Growth Strategy

Medium-Term Management Plan 2026

Presentation Material (New Medium-Term Management Plan) ▸ https://www.sumitomocorp.com/en/global/about/principles/mid-term

Review of SHIFT 2023

Summary of SHIFT 2023

Under SHIFT 2023, which covered the three-year period from April 2021 to March 2024, we steadily implemented three shifts—Business Portfolio SHIFT, Framework SHIFT, and Management Base SHIFT—and made concerted efforts to strengthen our business portfolio.

Specifically, we withdrew from and/or turned around low-profitability businesses and reallocated the recovered management resources to steady business growth areas where we have strengths and seeding businesses with an eye to the next generation. Through these and other structural reforms, we strengthened our resilience and further increased our profitability.

In addition, we introduced strategic business units (SBUs), adopted business strategy management using ROIC and WACC as indicators, established an optimized company-wide management resource allocation system, and practiced investment discipline. We also implemented a new personnel system, took various other measures, and integrated IT and digital technologies into existing businesses. Furthermore, we promoted sustainability management by setting medium-term targets for addressing social issues related to climate change, human rights, and other key areas.

Business Portfolio SHIFT

	Asset recycling for growth investments		Growing core earning pillars by leveraging strengths				Adapting to social structural changes	
	Divestment (total)		Value creation (total)		Steady business growth (total)		Seeding (total)	
	Invested capital	Profit for the year excluding one-off effects	Invested capital	Profit for the year excluding one-off effects	Invested capital	Profit for the year excluding one-off effects	Invested capital	Profit for the year excluding one-off effects
FY2020	¥200 billion	–¥10 billion	¥2.3 trillion	¥40 billion	¥3.2 trillion	¥160 billion	¥35 billion	–¥5 billion
FY2023	0 billion	0 billion	¥2.5 trillion	¥140 billion	¥5.5 trillion	¥340 billion	¥200 billion	–¥15 billion
	Recovered management resources through sale of upstream interests in fossil fuels		● Expanded invested capital and earnings mainly by steady business growth in SBUs where we have strengths ● Strengthened resilience, including turnarounds ● Loss recognition of large struggling businesses (FY2023 one-off loss ¥150 billion)				Accumulated invested capital to create next-generation businesses, such as EII	

Adopted IT and digital technologies in existing businesses and worked to improve functionality and profitability

Set medium-term goals for key social issues, introduced internal carbon pricing, conducted segment-specific human rights due diligence, and took early action on the TNFD recommendations

Framework SHIFT

Started SBU-specific business strategy management, and introduced ROIC (vs. WACC)	Made progress in exit from and/or turnaround of low-profitability businesses based on Full Potential Plan
Adopted cross-organizational approach to promote next-generation growth fields, including establishment of EII	Shifted from Business Unit-based to SBU-based invested capital allocation

Management Base SHIFT

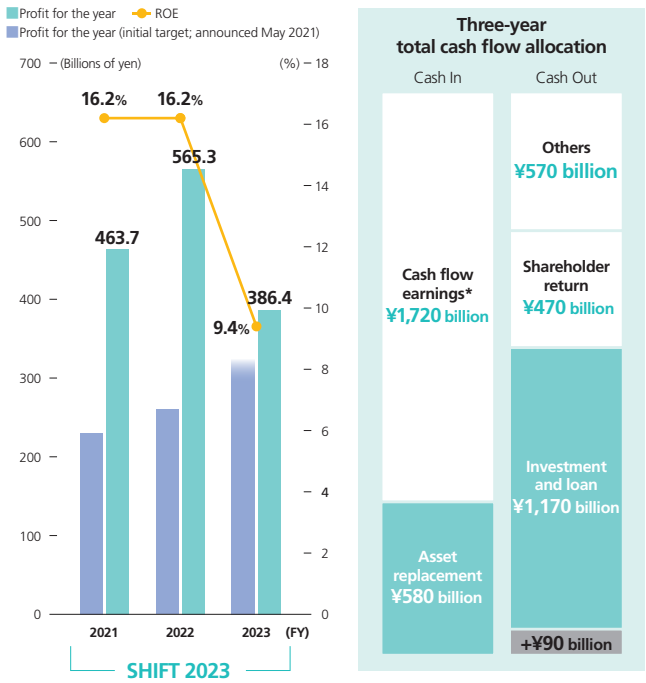
Strengthened supervisory function of Board of Directors Formulated Group Management Policy	Revamped head office HR system; promoted pay-for-job and pay-for-performance	Maintained cash flow discipline without overreliance on interest-bearing liabilities

