



**The background of the artwork:  
"Continuous Life in Cubes of Light - Copper" (by teamLab)**  
In a copper light cube, the flowers change with the actual season throughout the year and continue to change forever, influenced by the behavior of people. The copper color refers to the copper of the Besshi Copper Mines, which were opened in the late 17th century, and continued to support the core of the Sumitomo business for over 283 years. Flowers refer to change and continuity by repeating life and death eternally while changing by the behavior of the people living in the present. Light refers to the future and hope. By continuously changing from its inception to the present and into the future, this work is a symbol of continuously creating new value.

**The challenge is creating new value  
for the new normal.  
Sumitomo Corporation will practice  
sustainability management unique to our  
company and pursue solutions to social issues.**

**Masayuki Hyodo**  
Representative Director  
President and Chief Executive Officer

**About "MIRAI LAB PALETTE" (shooting location)**  
MIRAI LAB PALETTE is a membership-based open innovation laboratory that promotes the creation of new value with partners in various fields. This Lab has two areas: the "base" for multifunctional use by individuals or on project basis to drive business creation by members with a high level of variability, and the "hub" with artworks and a gallery to promote various events and collaboration among members. ▶ Refer to p. 42

### Business environment

#### Control current management to overcome recession and prepare for the new normal

Following the previous financial crisis, the global economy underwent growth for over 11 years. Companies fully enjoyed the fruits of that growth. However, since around the middle of 2019, there has been increasingly less clarity about the political future owing to such factors as US-China tension and the United Kingdom exiting the European Union. Economic recession has resulted, with slowdowns caused by prolonged trade friction between the United States and China, drops in oil and resource prices, and other factors, such as a lack of vitality in automotive, digital and other industries.

Since early 2020, the spread of COVID-19 has stagnated global economic activities: it has led to decreased clarity and growing uncertainty in the business environment. Restrictions on the movement of people and goods have disrupted global value chains. This has led to significant slowing down upstream in such areas as resources and materials as well as for durables-related businesses, such as automobiles.

As a result, the Sumitomo Corporation Group faces an extremely harsh business environment. But I regard these social changes—including technological innovation—as new business opportunities. I believe the *raison d'être* of a trading company is in deploying businesses that contribute to addressing social issues. With our diverse stakeholders, we will overcome this harsh period and pursue prosperity. To overcome the recession and prepare for the new normal based on that belief, we will switch our management to “emergency mode” and direct our company by prioritizing current cash flow management. In addition, we will accelerate our initiatives for structural reform with an eye on our next medium-term management plan; we will return to a growth path in the short-term by further reinforcing our management base.

### Annual results for FY2019 and future forecasts

#### Maintaining basic strategy while adapting to changing international society and economy

Our annual results for FY2019 (second year of our Medium-Term Management Plan 2020) showed consolidated net profit of ¥171.4 billion and basic profit cash flow of ¥239.0 billion. Compared with the original FY2019 budget of ¥340.0 billion, this marks a decrease of ¥168.6 billion, including a fall of approximately ¥77 billion in one-off losses. As President, I completely acknowledge that we were unable to meet stakeholder expectations.

Regarding the outlook for FY2020, we forecast that the severe business environment will continue throughout the year; however, the impact of COVID-19 and the turnaround scenario may vary for each business. On the basis of the financial results for the first quarter of FY2020 and ongoing initiatives, we announced the loss of ¥150.0 billion as the annual forecast for FY2020. This year, we are anticipating ¥100.0 billion as ordinary income (excluding one-off profit/loss), but we are expecting to have one-off losses of ¥250.0 billion. We are unable to go into details; however, if our forecast for the medium- to long-term changes mainly owing to the impact of the COVID-19 outbreak, there will be a possibility of booking impairment losses in a number of businesses. In addition, we are including some losses associated with promoting structural reform for quick recovery of our growth path, such as restructuring low-profit businesses.

▶ Refer to p. 25, Message from the Chief Financial Officer

Because of the abovementioned international and economic changes, the spread of COVID-19 and other factors, the current situation is very different from our assumptions when we formulated the medium-term management plan. Some businesses, such as Infrastructure, Media & Digital and Living Related & Real Estate, are still performing well and they are solidly generating cash; however, many businesses in Metal Products, Transportation & Construction Systems and Mineral Resources, Energy, Chemical & Electronics are confronting downward financial pressure, and they will continue facing uncertainty in their industries. Moreover,

some existing businesses are not generating cash in line with our expectations; thus, they need to make additional efforts to turn around despite the current environment.

