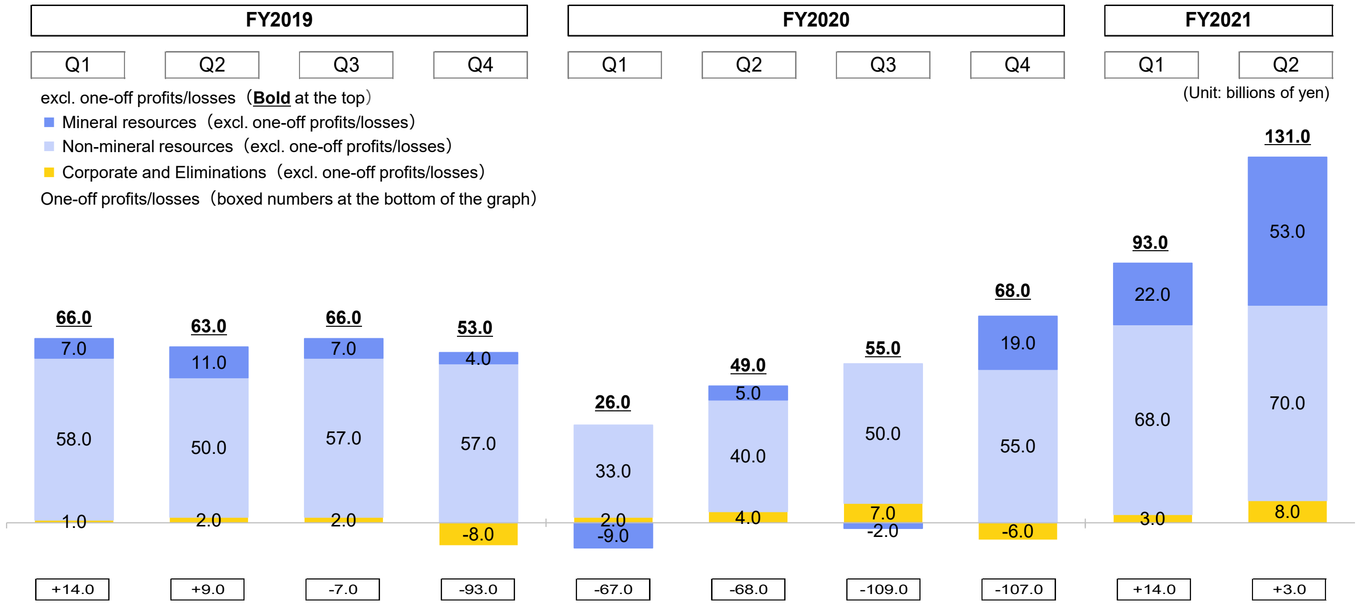
One-off profits for the period were JPY17.0 billion, mainly due to the recording of one-off profit in the nickel mining and refining business in Madagascar in Q1.

Excluding one-off profits, operating results for the period were JPY224.0 billion.
Dividing the results into mineral resources businesses and non-mineral resources businesses, mineral resources businesses recorded JPY75.0 billion, an increase of JPY79.0 billion YoY.

As for the factors behind the increase in profit, as shown in the waterfall at the bottom of the page, the profit increased by JPY44.0 billion due to price factors and by JPY35.0 billion due to non-price factors such as volume.
Due to high commodity prices and the resumption of operations at the nickel mining and refining business in Madagascar, both price and volume factors contributed to a significant increase in earnings YoY.

In addition, non-mineral resources businesses recorded JPY138.0 billion, an increase of JPY65.0 billion YoY.
The increase in profit was due to steady improvement in the business environment, particularly in the Metal Products and Transportation & Construction Systems, which were significantly affected by the spread of COVID-19 in the same period of the previous year.

2. Quarterly Trend for Profit/Loss for the Period

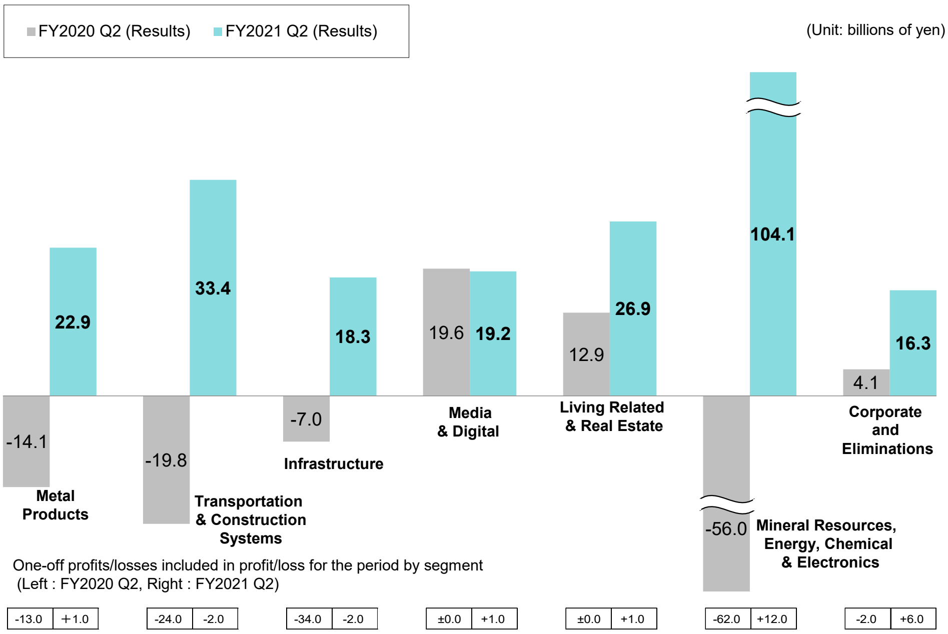


* Due to reorganization carried out as of 1st Apr. 2021, the breakdown of FY2019 and FY2020 results, excl. one-off profits/losses are reclassified and described.