Quantitative outcomes

Our profit levels improved significantly compared to the Medium-Term Management Plan 2020 (FY2018–FY2020) period, exceeding the targets we set at the start of SHIFT 2023. We posted ROE of 16.2% in both FY2021 and FY2022, but this fell to 9.4% in FY2023 due to a one-off loss.

Over the three years, we enhanced shareholder returns mainly by increasing the dividend per share and repurchasing shares, while also securing positive free cash flow post shareholder returns, thereby maintaining our financial soundness.

Profit for the year and ROE



* Cash flow earnings = [Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends] × (1 – Tax rate)+ Dividend from investments accounted for using the equity method + Depreciation + Lease liability payments

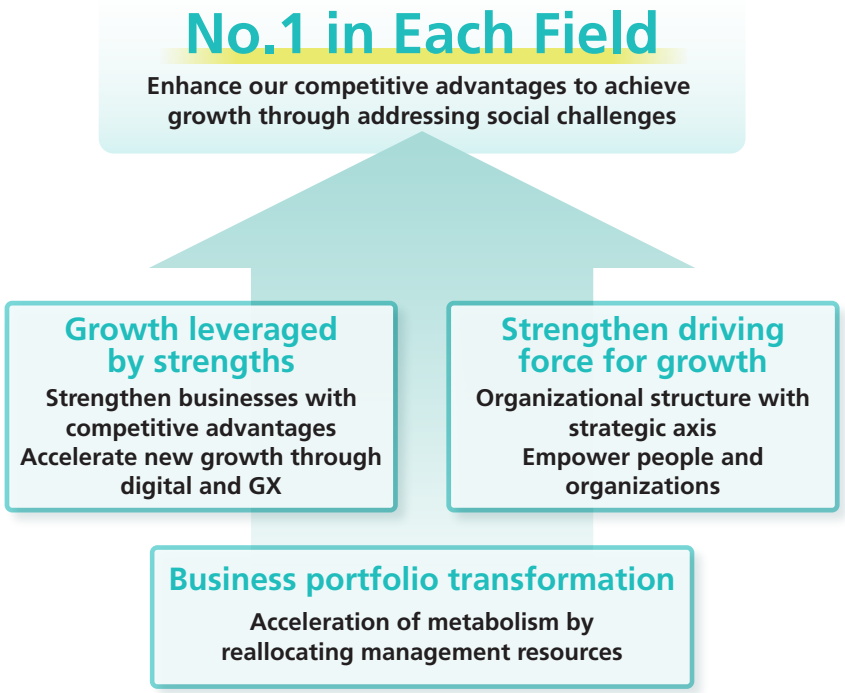
Medium-Term Management Plan 2026

Theme of Medium-Term Management Plan 2026: No.1 in Each Field

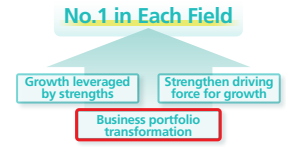
No.1 in Each Field

The theme of the Medium-Term Management Plan 2026 is "No.1 in Each Field." As we enter a new growth stage, having completed structural reforms under the previous medium-term management plan, we will use the "No.1 in Each Field" theme as the driving force to elevate each of our businesses to new heights and achieve significant growth for the Company as a whole.

