

New Medium-Term Management Plan

2024-2026

May 2, 2024
Sumitomo Corporation

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

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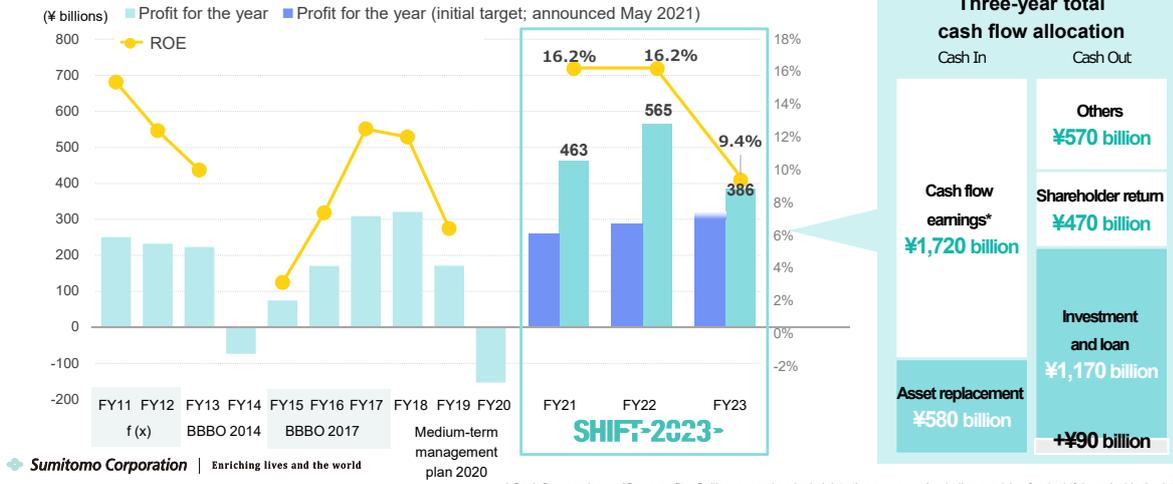
Summary of SHIFT 2023

First, let me review our previous medium-term management plan, SHIFT 2023.

Quantitative outcomes

- Achieved initial profit plans set at beginning of the medium-term management plan; income levels have increased compared with the period of the previous medium-term management plan.
- ROE: 16.2% in FY2021 and FY2022; 9.4% in FY2023 due partly to one-off loss.
- Enhanced shareholder returns by increasing dividends per share and repurchasing shares; secured positive free cash flow post shareholder returns, thus maintaining financial soundness.

Profit for the year and ROE



This slide shows the results of the quantitative plan.

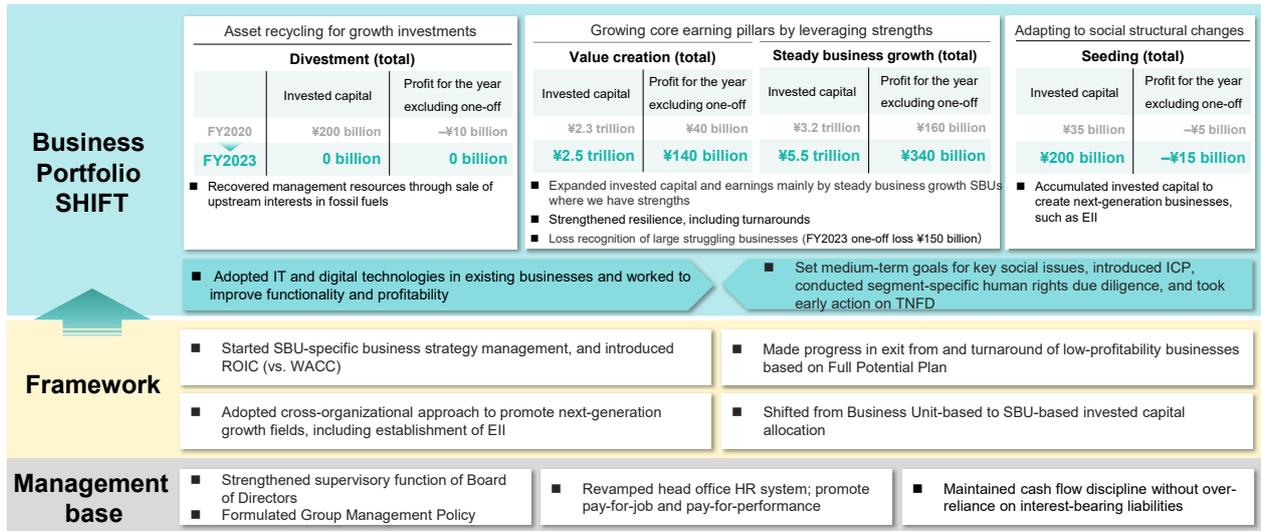
See the graph for SHIFT 2023 in the square in the middle of the slide. Our profit level for the three years through FY2023 is significantly higher than before. The results in light blue exceeded the profit plan shown in dark blue set at the start of SHIFT 2023.

