



### **Message from the President and CEO**

We will take on the challenge of creating the future with you by demonstrating the true value of the Sumitomo Corporation Group.

### **Masayuki Hyodo**

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President and Chief Executive Officer

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### Reflecting on the second year of medium-term management plan SHIFT 2023 and reviewing the outlook for the final year

#### FY2022 results and achievements in the medium-term management plan

During FY2022, the second year of medium-term management plan SHIFT 2023, we accelerated the three “shifts” set forth in the plan: **Business Portfolio SHIFT**; **Framework SHIFT**, which strengthens the PDCA cycle of business strategy management and optimal allocation of management resources to ensure effectiveness of the Business Portfolio SHIFT; and **Management Base SHIFT**, achieved through enhancement of governance and human resources management as well as maintenance and improvement of financial soundness. Consolidated profit for the year attributable to owners of the parent for FY2022 was ¥565.3 billion, reaching a record high for the second consecutive year, while return on equity (ROE) reached the 16% level. These were significant achievements resulting from the three “shifts.”

The Sumitomo Corporation Group’s business foundation improved significantly thanks to groupwide efforts to implement structural reforms to overcome weaknesses in the business portfolio that became apparent during the COVID-19 pandemic. We believe that our efforts to date to enhance our profitability have allowed us to demonstrate the various functions that the Group has cultivated over the years at a higher level.

#### Completing SHIFT 2023 and achieving future growth

Of the three aforementioned “shifts,” we have mostly completed our work on the Framework SHIFT and the Management Base SHIFT. In this final year of the plan, we will focus on (1) addressing remaining businesses in turnaround, (2) further profitability improvement of existing businesses,

and simultaneously (3) monetization of next-generation growth fields to bring SHIFT 2023 to completion.

To that end, in addition to our current focus on the completion of SHIFT 2023, we have put together the next three-year plan for establishing an earnings base to maintain ROE at 12–15% over the medium to long term regardless of the external environment and bring about sustainable growth of the Company. Under the next three-year plan, we seek to achieve profit for the year of ¥600 billion in FY2025 by fully capitalizing on the effects of the Framework SHIFT and the Management Base SHIFT and accumulating quality capital investments.

### Our true value

#### What we mean by “true value”

Last year, I stated here that beyond SHIFT 2023 is the phase of demonstrating the Group’s true value. So, what do we mean by “true value”?

With the spread of COVID-19, the situation in Ukraine, the setbacks in globalization, and the growing divisions or de-risking arising from these factors, I believe we are now

approaching a major turning point in history, the biggest since the end of the Cold War. Faced with such a business environment, we continue to grow sustainably by reforming our own business model and joining hands with society to create the value it needs.

What is important now is having the ability to create the value that society will need tomorrow so that we can find benefit for both ourselves and society, and continue to be needed by society at all times. To achieve this, it is crucial to have the ability to carry the business through to the end by organizing and integrating stakeholders’ different perspectives and effectively addressing their concerns where the business takes place, as well as to carefully maintain the credibility that is brought about by a commitment to thoroughly engaging with stakeholders to solve problems and achieving specific results.

Credibility leads to the next business opportunity, and from there, demonstrating the ability to carry the business through to the end will bring about a virtuous cycle of continuously co-creating value. At the core of this is Sumitomo’s Business Philosophy, passed down through the generations. It is embodied by the Group’s journey overcoming various challenges since its establishment in 1919. Our true value lies

“ The ability to carry the business through to the end and solid credibility established with stakeholders ”

## Message from the President and CEO

in our ability to carry things through to the end based on Sumitomo's Business Philosophy. We will continue to demonstrate this true value by refining and combining the three strengths of autonomous value creation by each group company, creation and reform of business by Sumitomo Corporation as an integrated trading company, and Group synergy generated with the Company at the core so as to maximize the value of the Group as a whole. In other words, this entails putting into practice the three-pillars growth strategy mentioned in this message last year.

### Examples of how we have demonstrated our true value

The agribusiness, which the Group is pursuing as part of the Steady Business Growth category, is an example of where our true value is being demonstrated and thriving. In the agribusiness, we have expanded our business domain along the value chain to agrochemical trading, distribution, and the agricultural input & service business over a long time while staying on top of changes in the business environment.