The key elements of "No.1 in Each Field" are enhancing a competitive advantage and addressing social challenges. We will achieve dynamic and sustainable growth by having each business develop and refine its own competitive advantage and address social challenges through Material Issues. The foundation for achieving growth is to accelerate the "business portfolio transformation" that we have been pursuing since the previous medium-term management plan. To this end, we will focus on "growth leveraged by strengths" and "strengthening the driving force for growth."



Acceleration of "business portfolio transformation" as the foundation



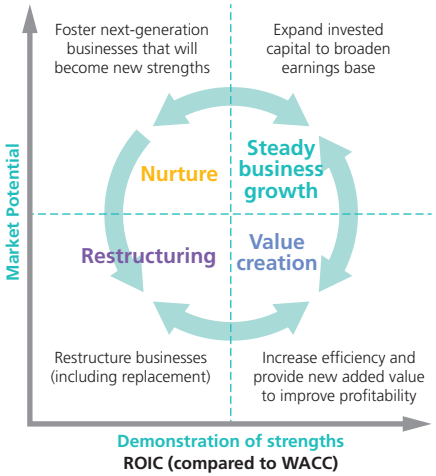
Business portfolio transformation

Under the current medium-term management plan, we will accelerate the renewal of our business portfolio by prioritizing the allocation of management resources (capital and human capital) to growth businesses and reallocating management resources through asset replacement and other means, thereby achieving growth.

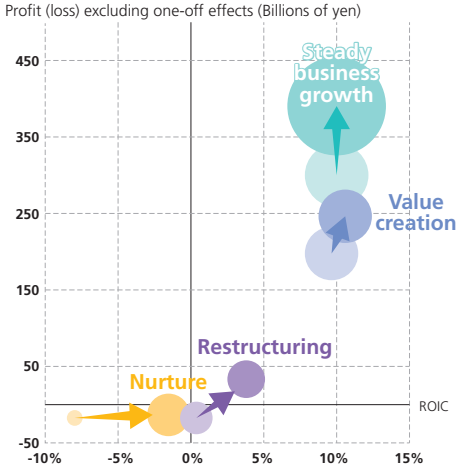
For business portfolio management, we will continue utilizing the business strategy management framework introduced under the previous medium-term management plan. This includes classifying our businesses into four strategic categories—Steady business growth, Value creation, Restructuring, and Nurture—and adopting business-specific ROIC and WACC as indicators. Each SBU, classified into one of four categories based on market potential and the degree to which we can demonstrate our competitive advantages and strengths, will steadily fulfill its role according to its strategic category. This will enhance the overall profitability of our business portfolio.

With respect to restructuring businesses, we will define specific actions and timelines to improve profitability, including asset replacement. By also prioritizing the allocation of management resources to "Steady business growth" areas where we have strengths and competitive advantages in markets with potential, we will expand our earnings base and build earning pillars that will drive profit growth.

Business strategy category

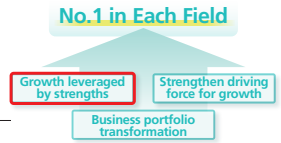


Management resource allocation (FY2023 → FY2026)



Notes: 1. Among the previous four strategy categories, two names have been changed (Seeding → Nurture; Divestment → Restructuring)
2. Size of circles indicates the image of the amount of invested capital
3. The figures for FY2026 are planned with an assumption that each business stays in the same category from the beginning of FY2023.