The bar graph shows the quarterly trend of business performance excluding one-off profits and losses.
After bottoming out in Q1 of last year, the recovery trend has continued for both mineral resources and non-mineral resources businesses, and the total for Q2 was JPY131.0 billion.

In the mineral resources businesses, in addition to the sharp rise in mineral resources prices, the recognition of equity in earnings of iron ore mining business in South Africa, which is taken into account on a semi-annual basis, of approximately JPY18.0 billion, resulted in a large increase in earnings compared to the previous quarter, which got off to a solid start.

3. Profit/Loss for the Period by Segment



〈Profit / Loss for FY2021 Q2(Compared to FY2020 Q2)〉
【Summary by segment】
(excl. one-off profits/losses (results))

- **Metal Products**
  - ✓ Recovery of overseas steel service centers
  - ✓ Recovery of tubular products business in North America
- **Transportation & Construction Systems**
  - ✓ Improvement in earnings of leasing business
  - ✓ Recovery of automotive related business
- **Infrastructure**
  - ✓ Progress decreased in several EPC projects in power infrastructure business due to the end of construction
  - ✓ Performance of overseas IPP/IWPP business is stable but impacted by low wind conditions in Europe
- **Media & Digital**
  - ✓ Stable performance of major domestic group companies
- **Living Related & Real Estate**
  - ✓ Market recovery in the U.S. in fresh produce business in Europe and the Americas
  - ✓ Large scale properties delivered in real estate business
- **Mineral Resources, Energy, Chemical & Electronics**
  - ✓ Increase in earnings by higher mineral resources prices
  - ✓ Resume of operation in nickel mining and refining business in Madagascar
  - ✓ Stable performance in chemical trade and agricultural input business

* Due to reorganization carried out as of 1st Apr. 2021, the breakdown of FY2020 Q2 results are reclassified and described.

Then, we describe the business results by segment.
As explained earlier, against the backdrop of a favorable external environment, the Metal Products, Transportation & Construction Systems, and Mineral Resources, Energy, Chemical & Electronics segments are delivering robust performance, while the other segments are also performing solidly.

4. Cash Flows / Financial Position

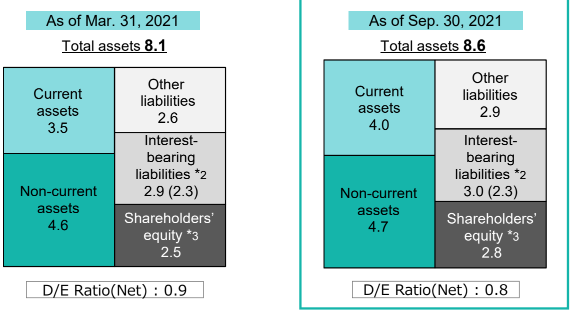
● **Cash Flows** (Unit: billions of yen)

		FY2020 Q2		FY2021 Q2
Operating activities		+222.3		+90.2
Investing activities		-74.1		-15.8
Repayments of lease liabilities		-29.6		-33.2
Free Cash Flow (After netting repayments of lease liabilities)		**+118.7**		**+41.2**
<Cash in>				
Basic profit cash flow*1		+87.5		+188.2
(Dividend from investments accounted for using the equity method, included in the above)		(+58.1)		(+67.7)
Depreciation and amortization (After netting repayments of lease liabilities)		+53.0		+51.0
Asset replacement	approx.	+30.0	approx.	+90.0
Others	approx.	+60.0	approx.	-130.0
<Cash out>				
Investment & loan	approx.	-110.0	approx.	-160.0

〈 **Summary** 〉

- ■ Basic profit cash flow
  - ✓Steady cash generation by core businesses
- ■ Asset replacement
  - ✓Sales of the domestic real estate
  - ✓Sales of the textiles related business, etc.
- ■ Others
  - ✓Increased in working capital, etc.
- ■ Investment & loan
  - ✓Participation in the telecommunication business in Ethiopia
  - ✓Progress in construction of the domestic biomass power plant, etc.

● **Financial Position** (Unit: trillions of yen)



〈 **Summary** 〉 (Unit: billions of yen)

- ■ Total assets +553.4 (8,080.0→8,633.4)
  - ✓ Increase in operating assets
  - ✓ Increase in investments accounted for using the equity method, etc.
- ■ Shareholders' equity +230.2 (2,528.0→2,758.1)
  - ✓ Profit for the year
  - ✓ Dividend paid, etc.

	As of Mar. 31, 2021	As of Sep. 30, 2021
Exchange rate <YEN/US$>	110.71	111.92

*1 Basic profit cash flow = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) × (1-Tax rate) + Dividend from investments accounted for using the equity method
Tax rate is 25% for the six-month period ended September 30, 2021 and 31% for the same period of previous fiscal year

*2 "Interest-bearing liabilities" is sum of bonds and borrowings (current and non-current), excluding lease liabilities.
Figures in parenthesis in "interest-bearing liabilities" show "interest-bearing liabilities, net ".

*3 "Shareholders' equity" is equivalent to "Equity attributable to owners of the parent" in Consolidated Statements of Financial Position.

Next, let me explain about cash flows and financial position.