ROE was 16.2% in both FY2021 and FY2022. In FY2023, the ratio was 9.4% due to one-off losses.

The three-year total cash flow maintained financial soundness by securing positive free cash flow after shareholder returns while enhancing shareholder returns through increased dividends per share and share buybacks.

Main initiatives of SHIFT 2023

- Strengthened framework of business strategy management and management resource allocation, etc. and management base to ensure effectiveness of the business portfolio shift.
- Expanded invested capital and scale of earnings mainly in steady business growth; exited from low-profitability businesses and recovered management resources through divestment.



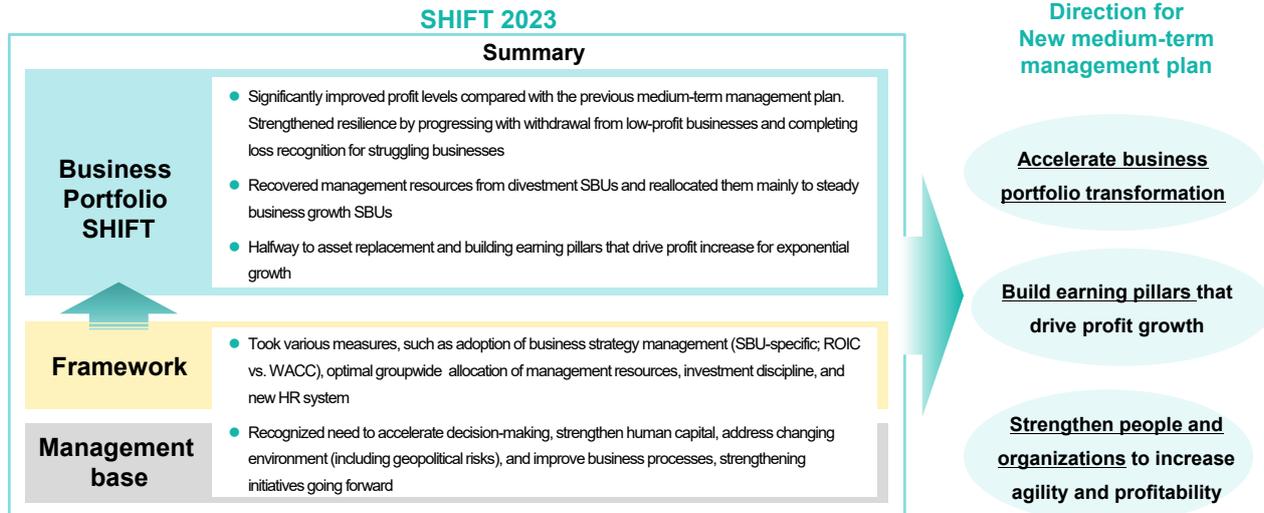
We have reformed our framework to ensure the effectiveness of the shift in our business portfolio. As you can see in the framework column on the bottom of the slide, we have introduced SBUs and four strategic quadrants as business strategy units, and we have also introduced various measures, including the use of business-specific capital costs.

The white box at the top of this slide shows the results of shift in our business portfolio in the four strategic quadrants: divestment; value creation; steady business growth; and seeding, with capital invested and profits for the year excluding one-off profits/losses.

We steadily implemented what needed to be done in each quadrant, leading to an expansion of our scale of earnings. In addition, at the end of FY2023, we processed losses on large struggling businesses, which I mentioned earlier.

Summary of SHIFT 2023

- SHIFT 2023: Strengthened resilience and raised our earnings power by implementing structural reforms
- New medium-term management plan: Transform business portfolio and ourselves to enhance metabolism and build earning pillars to drive growth



Under SHIFT 2023, we have decisively implemented structural reforms and strengthened our resilience. We have completed the disposal of losses in struggling businesses while proceeding with the withdrawal from low-profit businesses. We also promoted capital recycling, the recovery and reallocation of management resources. With the completion of the structural reforms and the disposal of losses from struggling businesses, we are now ready to move forward to the stage of exponential growth.

In the new medium-term management plan, we will further accelerate the transformation of our business portfolio, which we have been working on for years. We will focus more than ever on enhancing our metabolism, including asset replacement, and building a pillar of profit that will drive growth.

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Medium-Term Management Plan 2026

Now, I will explain the new medium-term management plan.

Aims and Material Issues

Enriching lives and the world

Taking into account external environmental changes, we updated our material issues from the perspective of value creation. We will take our medium- to long-term commitment one step further and achieve sustainable growth through addressing the social challenges.

Build resilient
and prosperous
society

Overcome
Climate Change

Preserve and
regenerate
natural capital

Respect
human rights

Develop talent
and
promote DE&I

Maintain and
strengthen
governance

We aim to create new value and contribute broadly to society toward our corporate message, “Enriching lives and the world,” which we created in 2019.

