

We will achieve sustainable growth by promoting a growth strategy based on sustainability management.



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Utilizing knowledge cultivated on the job site in the promotion of SHIFT 2023

Up to now, I have been involved in various real estate businesses in Japan and overseas. Most recently, I have been working on businesses that are relatively close to the consumer, such as managing healthcare and retail in the Living Related & Real Estate Business Unit.

In the real estate business, which is also the founding business of the Group, we have continuously evolved the business model in response to the changing economic conditions and social structure of the times. In the healthcare and retail businesses, we are working on various businesses with a strong focus on development of regional societies and economies and improvement of standards of living, which are the Group's key social issues.

I had worked in the sales field all my life but starting from this fiscal year I am serving as Chief Strategy Officer (CSO), leading the execution of the management strategy. I consider it my mission to take advantage of my experience on the front line of business to complete SHIFT 2023, tying that into the creation of new value further down the road.

The basis of our SHIFT 2023 plan is structural reform in order to shift our business portfolio to have both high profitability and resilience. To achieve that, it is essential that we enhance our businesses, leveraging the strengths of the Group, and create new businesses to address changes in the social structure. We will pursue sustainable growth by promoting a growth strategy through the planning and implementation of specific action plans.

Promoting the Business Portfolio SHIFT to enhance earning power

In FY2021, the first year of SHIFT 2023, we achieved record-high consolidated profit for the year attributable to owners of the parent of ¥463.7 billion by making progress on some measures for exiting low-profitability businesses, promoting turnaround, and creating value at a faster pace than initially planned. Some impact from the external environment, such as rising mineral resource prices, was included but we see this as the result of steadily implementing the measures set forth for structural reform at each business. We also made steady progress on turnaround projects, including the Ambatovy Project nickel mining and refining business in Madagascar, the TBC retail and wholesale tire business in the United States, and the Fyffes fresh produce business in Europe and the Americas. There is a solid sense of a recovery in earning power.

On the other hand, we will need to work on some initiatives from a medium- to long-term perspective, such as those to secure profitability commensurate with invested capital in all businesses, to expand our earnings base while increasing invested capital, and to create new core businesses that will drive future profit expansion. It is important that we produce results as quickly as possible, and I will put even more effort toward that end.

Strengthening the framework for ensuring the effectiveness of the Business Portfolio SHIFT

The Framework SHIFT plays an important role in achieving the Business Portfolio SHIFT. As such, under SHIFT 2023, all of the Group's businesses are categorized into Strategic Business Units (SBUs) based on the strategies they share. Approximately 60 SBUs are grouped into the four strategic categories of Steady Business Growth, Value Creation, Seeding, and Divestment, based around the two axes of market potential and demonstration of the Group's strengths. The aim is to enhance the portfolio of the entire Group

by achieving a return on invested capital (ROIC) that exceeds the weighted average cost of capital (WACC), having each SBU recognize its own functions and strengths and further produce synergy with other SBUs.

In addition to the strengthening of business strategy management, we are also working on reallocation of management resources across business units and enhancement of post-investment value creation.

Specifically, at management strategy meetings held twice a year, we are reviewing and discussing the progress achieved by SBUs on KPIs and KAIs set along with the SBU's policies, strategies, and targets. These discussions include a review of strategies themselves from the standpoint of groupwide optimization as necessary. By clarifying the business strategy and the path to profitability of each SBU, we are strictly analyzing and monitoring to ensure that SBUs categorized as Steady Business Growth and Value Creation categories in particular can fully demonstrate the strengths and generate earnings that greatly exceeds the cost of capital of the business.

Progress in strategy category

With regard to SBUs falling under the Value Creation category, we were able to make steady progress on turnaround projects such as Ambatovy, TBC, and Fyffes as mentioned above, which contributed significantly to a recovery in performance in FY2021. We will continue to execute the Value Creation plans established for each business.

In the Steady Business Growth category, we are working to further expand the scale of our business by investing additional capital in fields where we possess strengths, including increasing our construction equipment rental assets in the United States, entering the telecommunications business in Ethiopia, strengthening collaboration in the retail business, and accelerating the development of our healthcare business. We are also working on transformation of our business model utilizing DX to grow our earning pillars. Although uncertainty is increasing in the external environment with

Message from the Chief Strategy Officer

the emergence of geopolitical risks and global inflation, we will thoroughly manage the risks and execute planned investments while observing the changes.

In the Seeding category, we will accelerate our commercialization efforts in 5G, Beyond Mobility, and Sustainable City (Smart City) with a view to resolving key social issues and long-term market growth.

With regard to the Divestment category, we are carrying out asset replacement ahead of schedule, including selling part of our fossil energy concession, and working to recover more management resources than set forth in the plan.

Creating and cultivating next-generation businesses with enhanced sustainability management as the driving force

In order for the Group to grow sustainably, we will need to promote businesses that capture the essence of the value demanded by society. To that end, it is important to embody the idea that “benefit for self and others, private and public interests are one and the same” * as set forth in Sumitomo’s Business Philosophy. This value has been passed down and is found within the current Sumitomo Corporation Group’s Management Principles. It is also the concept that lies at the foundation of the Group’s sustainability management. Based on this thinking, we are working on various activities under the theme of enhancement of sustainability management.

