Returning to a growth trajectory, we will accelerate SHIFT 2023 to enter the phase of demonstrating the true value of the Sumitomo Corporation Group.

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Message from the President and Chief Executive Officer

Looking back on the first fiscal year of SHIFT 2023

Under the three-year medium-term management plan SHIFT 2023, which began in FY2021, we are working on fundamental structural reforms with making the shift to a business portfolio that is both highly profitable and resilient as the top priority.

FY2021, the first year of the plan, was a year of progress in our transformation, with the introduction of various measures to address many issues. We have steadily implemented them and strengthened our earning power amid drastic changes in the business environment. As a result, we set a new record for our consolidated profit for the year attributable to owners of the parent, which amounted to ¥463.7 billion. Although this was partly due to the rising resource prices of the parent, which were significantly higher than the initial plans announced in May 2021. These incorporate the progress of SHIFT 2023 and an uplifting effect provided by the external environment. Behind the profit plan, which is still lower than the FY2021 results, there is our basic stance of enhancing our basic earning power by completing the structural reforms undertaken in SHIFT 2023, rather than relying on the uplifting effect of the external environment being as strong as that of FY2021. As shown in our three-year rolling plan, regardless of the external environment, we will accomplish the structural reforms set forth in the current medium-term management plan so that we can achieve the profit level of ¥450 billion in FY2024. It is our responsibility to strengthen the downside resistance of our business portfolio, and at the same time continuing to raise the earning level of non-mineral resources business, and steadily raise the earning power of the entire Group to the level that it should be.

Based on this approach and changes in the external environment, we have reviewed our shareholder return policy and the executive remuneration plan. In regard to shareholder returns, we have further clarified the policy to ensure dividend stability and increase dividends in line with profit growth. It also demonstrates our commitment to raising return on equity (ROE) to the 12–15% range expected by the market.

We renewed the executive remuneration plan with the aim of reinforcing the motivation of executives to achieve such management goals. We have further increased the ratio of variable remuneration, which consists of performance-linked bonuses and stock-based remuneration, and now newly reflect our stock price growth rate in performance-linked bonuses.

Renewing our desire to share value with our shareholders and investors through sustainable improvement in our stock price, we will continue to enhance our earning power.

Building a business portfolio that is both highly profitable and resilient

Under the Business Portfolio SHIFT, which is the top priority of SHIFT 2023, we are enhancing our earning power in various ways. In FY2021, we have made steady progress on exiting from low-profitability businesses, which we have been working on since the start of structural reform in FY2020. In addition, each Strategic Business Unit (SBU) has soundedly implemented specific measures toward resolving their respective priority issues. We also are increasing the earning power of our entire business portfolio by expanding investment capital with discipline for SBUs and businesses, not only for current profitability, but also for growth and competitiveness that will lead future profits.

We will continue to leverage the strengths of each SBU and enhance our earning power at a faster pace while focusing on delivering results.

In addition, we are also steadily promoting the Framework SHIFT and the Management Base SHIFT that support the Business Portfolio SHIFT. Put differently, these two shifts create a framework and working environment that will bring out the full potential of each individual, SBU, group company, and group as a whole and enhance our earning power. We ourselves make the most of them to deliver even better results.

I would like to talk about the guideline for investment selection, which was established as a framework for improving the probability of investment success and maximizing value, as an example. The guideline is not simply designed to enforce stricter investment discipline. When making new investments, based on the guideline, we not only review the targets for short-term profits and scale, but also our goals beyond them and the kind of value and transformation that we will bring to society. In other words, it is properly linked to future corporate value by increasing the quality of investment decisions through discussions that are even deeper than before while keeping in mind the concept of grand design—one of the keys of Sumitomo’s Business Philosophy. Furthermore, by having more members from different positions participating in discussions and learning from each other in such decision-making process, I am convinced that we will cultivate business professionals with diverse and multilayered perspectives and insights, leading to medium- to long-term growth.