As we enter the new medium-term management plan, we have updated our material issues from the perspective of value creation in light of changes in the external environment, such as the severe climate change and the rapid decline of natural capital. These material issues represent important social issues to be addressed by the Sumitomo Corporation Group and our further commitment to solving them.

Inheriting Sumitomo's business philosophy, we are committed to providing value by leveraging our strengths to achieve sustainable growth of our group through addressing social challenges.

Theme of Medium-Term Management Plan 2026

No.1 in Each Field

Enhance our competitive advantages to achieve growth through addressing social challenges



The theme of the new medium-term management plan is “No. 1 in Each Field.”

After the structural reforms of SHIFT 2023, the level of earnings was JPY500 billion on an excluding one-off profits/losses basis. Under the medium-term management plan 2026, as we enter a new growth stage, we will change our internal mindset from a defensive one of structural reform, maintaining soundness, and strengthening resistance, to an offensive one of becoming number one.

Each business line will aim high by becoming number one, and the company as a whole will achieve significant growth, with the theme of the number one in each field as the driving force behind that growth.

Sumitomo Corporation is involved in businesses in a variety of industries, sectors, and business categories. Each business line which has different histories, business environments, and competitive condition is formulating, implementing, and achieving strategies to determine what kind of number one they want to be and should become. This will lead the Sumitomo Corporation Group as a whole to become the number one in the field. This means that we will become a tremendous company.

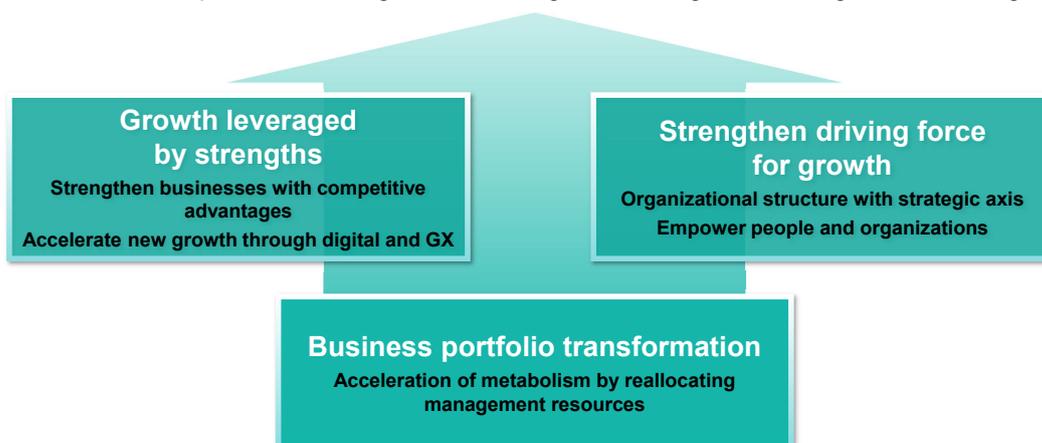
The key elements of number one are written under the number one in each field. It is a competitive advantage and addressing social challenges. There are different approaches to gaining competitive advantage, depending on the business. The goal of medium-term management plan 2026 is for each business to achieve exponential and sustainable growth by acquiring its own competitive advantage, thoroughly refining it, and addressing social challenges through updated material issues.

How will it be achieved? Please turn to the next page.

Medium-Term Management Plan 2026

No.1 in Each Field

Enhance our competitive advantages to achieve growth through addressing social challenges



This is the framework of the growth story in the medium-term management plan 2026.

We will switch our mindset to aim for the number one in each field, acquire and refine our competitive advantage, and achieve growth through addressing social challenges.

How do we work toward that goal? The foundation for that is the acceleration of business portfolio transformation through reallocation of management resources, which we have been working on since the previous medium-term management plan. We will replace or restructure low-growth businesses, and turn to capital recycling to allocate invested capital to growth businesses.

How should we proceed? Through two things written here: growth leveraged by strength and strengthening the driving force for growth.

In the growth leveraged by strength, on the left side of the diagram, we invest capital in the business itself, which has strength and competitive advantage in the growth areas, to make it stronger. We will also accelerate the growth of strong businesses through digital and green transformation (GX) while nurturing next-generation businesses and acquiring new strengths.

Furthermore, as you can see on the right side of the slide, we will strengthen the people and organization that are the driving force for growth. This April, we made a major review of our organizational structure in terms of our strategic axis. In addition, in order to enhance execution, we will promote measures that raise awareness of what kind of human resources and organizational management are required to make the workplace a great place to work, thereby fully harnessing the power of executives and employees, who are the greatest driving force behind our growth.

This is how we will achieve exponential growth, and this is the growth story that forms the basis of our medium-term management plan.

Summary of Quantitative Targets

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

FY2024 Forecast **¥530** billion

FY2026 Plan **¥650** billion

Efficiency ratio

ROE 12% or higher

Financial soundness

**Positive free cash flow post
shareholder return***

Shareholder return

**Total payout ratio: 40% or higher
Progressive dividend payments**

* Excludes changes in working capital, etc.