Medium-Term Management Plan 2026

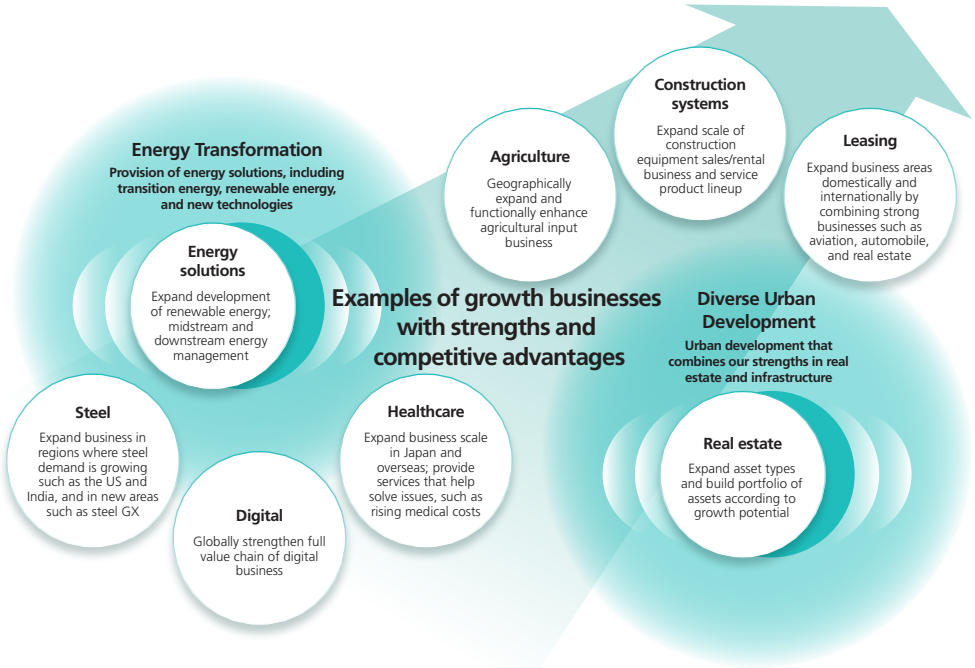


"Growth leveraged by strengths" "Digital and GX"

We have many businesses with strengths and competitive advantages that we have built up over the years. Under the current medium-term management plan, we will strengthen and grow these businesses by investing capital in them. We will also accelerate that growth through digital technology and green transformation (GX) while nurturing next-generation businesses and acquiring new strengths.

Growth leveraged by strengths

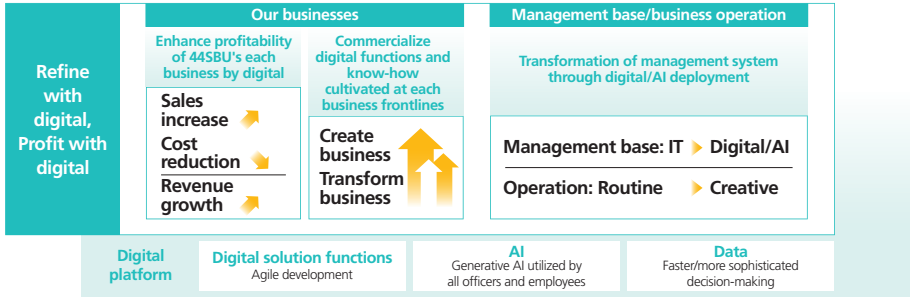
The figure below shows a few examples of businesses with strengths and competitive advantages. They include agribusiness, construction equipment, leasing, energy solutions, steel, digital, healthcare, and real estate. We will further refine the competitive advantages of these businesses and prioritize the allocation of management resources to make our strong businesses even stronger. In addition, starting with our existing strong businesses, such as the Energy Transformation Business Group and the Diverse Urban Development Group, we will foster collaboration among SBUs that have newly come together as business groups. Through this collaboration, we will work to create new value.