Leveraging the knowledge we have accumulated through this as well as the people and networks to which this knowledge is passed on, we have built trust around the world with local communities and the farmers who are our customers. This is what has been the source of revenue expansion in the business.

In the history of this business expansion, there is a division of roles in which group companies in 38 countries enhance their customer-focused local operational skills under local leadership while, as the shareholder, Sumitomo Corporation focuses on global markets, promoting the aforementioned extension of the value chain and geographic expansion. This leads to a virtuous cycle in which synergy is generated for the agribusiness as a whole in terms of human resources and business strategy as we put into practice the three-pillars growth strategy.

Today, we provide various support to enhance the value of each group company, including providing management know-how to increase profitability, taking measures to maintain and improve governance indispensable for further

geographic expansion in priority markets, and offering various agricultural innovation know-how that enables both increased food production and reduced environmental impact. With these, we are working to realize co-creation. Both we and the group companies will carry these efforts through to achieve further growth by sharing issues and best practices at each business site and creating synergy through their implementation.

> [p. 14 Value creation example \(Agribusiness\)](#)

On the other hand, there are still some businesses in the Value Creation category that require a demonstration of true value more than ever. The nickel mining and refining business in Madagascar has faced various difficulties, including one-year suspension of operations due to the spread of COVID-19. Each time, we have built up trust with the government and local communities by engaging in discussions with various stakeholders and tenaciously tackling each issue head-on.

However, we still have a ways to go to earn trust as a



“ Demonstrating true value to maximize the overall value of the Group ”

## Message from the President and CEO

“ Ensuring the sustainable development of the Group by harmonizing sustainability and prosperity ”



reliable source capable of meeting the coming significant demand from society, including the growing demand for EVs, on a higher level. We will achieve the goal as soon as possible by synergistically integrating the efforts of local group companies as they strive to achieve stable operations at a high level and greater operational efficiency with the business support we provide as a shareholder.

The integrated telecommunications business in Ethiopia is another example of our initiatives to achieve true value in a slightly longer time frame. This business is one with a farsighted perspective. While leveraging the Group's experience developing telecommunications infrastructure in other regions, the aim is to go further and develop various lifestyle-related businesses such as education, healthcare, agriculture, insurance, and entertainment after building a platform enabling mobile money payments. Safaricom Telecommunications Ethiopia PLC is working on expanding networks and services while engaging with local residents and various other stakeholders. As shareholders of the company, we and Vodafone Group Plc provide them with business expertise and support for human resources development while also providing assistance for developing its wide range of new

businesses based on the diverse business foundations of both groups. Carrying new businesses through with them over the long term will lead to creating the value that Ethiopia needs for its future development, which will also drive our growth.

▶ p. 17 Value creation example (Integrated telecommunications business in Ethiopia)

### Improving corporate value over the medium to long term

Having the 54 Strategic Business Units (SBUs) that currently comprise our ¥10 trillion portfolio execute their respective business strategies and fully demonstrate their true value, we will establish a business portfolio that is both highly profitable and resilient as set forth in SHIFT 2023. Our 54 SBUs will work on business reform through DX while continuing to work on reforms that contribute to resolving six key social issues. Their cumulative efforts to harmonize sustainability and prosperity will ensure the sustainable development of the Group. It is our responsibility as management to allocate invested capital

preferentially to the SBUs that make this goal attainable, thereby steadily expanding profitability.

Needless to say, the key to fulfilling this responsibility is our people. Under the Management Base SHIFT, we are working to strengthen human resources management while establishing a strong link between our management and human resources strategies. Our people are truly a treasure for the Group. I am confident that continuously investing in our people, an important non-financial capital, will increase productivity and enhance their growth as well as bring further growth and stability to the Group, leading to improvement of corporate value over the medium to long term.

This fiscal year, we will finish up SHIFT 2023, which has guided our efforts to return to a growth trajectory. Furthermore, not only will we complete the plan we have set forth but we will also work to strengthen our earning power by putting together a growth story for the future.

Facing this historic turning point head-on, we will move forward in our journey as I have laid out above, boldly taking on the challenge of creating the future together with our stakeholders to realize our Corporate Message of “Enriching lives and the world.”