This slide shows a summary of the quantitative targets in the new medium-term management plan. The details are explained in the following pages.

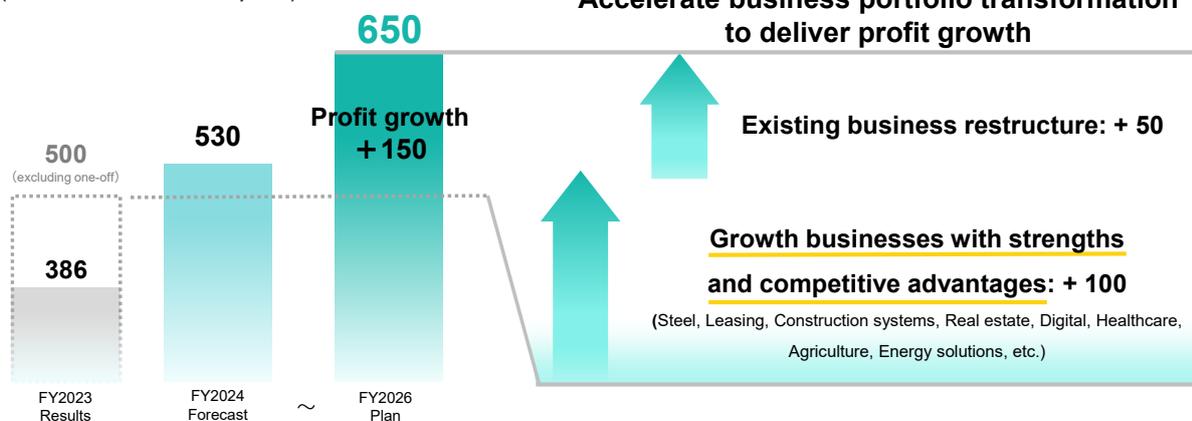
Profit Plan

- By maintaining ROE of 12% or higher while expanding growth businesses with competitive advantages, we aim to achieve profit for the year of ¥650 billion in FY2026.

Profit for the year

(attributable to owners of the parent)

(billions of yen)



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This section shows the profit growth plan on the quantitative side.

We aim to achieve profit for the year of JPY650 billion in FY2026 by maintaining ROE of 12% or higher and expanding growth businesses in which we have a competitive advantage.

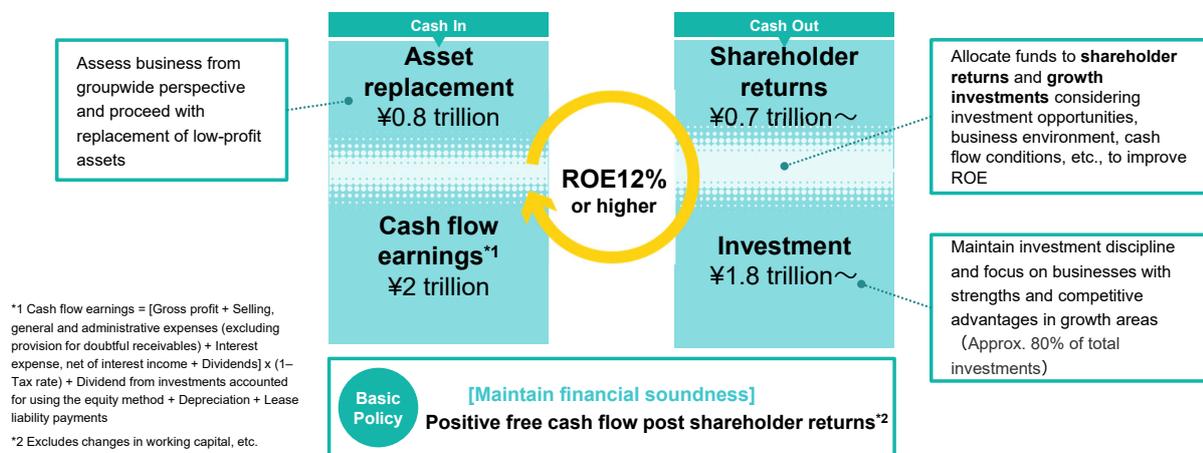
Driving profit growth of JPY150 billion will be growth businesses that demonstrate strength and competitive advantage. We will explain later on the growth businesses to which we will focus allocation of management resources.

In addition to further growth in growth businesses, we will accelerate the transformation of our business portfolio by improving the profitability of our restructuring businesses to achieve further growth.

Cash flow allocation

- Increase cash generation through further asset replacement and improvement of cash flow earnings
- Optimal allocation to shareholder returns and growth investments while maintaining financial soundness

Cash flow allocation (three-year total)



This side explains how to allocate cash in order to achieve such profit growth.