* This phrase refers to the idea that Sumitomo’s business must go beyond benefiting Sumitomo itself to also benefit the nation and society.

Further enhancing sustainability management

Various social issues, including climate change, loss of biodiversity, depletion of natural resources, and human rights issues, are becoming more serious and threatening the sustainability of society. There are growing expectations for companies to resolve social issues, and I get a strong sense that the business environment and business rules are changing significantly in conjunction with this. These changes are irreversible, and while it

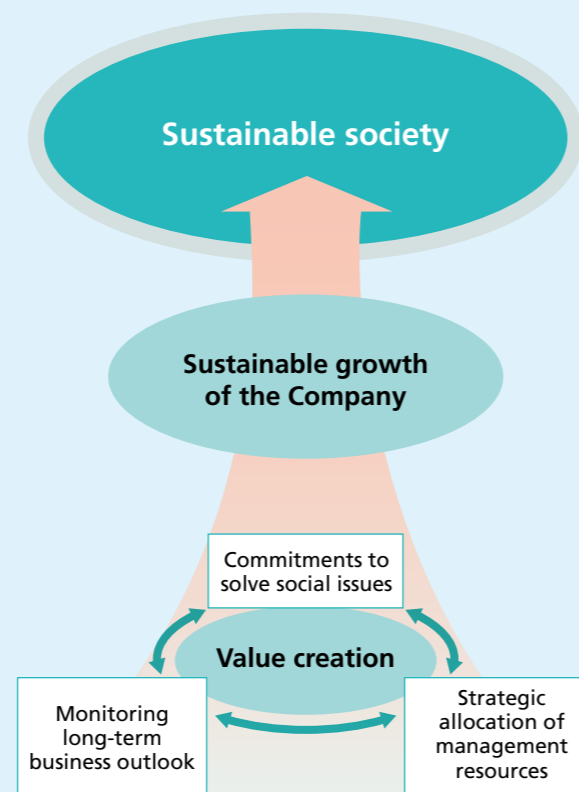
is necessary to address the risks associated with the increasing seriousness of social issues, the situation has brought about many business opportunities to meet new social needs. Given these times we are in, with the pursuit of sustainability as the cornerstone of growth strategy, the Group aims to enhance corporate value over the long term by strategically reallocating management resources and executing the Business Portfolio SHIFT toward the creation of value demanded by society.

The Group is focusing on the six key social issues and long-term goals established in June 2020, which are based on the idea of balancing “development and evolution of society” with “sustainability of society.” We also established medium-term goals in May 2021 as our specific action plan.

In accordance with these goals, we will continue to review our policies as climate change mitigation needs are changing at an increasingly faster pace. In February

Sustainability management at the Sumitomo Corporation Group

Pursue Sustainable Growth with Society



2022, we made it clear that we will not be involved in any new coal-fired power generation business, neither in independent power producer (IPP) nor engineering, procurement, and construction (EPC), with no exception. In May 2022, we disclosed a more specific milestone for achieving carbon neutrality by 2050 ▶ p. 36. As a specific initiative, in FY2021 we sold part of our fossil energy concession and pushed steadily forward with the Business Portfolio SHIFT for decarbonization. At the same time, we began studies on decarbonization and low-carbonization for our existing coal-fired power generation businesses. We are also working on carbon neutralization of our business, and in the Energy Innovation Initiative (EII) launched in April 2021, we will contribute to the carbon neutrality of society through the creation of next-generation energy businesses ▶ p. 29. Moreover, in terms of fundraising, we established a green financing framework in March 2022 and issued green bonds in May in the same year.

In the area of circular economy, we are promoting recycling, resource-saving business through the expansion of sharing businesses on top of reducing food waste and developing biochemicals. In addition, as part of our efforts to reinforce the sustainable procurement system for major natural resources, we established and disclosed the Sumitomo Corporation Group Forest Management Policy and the Sourcing Policy for Forest Products in March 2022.

In regard to respect for human rights, which is a subject of worldwide interest, we have begun human rights due diligence in each business unit based on the Sumitomo Corporation Group’s Human Rights Policy established in 2020, and plan to complete the work in all business units by 2025.

Creation and cultivation of next-generation businesses

Under SHIFT 2023, we see demands for the realization of a sustainable society as opportunities from a long-term perspective, and have positioned the fields we can work on while demonstrating our strengths as next-generation growth fields. We have identified business



opportunities in five fields, namely social infrastructure, retail/consumer, healthcare, and agriculture in addition to the aforementioned energy innovation. While utilizing DX, which has the potential to transform existing business models, we are working on new developments and creating core businesses that will be the Group’s cornerstone in the future. These efforts will also contribute significantly to the key social issue of “development and evolution of society.” Several projects are already underway in the fields of agriculture, healthcare, and retail/consumer, increasing the feasibility of the strategy. We have also launched efforts for the generation of synergy transcending business units and anticipating a larger market.

None of these efforts will be accomplished overnight, but we will actively engage in discussions based on awareness of making changes that go beyond the framework of the organization, which has dramatically increased under SHIFT 2023. While keeping close tabs on the two major social trends of requirements for sustainability and digitalization ▶ p. 53, we will take the lead in transition and strive for the realization of a sustainable society and the sustainable growth of the Group.