First, let me explain about cash flows. Please see the top of the document. For the purpose of controlling interest-bearing liabilities, the Company manages cash flows by using adjusted free cash flow, which is the sum of cash flow from operating activities and cash flow from investing activities, adjusted for repayments of lease liabilities.
The actual free cash flow after netting repayments of lease liabilities was JPY41.2 billion in Q2.

By major breakdown, basic profit cash flow was a cash inflow of JPY188.2 billion, mainly due to steady cash generation by core businesses.

Then, in asset replacements, we recovered JPY90.0 billion through sales of the domestic real estate and sales of the textiles related businesses, et cetera. Other cash outflows of JPY130.0 billion were due to an increase in working capital as a result of expanded transactions, including seasonal factors.

In addition, investments and loans resulted in a cash outflow of JPY160.0 billion, mainly due to participation in the telecommunications business in Ethiopia and progress in construction of biomass power plants in Japan.

As for the financial position on the right side of the document, total assets increased by JPY500.0 billion compared to the end of the previous fiscal year to JPY8.6 trillion.
This was mainly due to an increase in operating assets such as inventories, as well as new investments.

5. Annual Forecasts

(Unit: billions of yen)	FY2021 Initial Forecasts (announced in May 2021)	FY2021 Revised Forecasts (announced in Aug. 2021) (A)	Increase/ Decrease (B)-(A)	FY2021 Revised Forcasts (announced in Nov. 2021) (B)	FY2021 H1 Results (Apr. -Sep.) (C)	FY2021 H2 Forecasts (Oct. -Mar.) (D)	Increase/ Decrease (D)-(C)
Profit for the period	230.0	290.0	+90.0	**380.0**	241.0	139.0	-102.1
One-off profits/losses	-	-	approx. +20.0	approx. +20.0	approx. +17.0	approx. +3.0	approx. -14.0
excl. one-off profits/losses	approx. 230.0	approx. 290.0	approx. +70.0	**approx. 360.0**	approx. 224.0	approx. 136.0	approx. -88.0
Mineral resources	62.0	97.0	+28.0	125.0	75.0	50.0	-25.0
Non-mineral resources	191.0	206.0	+35.0	241.0	138.0	103.0	-35.0
Corporate and Eliminations	-23.0	-13.0	+7.0	-6.0	11.0	-17.0	-28.0

<Summary (excl. one-off profits/losses)>

✓ **Increase / Decrease (B)-(A)**

Mineral resources : Impact from higher mineral resources prices

Non-mineral resources : Steel sheets business : impact from price increase
Construction equipment related business : stable

✓ **Increase / Decrease (D)-(C)**

Mineral resources : Expect mineral resources prices decline for several products compared to the first half

Non-mineral resources : Steel sheets business : a pause in price increase
Automotive related business : impact from production decrease due to shortage of semiconductor supply

<Summary of one-off profits/losses >

Expect one-off profits from asset replacements and costs for structural reform in the second half

(Reference) Key indicators		FY2021 Initial Forecasts (as of May 2021)	FY2021 Revised Forecasts (as of Nov. 2021)	Q2 Results (Apr.-Sep.)
Exchange rate	〈YEN/US$〉	105.00	110.00	109.81
Interest rate	TORF 6M (YEN)	NA	0.00%	-0.03%
	LIBOR 6M (YEN)	0.00%	NA	-0.06%
	LIBOR 6M (US$)	0.30%	0.25%	0.17%

*Each appreciation of ¥1/US$ will cause on decrease of approx. ¥1.0 billion(annual forecasts).

Next, I will explain our full-year forecast.
As I explained at the beginning, our company's performance in Q2 was favorable, supported by the external environment, but we are cautious about the external environment in H2.
Based on these factors, our forecast for profit for the year is JPY380.0 billion, a new record high, upwardly revised from the JPY290.0 billion announced in August.

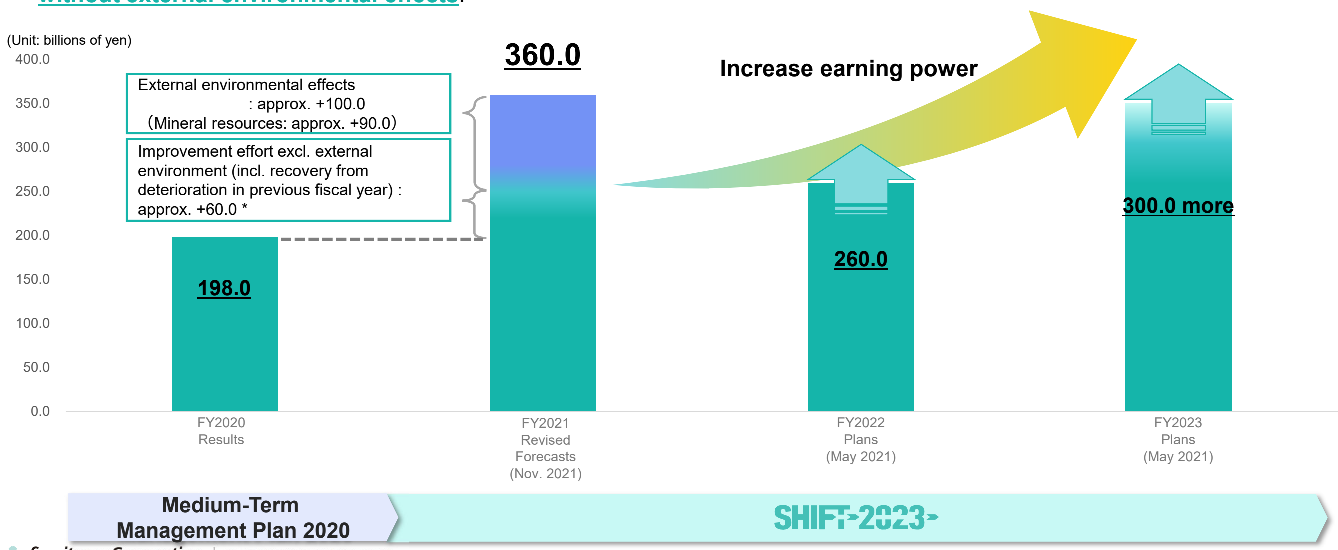
Excluding one-off profits and losses, both the mineral resources and non-mineral resources businesses have been revised upward since the August announcement. The main factors for the mineral resources business are higher-than-expected mineral resources prices, and for the non-mineral resources business, the steel sheets and construction equipment-related businesses have been firm.