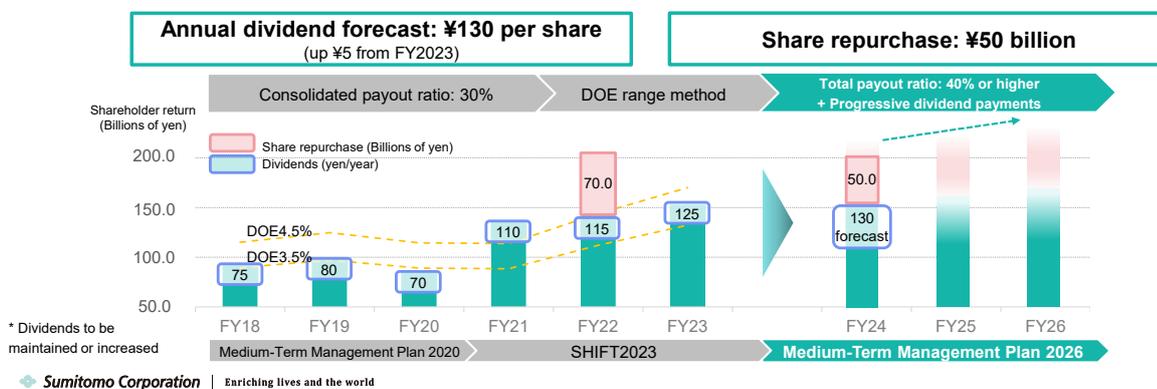
By replacing assets and improving cash flow earnings, we will generate JPY2.8 trillion in cash, which will be allocated for growth investments and shareholder returns to improve ROE.

We will further improve ROE by appropriately allocating earned cash to shareholder returns and growth investments in accordance with investment opportunities, business environment, cash flow conditions, and other factors.

Shareholder return policy

- We made the following revisions after comprehensively considering the improvement of basic profitability through SHIFT 2023, continuously strengthening our financial position and securing funds for investments for sustainable growth:
 - ✓ **Pay dividends and repurchase our shares in a flexible and agile manner with a total payout ratio of 40% or higher**
 - ✓ Further improve dividend stability and increase dividends in line with profit growth **through progressive dividend payments***
- We will continue pursuing sustainable profit growth and further strengthening our earnings base to enhance shareholder returns and increase shareholder value.

Shareholder return in FY2024



This slide describes our revised shareholder return policy, but I explained it earlier in the part of the earnings announcement, so I will omit the explanation.

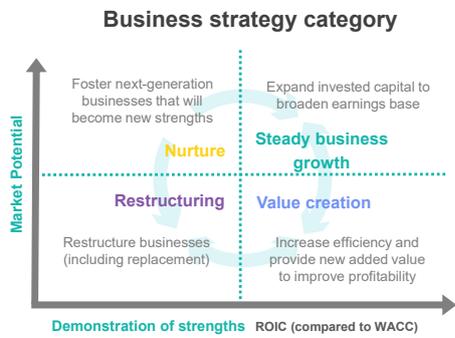
Business portfolio transformation

- Continue to utilize business-specific ROIC and WACC as indicators. Restructure businesses (including replacement) and allocate management resources to businesses with strengths and competitive advantages in growth areas.

Accelerate initiatives under new management structure

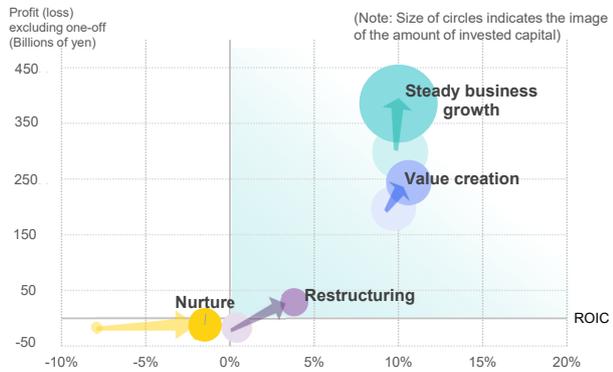
Prioritize allocation of management resources to growth businesses

Accelerate metabolism by reallocating management resources



* Among the previous four strategy categories, two names have been changed (Seeding → Nurture; Divestment → Restructuring)

Management resource allocation (FY2023 → FY2026)



* The figures for FY26 are planned with an assumption that each business stays in the same category from the beginning of FY23.

I have included a scaled version of the slide that I just described the growth story on the upper right-hand side of the page, so please refer to that as you review the document.

The foundation of the growth story of the medium-term management plan 2026, which I explained, is the transformation of our business portfolio.

For business portfolio management, we will continue to use the four business strategy category and business-specific ROIC and WACC as indicators. By ensuring that each SBU steadily fulfills its role in each strategy category, we will improve the profitability of the overall business portfolio.

Particularly for the restructuring business, we will define the moves and timeframes, and replacements will also be made to improve profitability. For focused businesses where we can leverage our strengths in attractive markets, we will expand our revenue base through increased invested capital and build profit pillars that will drive profit growth.

The chart below right shows the revenues and ROIC image for the next three years for each strategy category.