Under these circumstances, the Sumitomo Corporation Group will strengthen cash-flow management, and it is implementing structural reforms based on three points from a short-, medium-, and long-term perspective.

As a short-term response, we will accelerate shifting our management resources; we will do so by restructuring low-profit businesses to focus areas, where we anticipate further growth by leveraging our strengths. For the medium-term, we will thoroughly reinforce our earning power. To that end, we will develop necessary internal systems, such as for business strategy formulation, performance management methods, mechanisms for allocating management resources, and a new human resources system. For the long-term perspective, we will accelerate our initiative to create a system for developing businesses toward achieving sustainable growth with society by using sustainability management as our Group’s “compass.” Through these initiatives, we will be able to restructure our business portfolio and aim to become a business group that can withstand changes in the business environment.

▶ Refer to p. 59, Message from the Chief Strategy Officer

With regard to dividends, we are facing harsh business conditions. However, the annual dividend for FY2019 was ¥80 per share (including a commemorative dividend of ¥10 per share) following our fundamental shareholder return policy of paying a stable dividend over the long-term. The full-year forecast is a loss of ¥150.0 billion in FY2020. However, there is no change in the annual dividend forecast of ¥70 per share, which is the same as the ordinary dividend amount in FY2019. We are able to maintain this dividend because we are anticipating that the majority of one-off losses will be non-cash losses in FY2020, and we are solidly generating cash under the current situation. After confirming our financial soundness, we will emphasize that fundamental policy. Further, by promoting the abovementioned structural reform, we expect that we will soon return to a growth path while maintaining the

balance between risk-weighted assets and the core risk buffer. We may have to revise our dividend approach if unexpected circumstances impact our financial base. But we hope to achieve a good balance in cash allocation among investments for growth, shareholder returns, and repayment of interest-bearing liabilities; at the same time, we will secure and maintain the balance between risk-weighted assets and the core risk buffer.

### Human resources strategy

#### Surviving uncertainty with our 70,000 people and their diversity

An integrated trading company is based on people. Having over 70,000 team members working with us globally in group companies, I firmly believe it is human diversity that gives Sumitomo Corporation its adaptability to survive in uncertain times. Human diversity is the driving force that increases our ability to create value.

Developing human resources is essential in achieving that ability, and it is necessary to develop managerial talent at the front lines of group businesses. The Sumitomo Corporation Group has basic rules about autonomous management and self-responsibility. For group company management, members at our headquarters fulfill responsibilities as shareholders; those seconded to group companies make swift, appropriate management decisions on the ground. Management skills are honed through such practices and experience. We will continue to develop next-generation managerial talent mainly through frontline career development.

Another emphasis we make is developing creative personnel who can produce new business solutions while incorporating expertise from both within and outside the Sumitomo Corporation Group. We need people with such skills in promoting our digital transformation (DX) strategy. With constant technological innovation in the DX world, the aim in solving frontline issues is always there. To realize that, it is crucial to incorporate expertise actively and thoroughly from both within and outside the Group when creating solutions. The opening of our new DX Center

in 2018, collaborating with our group company SCSK Corporation, and establishing Insight Edge Inc. (specializing in DX technologies) are some initiatives that reflect our awareness of the need to establish a new organizational culture. The aim is to create solutions that combine our frontline problem-solving ability with expertise from both within and outside the Sumitomo Corporation Group.

▶ Refer to p. 63, CDO Talks: DX Strategy

Through these measures and flexibly appointing quality talent that transcends such attributes as nationality, race, religion and gender based on the concept of Diversity & Inclusion, we will properly grasp business opportunities in these uncertain times. We will construct a global organization that is more resilient and engaging.

▶ Refer to p. 49, Message from the Chief Administration Officer

### Medium- to long-term growth strategy

#### Further growth by simultaneously aiming to achieve prosperity and protect the global environment

Slowdown in the global economy due to COVID-19 is exerting a significant impact on the business environment for the Sumitomo Corporation Group. But I believe that in these times, we have to practice sustainability management. Such management visualizes international society 10 or 20 years hence: this backcasting approach defines how we and our stakeholders should act from a long-term perspective.