The three-pillars growth strategy that hones the respective strengths of the Company, its group companies, and the Group as a whole

In parallel with enhancing the earning power of individual SBUs—and in turn Sumitomo Corporation—and group companies, it is also necessary to increase our total strength while seeking overall optimization as the Sumitomo Corporation Group. I call this the three-pillars growth strategy when talking to our employees, with the three pillars being a strong Sumitomo Corporation, a set of strong group companies, and a strong Sumitomo Corporation Group. Specifically, in addition to enhancing the management of group companies as we undertake the enhancement of group governance, which is part...
of our Framework SHIFT, Sumitomo Corporation take on the role of creating and developing businesses as an integrated trading company as well as become the core of synergy creation within the group. As a result, sustainable development for our Group as a whole will be achieved.

I believe that pursuing synergy between the individual (both individual businesses and individual persons) and the whole, the Group in other words, can create value unique to integrated trading company. Individuals are honed and become stronger as company optimization is pursued, and this, in turn, increases the total strength of the whole. I believe this synergy between the individuals and the whole builds up our strengths as an integrated trading company that seeks to address change, and enable us to increase the corporate value of the Group.

Accelerating the Business Portfolio SHIFT centered on enhancement of sustainability management

Under SHIFT 2023, we are further enhancing our sustainability management that grows Sumitomo Corporation sustainably together with society. With society’s needs changing significantly, I see the essence of sustainability management as changing ourselves to contribute toward addressing these changes. In particular, in an age where companies are required to contribute to global and social sustainability, the Business Portfolio SHIFT and enhancement of sustainability management are inextricably linked to realize sustainable growth, it is essential to transform the business model itself from a long-term perspective centered on sustainability.

Based on this thinking, we identified six key social issues in FY2020 to further advance sustainability management. Since then, we have been continuously working toward long-term and medium-term goals related to each issue. The key lies in two themes: the sustainability of society and development and evolution of society. In other words, it is to seek the sustainable development of Sumitomo Corporation Group while harmonizing sustainability and prosperity of society.

For example, Sumit, a Japanese supermarket chain, goes beyond simply being a place for buying food. It is working on various initiatives to contribute toward development of local communities, including incorporating the functions of a community space where people can receive health advice. At the same time, as to the sustainability of society, Sumit is taking steady steps toward resolving social issues through its business activities, such as mitigating climate change by introducing solar power generation at stores and contributing to sustainable resource recycling by leveraging DX to reduce food loss.

As seen in the example of Sumit, I firmly believe that continuing to create the value required by society while continuously transforming business models will lead to sustainable growth of the Group.

In addition, based on our belief in growing together with society, we are making multilayered efforts to solve social issues through our unique social contribution activities in addition to our business activities. 100SEED is a global social contribution activity program that celebrates the 2019 centennial of Sumitomo Corporation’s founding, reflecting a poll of global employees. Our employees around the world are participating hands-on in resolving local community issues by utilizing our diverse skills and experiences with a view of society 100 years into the future.

Going forward, we will further enhance sustainability management while contributing to solving social issues at the forefront of our minds, and will continue to work hard to realize a sustainable society and increase corporate value.

Our tasks in an era of uncertainty

The future continues to remain highly uncertain, including the spread of COVID-19 and the Russia-Ukraine situation. Stepping back a bit further, however, we have overcome various crises since our founding in 1919. The Group has been engaged in business activities overseas for more than half a century, built a system for managing country risks, identified local needs, and contributed toward growing both local communities and the Group. Learning from history and developing management strategies from a long-term view that takes changes into perspective, we will properly discern the ever-changing circumstances and respond them without missing any opportunities. Above all, we are putting our Corporate Mission Statement into practice while continually creating value required by society for each moment as well as one step ahead of the times. We will respond to various changes without deviating from these core beliefs.

I believe that business has the power to enrich the world. With this belief in mind, I will continue to steer Sumitomo Corporation’s management while placing emphasis on the following—continuing to be a company that always meets the needs of times and society through the practice of Sumitomo’s Business Philosophy and Management Principles; promoting businesses that enable sustainable prosperity of the world; implementing diversity and inclusion so that our more than 70,000 employees can help to create new value, and developing as many diverse professionals as possible to change society and the world for the better. Together with our stakeholders, we will contribute to realizing our Corporate Message of “Enriching lives and the world.”