Strengthen businesses with competitive advantage

- Strengthen growth businesses that can fully leverage our competitive advantage and aim to be No.1 by allocating management resources
- Create new value through collaboration among SBUs gathering as new business groups



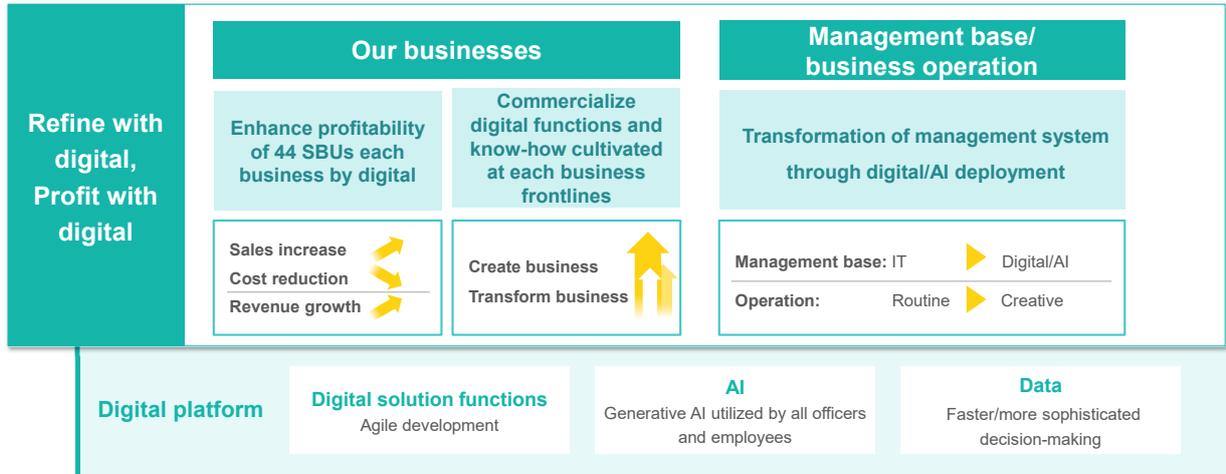
How do we achieve exponential growth? One of the two is growth leveraged by strength.

This slide shows the growth businesses to which we will focus allocation of management resources. Agribusiness, construction systems, leasing, energy solutions, steel, digital, healthcare, and real estate—these are our strongest businesses. These are examples of businesses that have competitive advantages.

These are core businesses where we have built our strengths. Some businesses are already in leading positions in terms of growth potential, profitability, and capital efficiency, while others have the potential to gain competitive advantage immediately. We will further strengthen our strong businesses by prioritizing the allocation of management resources to businesses where we can demonstrate strength and competitive advantage.

Accelerated new growth driven by digital

- Further enhancement in the strengths and competitive advantages of our business by digital. Accelerate growth while developing new strengths.
- Strengthen groupwide earning power by transforming management base and operations by digital. Expand earnings and create/ transform our businesses.



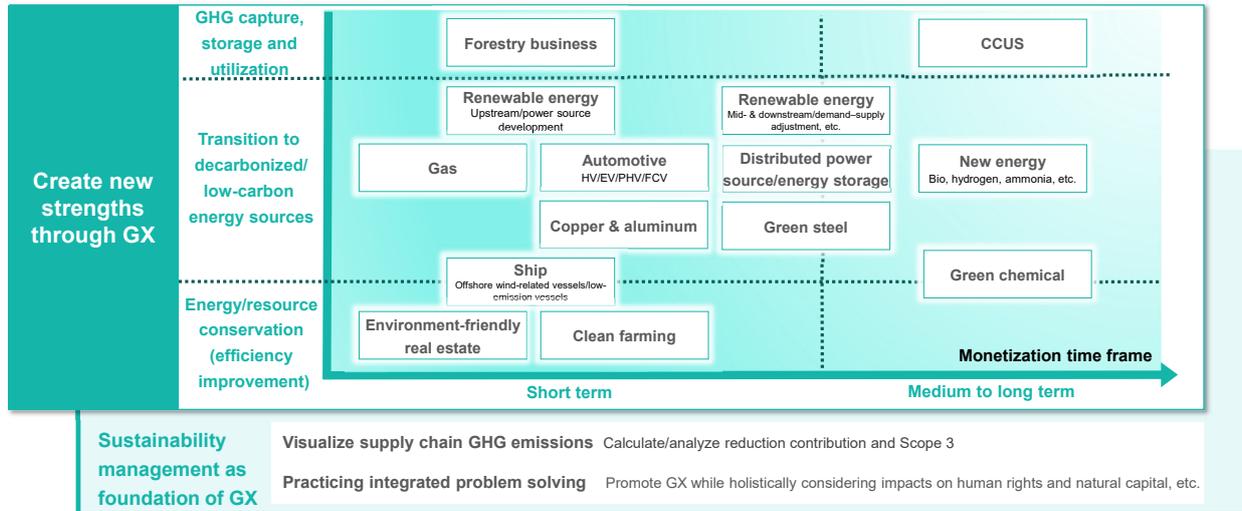
As a common theme for all SBUs, we will accelerate our growth by further enhancing our strengths in digital and green transformation (GX), while also fostering new strengths. This section describes growth accelerated by digital, and the next slide describes growth accelerated by green transformation.