On that basis, we at the Sumitomo Corporation Group will implement our medium- to long-term management plan toward simultaneously achieving prosperity in society and protecting the global environment. This direction is defined in our Corporate Message: “Enriching lives and the world.” That message was announced last year for our 100th anniversary. Embedded in the message is our pledge to apply the Group’s expertise and knowledge (deploying diverse businesses deeply rooted in people’s activities around the world amid rapidly changing business environments and human values) to create a sustainable planet.

International society is advocating a move away

from extreme shareholder capitalism toward stakeholder capitalism, which emphasizes various stakeholders. That became evident in discussions at the World Economic Forum Annual Meeting in Davos, which I attended at the beginning of this year. This move is closely related to achieving the SDGs of the UN and financial markets starting to emphasize environmental, social and governance (ESG) factors. The approach is completely in line with one of the concepts of the Sumitomo Group’s Business Philosophy: “Benefit for self and others, private and public interests are one and the same.” We aim to continue emphasizing our corporate ethos, which we have maintained for 400 years.

There is growing international interest in sustainability. However, at the 2019 UN Climate Change Conference (COP25), the conflict of interests became clear between developed and developing countries through differences in position and awareness. It was evident in the failure to reach an agreement on implementing the Paris Agreement. The world’s population is approaching 8 billion. To achieve a rich lifestyle for everyone on earth—even with a population of 9 or 10 billion—it is not possible to force a single value on other people. It is essential to view social issues from a comprehensive macro perspective that encompasses the long-term. When adopting such a perspective, it is not easy to observe matters and devise



solutions. But the Sumitomo Corporation Group will exercise leadership using the diverse expertise and broad perceptions that we have developed as an integrated trading company.

### Enhancing sustainability management

#### Three approaches to linking key social issues to growth strategies of group companies

In June 2020, we at the Sumitomo Corporation Group announced our policy for enhancing our current sustainability management. Our Group is deeply involved in key social issues, such as achieving a carbon-neutral society by 2050 (as under the Paris Agreement), human rights issues, creating a circular economy, and improving living standard, including education. Through an initiative that links these key social issues to the growth strategies of over 400 group company units\*, we aim to combine three approaches in promoting those strategies.

One approach is through self-help efforts. This is based on examining all the Group’s offices and focusing our efforts on businesses that exert a positive impact while reducing environmental impacts. However, that approach alone cannot solve problems. A second approach is needed: using our unique network as an integrated trading company, which involves collaboration with diverse stakeholders. Through cooperating with our 100,000 business partners in the world, we are able to cocreate value that is unachievable by a single company. The third approach involves supporting the transformation of economic and social systems. For example, international society is currently shifting away from mass production and consumption toward a circular economy. Such an economy demands collaboration among many companies and government agencies. We aim to advocate ideas based on cooperation that transcend the boundaries among nations, industries and companies, and that utilize the experience of our Group, which strives for new value creation.

\* For our consolidated group companies, a group company and its subsidiaries are aggregated to one unit.

We will pursue our twin goals of simultaneously achieving prosperity and protecting the global environment. This means that our Group has to set targets for key social issues that are particularly relevant to the Sumitomo Corporation Group while pursuing two aspects: the development and evolution of society and the sustainability of society. We then need to go through the PDCA cycle while monitoring progress toward those targets. For the next medium-term management plan, we will set medium-term goals and KPIs based on key social issues and long-term goals assigned to those issues. We also need to define milestones toward addressing key social issues to serve as a “compass” for our Group’s future long-term management policy. We are currently holding discussions about setting goals and indicators based on the characteristics and directions of our group companies in various businesses. After implementing enhanced sustainability management at our business front lines, we still need to produce results. Using sustainable growth, we at the Sumitomo Corporation Group will accelerate the creation of mechanisms that will enable us to contribute toward achieving a sustainable society by properly addressing social issues. In this way, I firmly believe we can transform our Group’s business portfolio and enhance future profitability by strategically allocating management resources based on attaining the goals of the key social issues.

Through more sophisticated sustainability management, the Sumitomo Corporation Group will continue aiming both to achieve prosperity of society and protect the global environment. Together with our various stakeholders, we will aim to bring about an ideal society.

October 2020

**Masayuki Hyodo**

Representative Director  
President and Chief Executive Officer