As for the outlook for H2, we expect both mineral resources and non-mineral resources businesses to slow down compared to H1 due to the expected impact of price declines for several products such as iron ore in the mineral resources business, and the expected impact of a pause in price increase of steel sheets in the steel sheets business and production decrease due to shortage of semiconductor supply in the automotive related business in the non-mineral resources business.

Regarding one-off profits and losses, while we expect one-off profits from asset replacements in H2, we have factored in costs for structural reform, so we expect a profit of JPY20.0 billion for the full fiscal year.

6. SHIFT 2023 Financial Plans（excl.one-off profits/losses）

- ✓ Approx. 100.0 billion yen is estimated as external environmental effects in FY2021.
- ✓ Earning power based on our capability has been steadily increased.
- ✓ We have aggressively promoted business portfolio shift and aim to stably achieve 300.0 billon yen or more without external environmental effects.



* Initial plan of three-year earnings improvement by Full Potential Plan : approx. 70.0 billion yen

This slide shows SHIFT 2023 Financial Plans.

Our full-year forecast for FY2021, excluding one-off profits and losses, is approximately JPY360.0 billion, which is an improvement of approximately JPY160.0 billion compared to FY2020 results.
Of this amount, we estimate that about JPY100.0 billion was boosted by the external environment, mainly due to the robust mineral resources prices, and the remaining JPY60.0 billion, which excludes the external environment, is the result of our own efforts to improve and strengthen the earning power based on our capability.

I will explain the progress of this medium-term management plan, SHIFT 2023, later, but I feel certain response that by steadily implementing structural reforms in the future, we will be able to strengthen our business structure to earn more than JPY300.0 billion, which was indicated at the time of the announcement of this medium-term management plan, in a stable manner regardless of the external environment.

7. Annual Forecasts by Segment

(Unit: billions of yen)	FY2021 Initial Forecasts (announced in May 2021)	FY2021 Revised Forecasts (announced in Aug. 2021) (A)	Increase/ Decrease (B)-(A)	FY2021 Revised Forecasts (announced in Nov. 2021) (B)	H1 Results (Apr. -Sep.) (C)	H2 Forecasts (Oct. -Mar.) (D)	Increase/ Decrease (D)-(C)	<Summary of Business Outlook for the second half>
Metal Products	13.0	23.0	+13.0	36.0	22.9	13.1	-9.7	･Steel sheets business : a pause in steel sheets price increase ･Tubular products business : stable
Transportation & Construction Systems	25.0	30.0	+14.0	44.0	33.4	10.6	-22.7	･Automotive related business : impact from production decrease due to shortage of semiconductor supply ･Expect costs for structural reform in the second half
Infrastructure	32.0	32.0	+1.0	33.0	18.3	14.7	-3.6	･Overseas IPP/IWPP business : stable but impact of low wind conditions in Europe and periodical maintenance in some projects are expected
Media & Digital	39.0	39.0	+1.0	40.0	19.2	20.8	+1.6	･Major domestic group companies : stable
Living Related & Real Estate	48.0	48.0	+3.0	51.0	26.9	24.1	-2.8	･Real estate business : stable
Mineral Resources, Energy, Chemical & Electronics	105.0	140.0	+63.0	203.0	104.1	98.9	-5.2	･Expect mineral resources prices decline for several products compared to the first half ･Expect one-off profits from asset replacement in the second half
Corporate and Eliminations	-32.0	-22.0	-5.0	-27.0	16.3	-43.3	-59.6	･Increase in tax costs due to revenue decrease and concentration of costs in the second half ･Expect costs for structural reform in the second half
Total	230.0	290.0	+90.0	**380.0**	241.0	139.0	-102.1	* Refer to Appendix “18. Performance Overview” for breakdown of annual forecasts by segment (one-off profits/losses and excluding one-off profits/losses)

This slide shows full-year forecast for profit for the year by segment and a summary of the forecast.
The breakdown of one-off profits and losses by segment, and results excluding one-off profits and losses, is provided in the performance overview by segment in the appendix, so please refer to it later.

8. Cash Flow Plan / Dividend

Cash Flow Plan	In accordance with the upward revision of the forecast of the profit for the year, basic profit cash flow plan for FY2021 is revised to 280.0 billion yen (initial plan 160.0 billion yen) * Overall cash flow plan for the 3 years Medium-Term Management Plan is to be revised toward the fiscal year end
SHIFT 2023 Dividend Policy	We decide the annual dividend based on our fundamental policy of paying long-term stable dividends and taking into consideration the status of fundamental earnings capacity, cash flows, and other factors, with a consolidated payout ratio of about 30% as a guideline, maintaining at least 70 yen per share, the same amount as the annual dividend for FY2020.
Dividend for FY2021	In accordance with the upward revision of the annual forecasts of the profit for the year to 380.0 billion yen, with a consolidated payout ratio of about 30% as a guideline, we increased an annual dividend forecast to 90 yen per share (initial projection was 70 yen per share). (The interim dividend of 45 yen per share and year-end dividend of 45 yen per share (plan))

I will explain the cash flow plan and dividends.
First, regarding the cash flow plan in the upper part of the table, we have revised upward our basic profit cash flow forecast from JPY160.0 billion to JPY280.0 billion, in line with the upward revision of profit for the year.
The overall cash flow plan for the 3 years of the medium-term management plan, including investments and loans, and asset replacements, will be reviewed toward the end of this fiscal year.