With regard to digital, we have been focusing on the development of our digital infrastructure, including the digital solution functions of IT-related business companies within our group and the establishment of a dedicated organization, the DX Center, in 2018. Under the medium-term management plan 2026, we will refine with digital and earn profit with digital. By transforming the various existing businesses within our group by digital, we will strengthen our overall earning power.

In addition, we will transform our management base and operational processes and nurture new strengths by making full use of digital and AI technologies, including the introduction of AI technologies and the use of data to speed up and advance decision-making.

Accelerated new growth driven by GX

- Further enhancement in the strengths and competitive advantages of our business through green transformation (GX)
- In various industrial fields, create new strengths considering time frame to monetization (including market formation)



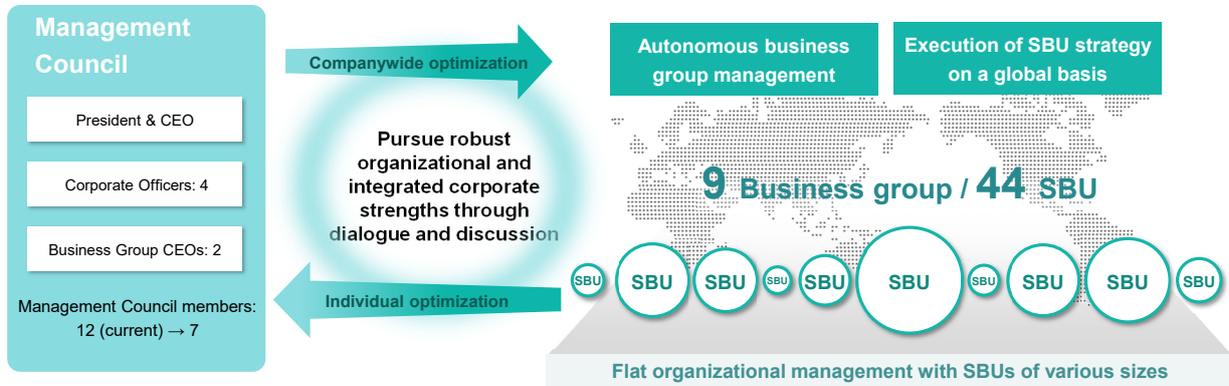
In terms of green transformation, we have promoted the creation of next-generation businesses that contribute to the realization of a carbon-neutral society under SHIFT 2023, including the promotion of sustainable management and the establishment of EII, a company-wide cross-functional organization.

In the new medium-term management plan, we will further strengthen businesses where they have strengths and competitive advantages through green transformation in the short term. In the mid- to long-term, we will also create new strengths for the future with green transformation.

Green transformation is now required for almost every business our group is involved in. We will propose and implement new business models to meet the demands of this society.

Organizational structure with strategic axis

- Management Council: Review member composition and resolution methods; emphasize timely and accurate decision-making to accelerate business portfolio transformation
- Business organization: Reorganize around Strategic Business Units (SBUs) without consideration of size
9 business groups, which contain SBUs with high strategic affinity, promote autonomous group management
Formulate SBU strategy on a global basis and execute the strategy with all sites working together



Next, the second of the two for how we will achieve growth. It is strengthening driving force for growth.

First, the organization. In this April's reorganization, the organizational structure under the management council was reviewed. We changed the member composition and resolution methods of the management council, and will implement timely and accurate decision-making to accelerate business portfolio transformation.

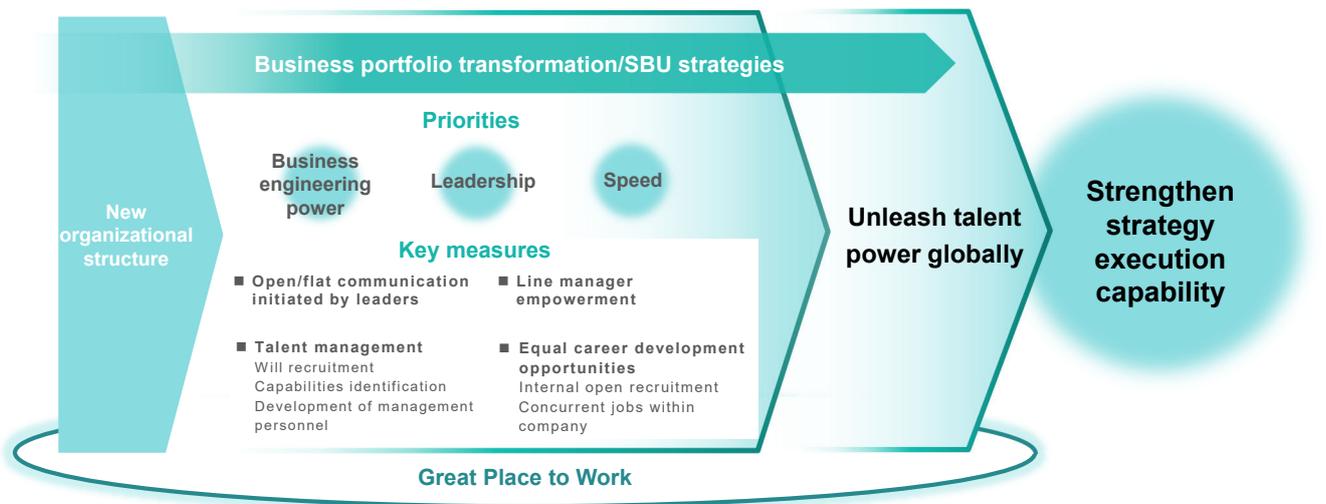
The business organization has been reorganized into 44 SBUs based on a global-based strategy, replacing the product based organization that had been in place for 60 years. We have focused on agility for strategy execution without worrying about the number of people or size of the organization. Accordingly, SBU organizations range in size from 10 to over 400 people, large and small. This organization is aligned in parallel.