As described in the middle of this section, the dividend policy for this medium-term management plan is to maintain a dividend of at least JPY70 per share, with a target consolidated dividend payout ratio of around 30%, and to make decisions on dividends after taking into consideration such factors as fundamental earnings capacity and cash flow conditions.

In light of the upward revision of the full-year forecast to JPY380.0 billion, and in consideration of the dividend policy of a consolidated dividend payout ratio of 30%, the annual dividend forecast has been increased by JPY20 from the initial forecast of JPY70 to JPY90. The interim dividend is JPY45, half the amount of the annual dividend.

Progress of Medium-Term Management Plan「SHIFT 2023」

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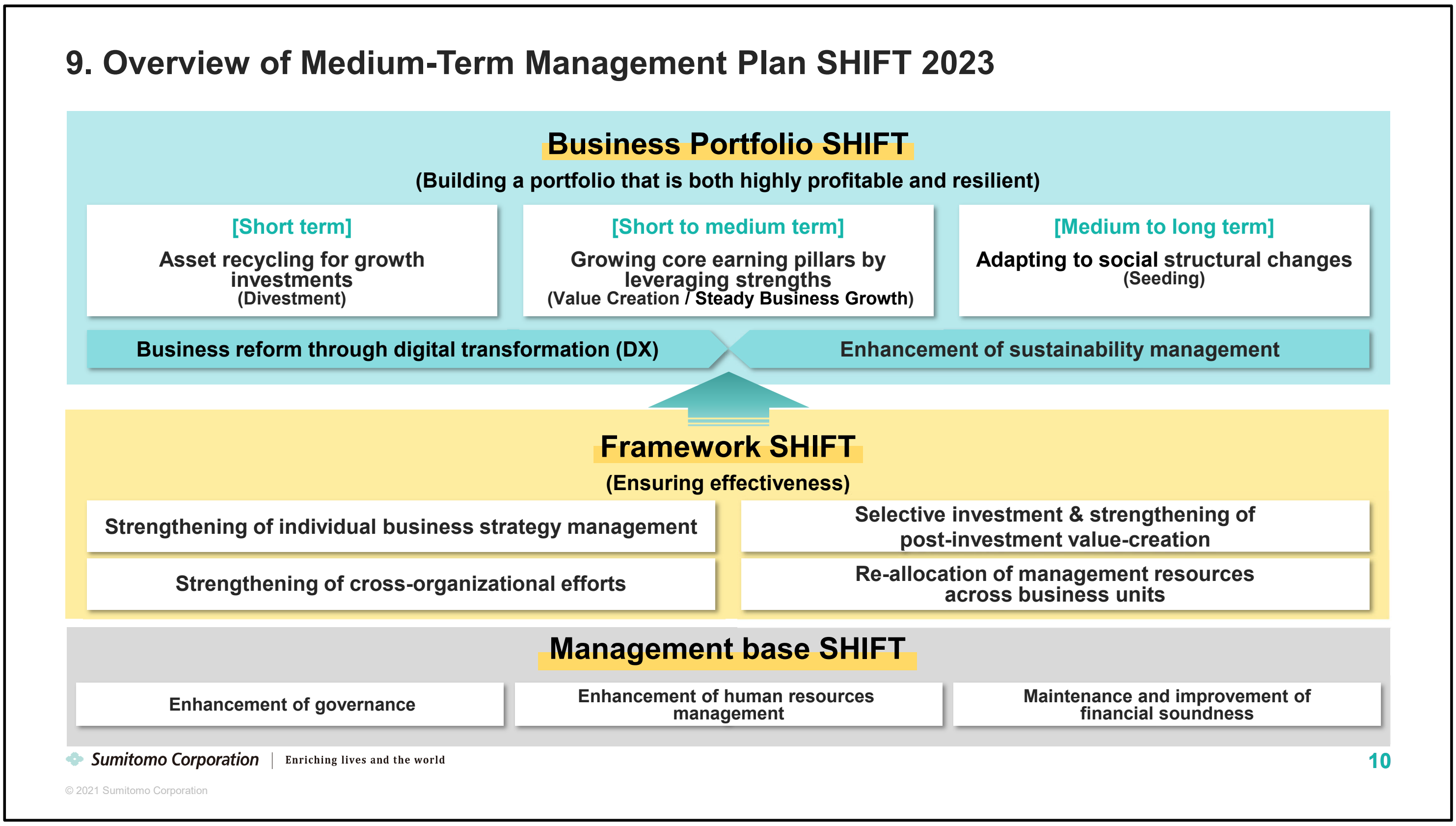
Next, I would like to explain the progress of our medium-term management plan SHIFT 2023, which was announced in May this year.



Before explaining the progress of the SHIFT 2023 medium-term management plan, I would like to start with this slide, which shows the overall picture again.

In order to build a highly profitable and downwardly resilient portfolio, the current medium-term management plan calls for the business portfolio SHIFT shown in the upper row, the framework SHIFT in the middle row, and the management base SHIFT in the lower row, and we are currently taking various measures to achieve these goals.

From the next slide, I will explain the current progress.

10. Business Portfolio SHIFT（Short Term and Short to Medium Term Initiatives）

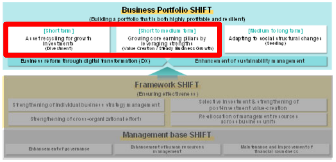
	Full Potential Plan Progress

Identify low-profitable businesses and accelerate measures to create value

Category	FY2021 Q2 Results		At the end of Medium-Term Management Plan SHIFT 2023	
	No. of companies	Earnings improvement	No. of companies	Earnings improvement (estimated)
Exit	13	approx. ¥60.0 billion (compared to FY2020 Q2)	69	approx. ¥70.0 billion (compared to FY2020)
Turnaround (76 companies)		excl. external environmental effects : approx. ¥40.0 billion		

- ✓ Approx. ¥60.0 billion earning improvement compared to FY2020 Q2 have been showing strong progress against the initial plan. This improvement includes approx. ¥20.0 billion earning improvement by favorable external environment, including a rise of mineral resources prices.
- ✓ Analyzed profitability of approx. 400 companies, and identified 101 companies to exit
- ✓ In addition to 32 companies completed in FY2020, will exit from 39 companies in FY2021 (13 of them are completed)
- ✓ The progress of major turnaround (earnings improvement, excl. one-off profits/losses (compared to FY2020 Q2))

Nickel mining business in Madagascar	approx. ¥16.0 billion improvement
Fyffes	approx. ¥6.0 billion improvement
TBC	approx. ¥3.0 billion improvement



First of all, let me talk about the business portfolio SHIFT that was mentioned in the upper row of the previous slide.
I would like to explain the progress of our structural reforms under what we call Full Potential Plan, which we have been working on continuously since last fiscal year as our short-term and short- to medium-term initiatives.

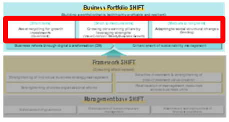
In the current medium-term management plan, we aim for an earnings improvement of about JPY70.0 billion compared to the FY2020 level in FY2023, the final year of the current medium-term management plan, by realizing value in 69 companies and increasing value in 76 companies.

As of Q2 of the current fiscal year, we are planning to exit from 39 companies during FY2021, 13 of which are completed by Q2. The total earnings improvement, including the exit of these 13 companies and the value creation of 76 turnaround companies, was approximately JPY60.0 billion YoY.

We believe that this earnings improvement of approximately JPY60.0 billion includes JPY20.0 billion due to the favorable external environment, such as the impact of a rise of mineral resources prices, and approximately JPY40.0 billion due to our ability. I think you can see that we have been steadily improving our ability.

The amount of earnings improvement of major turnaround companies is shown in the lower part of the slide, including approximately JPY16.0 billion in the nickel mining and refining business in Madagascar, approximately JPY6.0 billion in Fyffes, and approximately JPY3.0 billion in TBC.

11. Progress of the Business Portfolio SHIFT



	Business Strategy Category	Divestment	Value Creation	Steady Business Growth	Seeding
		Asset recycle for growth investments	Growing core earning pillars by leveraging strengths		Adapting to social structural changes
SHIFT 2023	Cash generated through asset disposal (Three-year total)	¥100 billion	¥180 billion	¥170 billion	–
	Investments and loans (incl. renewal investment) (Three-year total)	–	¥330 billion	¥760 billion	¥50 billion
	Earning improvement (compared to FY2020)	¥10+ billion	¥80+ billion	¥40+ billion	–
		approx. ¥70 billion earning improvement by Full Potential Plan, included in ¥130+ billion			
FY2021 Q2 Results	Progress / examination status of major projects	• Conclusion sale contract for thermal coal mining interest in Australia	• Implement structural reform in tubular products business • Improvement in TBC and Fyffes • Resume and ramp-up of operation in the nickel mining and refining business in Madagascar	• Investing in Telecommunication business in Ethiopia • Expansion of managed care business (into Vietnam)	• Entering 5G base station sharing services business • Initiatives for the creation of next-generation energy businesses
	Cash generated through asset disposal	¥0 billion	¥50 billion	¥40 billion	–
	Investments and loans (incl. renewal investment)	–	¥30 billion	¥130 billion	¥0 billion
excl.one-off profits/losses	FY2021 Q2 Results	¥20 billion	¥100 billion	¥100 billion	- ¥0 billion
	FY2020 Q2 Results	- ¥10 billion	¥10 billion	¥70 billion	–
	Earning improvement	¥30 billion	¥90 billion	¥30 billion	–
		approx. ¥60 billion earning improvement by Full Potential Plan, included in ¥150 billion			

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Next, I would like to explain the progress made up to current Q2 with regard to the business portfolio SHIFT, including medium- to long-term initiatives.
In the business portfolio SHIFT, we have reorganized all businesses by strategic business units, plotted them into 4 categories as shown in the upper part of the slide: Divestment, Value Creation, Steady Business Growth, and Seeding, and have set targets according to their positioning.