In addition, we have organized 9 business groups in which SBUs with high strategic affinity are contained. We will work flexibly to expand earnings through autonomous group management led by each group CEO. Under this structure, our global sites will work in unison to promote our strategy.

The corporate group will also aim to provide efficient corporate functions on a global basis.

Empower people and organizations

- Under the new organizational structure, strengthen strategy execution capability through unleashing talent power (driving force for growth)



The organizational structure has been renewed. Next is people.

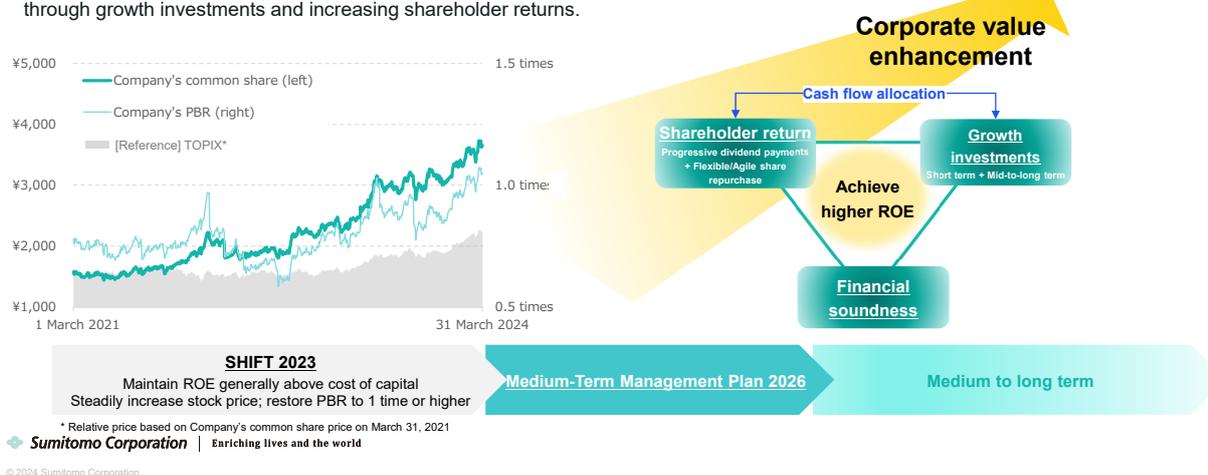
Under SHIFT 2023, we have been promoting "Pay for Job, Pay for Performance" by reforming the personnel system at the head office. We will continue to address these issues in the medium-term management plan 2026, and in line with our business portfolio transformation and SBU strategy, we will unleash talent power, which is the driving force of value creation for growth, to strengthen our strategy execution capability.

There are numerous elements of human and organizational strength, but three priorities are business engineering power, leadership, and speed. We will implement a variety of measures to create people and organizations that embody these principles. These initiatives will be rolled out globally.

We maximize the capabilities of the approximately 8,000 executives and employees who make up our global network. I myself will be hosting round tables of 30 people each to practice open and flat communication.

Aiming for sustainable increase in corporate value

- Under SHIFT 2023: Market capitalization has more than doubled (TOPIX in same period: less than 1.5 times) owing to strengthened resilience and improved profitability.
- Medium-Term Management Plan 2026: Transform into a business portfolio that can consistently exceed the cost of shareholders' equity and achieve higher ROE.
- While considering financial soundness, we aim to achieve a sustainably high ROE and increase corporate value by increasing profits through growth investments and increasing shareholder returns.



As previously explained, the Company's market capitalization more than doubled during the period as a result of SHIFT 2023.

Under the medium-term management plan 2026, we will transform our business portfolio into one that can continuously exceed the cost of shareholders' equity and achieve high ROE.

We aim to achieve high ROE and increase corporate value by maintaining financial soundness over the medium to long term while maintaining an optimal balance of cash flow allocation between shareholder returns and investment for growth.

[END]

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