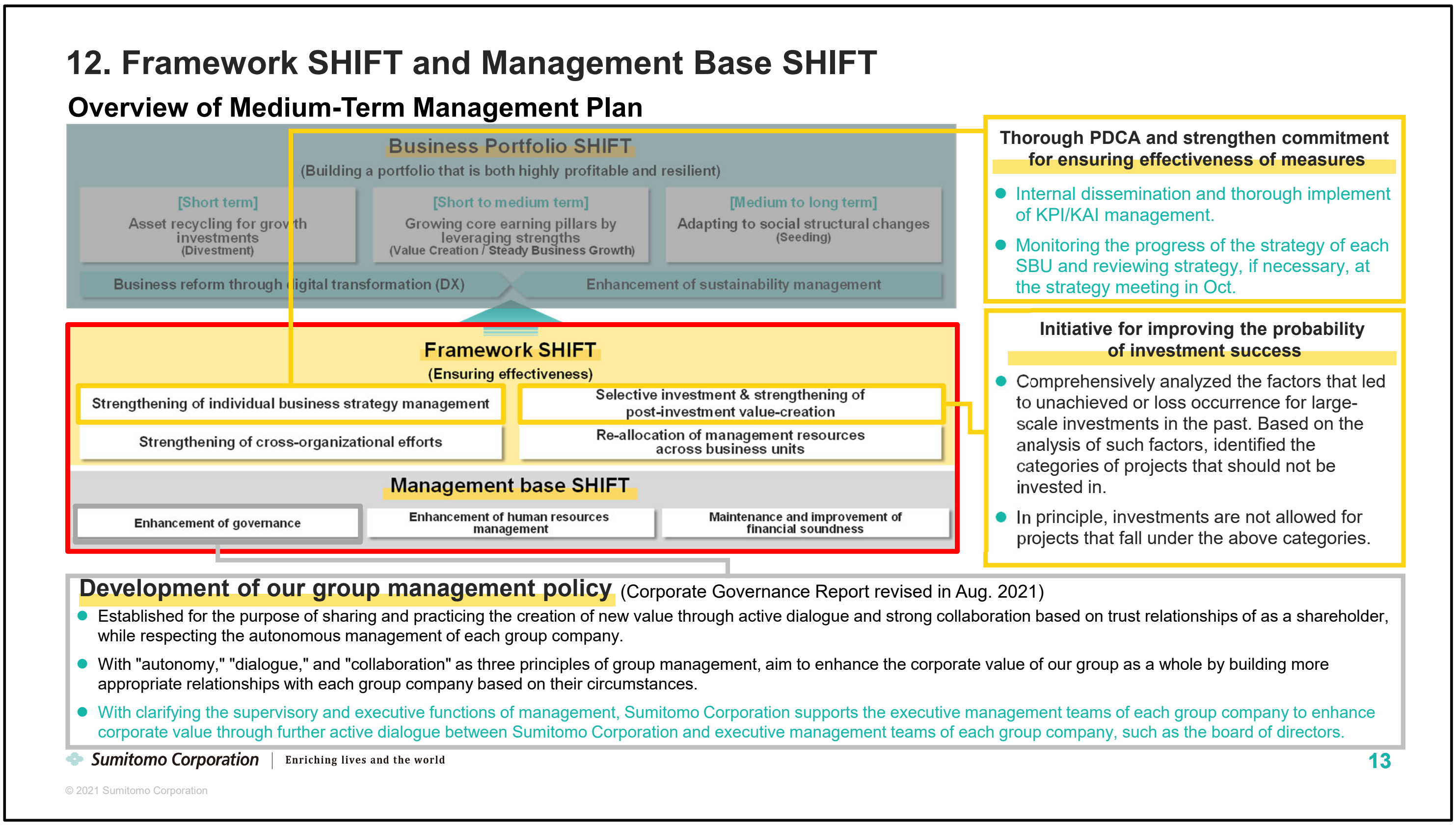
The progress by H1 of FY2021 against the quantitative plan for the current medium-term management plan by category, which is shown in the shaded area in the upper row, is shown in the middle row, including the progress and examination status of major projects.

With regard to the cash generated through asset disposal, we are making steady progress in the recovery of management resources through asset replacements in each category, including the implementation of structural reforms in the tubular products business.

In terms of investments and loans, we focus on the Steady Business Growth category with high market attractiveness, our proven strengths and high probability of success.
Specifically, we have executed approximately JPY160.0 billion by Q2, including new investments such as entry into the telecommunications business in Ethiopia, as well as additional and replacement investments in existing businesses.

The bottom row shows the results excluding one-off profits and losses. Compared to the results for H1 of the last fiscal year, H1 of this fiscal year saw an increase of approximately JPY150.0 billion YoY, due in part to the favorable wind of the external environment.

We will continue to shift our management resources to business fields where the market is more attractive and where we can fully demonstrate our strengths, and work to build a portfolio that combines high profitability with resistance to changes in the business environment.

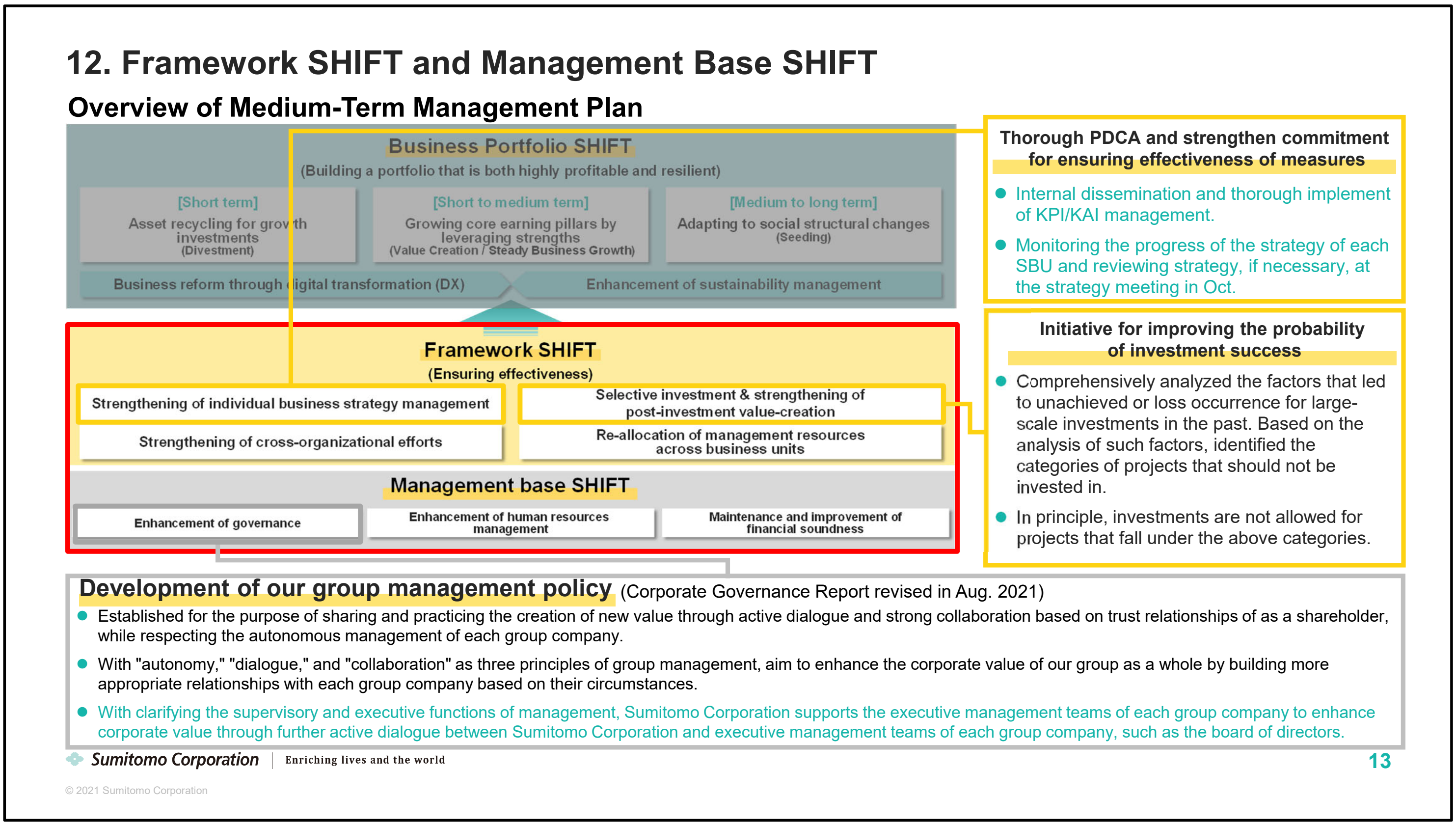


Next, I will explain the progress of the framework SHIFT and the management base SHIFT that support the business portfolio SHIFT.

We are in the process of implementing various measures for each of the items listed here, but today I would like to focus on 3 points.
First of all, the initiatives we took in Q2 are written in blue letters.

The first is about strengthening of individual business strategy management. See the yellow box in the upper right corner.
As explained at the time of the announcement of the medium-term management plan in May, we have introduced Strategic Business Units as business groups that share the same strategy, and as of the start of the medium-term management plan, we have established 73 SBUs company wide.
Each SBU is in the process of brushing up its business strategy to improve the earning power, and is working to ensure that the strategy is thoroughly disseminated within the Company to achieve the KPI/KAI set for each role.
We have started to implement the PDCA cycle for each SBU, and at the internal strategy meeting held last month, we confirmed the progress of KPI/KAI and action plans for each SBU after 6 months of the medium-term management plan.
At the same time, we are reviewing our strategies as necessary and integrating SBUs, which have now been consolidated into 69 SBUs and are implementing the PDCA cycle. By thoroughly implementing this PDCA cycle and increasing our sense of commitment, we will execute the shift in our portfolio.

Look at the yellow box in the bottom row on the right. With regard to the second point, selective investment & strengthening of post-investment value-creation, we explained in Q1 that we established guidelines for the investment selection in order to carefully select individual business investments. In order for these guidelines to take root as part of our organizational culture, we hold briefing sessions for each division to ensure that they are well understood within the Company.



The third is the enhancement of governance in the lower row. Look at the gray box in the bottom row. This policy aims to maximize the Group's corporate value, based on the Group Management Policy explained in Q1.
The third item in the bottom box indicates that we will clarify the roles of our human resources and the management of group companies, taking into account the situation of each group company, and that we will formulate business strategies and plans and monitor the management situation, while the management team in charge of execution will fully demonstrate its capabilities to enhance corporate value.
While deepening dialogues based on the Board of Directors, we will further support the management team's efforts to enhance corporate value.

I have explained the summary of the consolidated results for Q2 of FY2021, the full-year forecast, and the progress of our medium-term management plan, SHIFT 2023.

As I explained, our company's performance in Q2 was favorable due to the tail wind of the business environment and progress in structural reforms. However, the current continuing tailwind will eventually subside and turn into a headwind as well. In addition, the structural reforms promised in SHIFT 2023 have only just begun.
While assuming that the disturbing factors associated with the COVID-19 pandemic will continue over the medium term, we will not take for granted the current situation and will continue to strive as a team, including myself, to complete the structural reforms set forth in SHIFT 2023: the business portfolio SHIFT, the framework SHIFT, and the management base SHIFT.