Refine with digital, Profit with digital

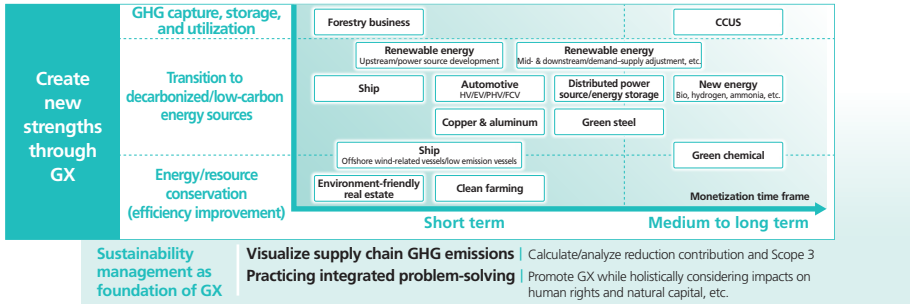
The Company has focused on building a strong digital foundation by enhancing the digital solution capabilities of IT-related companies within the Group and establishing a dedicated organization, the DX Center, in 2018. Under the current plan, we will strengthen our overall earning power by digitally transforming the various businesses within the Group. In addition, we will introduce AI and digital technologies to speed up and advance data-driven decision-making, thereby transforming our management base and business processes and cultivating new strengths.

p.28 | Transformation through digital

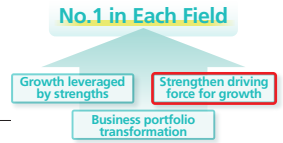


Accelerated new growth driven by GX

With regard to GX, under the previous medium-term management plan, we promoted sustainability management and established EII, a cross-company organization. In these ways, we sought to create next-generation businesses that help realize a carbon-neutral society. Under the current plan, we will leverage GX to further strengthen businesses with strengths and competitive advantages in the short term. In the medium to long term, we will also deploy GX to create new strengths for the future and develop new business models that meet the evolving demands of society.



Medium-Term Management Plan 2026

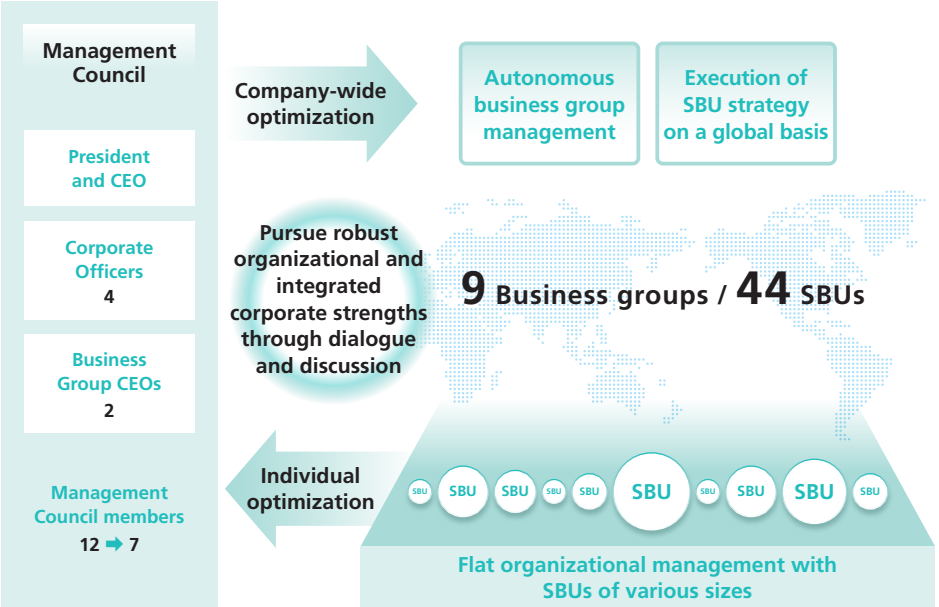


Strengthen driving force for growth

To enhance our ability to execute business portfolio transformation and SBU strategies, we will pursue organizational strength and overall capability by operating an organization structured along a strategic axis. At the same time, we will advance human capital and organizational initiatives aimed at acquiring and strengthening the necessary capabilities, thereby unleashing the potential of our people, who are the greatest driving force behind our growth.

Organizational structure with strategic axis

To enhance the sophistication and speed of decision-making, we reviewed the membership of the Management Council and the method of making resolutions. In addition, to optimize our organizational structure and enhance our strategy execution agility, we abolished the product division structure that had been in place for 60 years. We also restructured our business organization into 44 SBUs based on global strategic priorities and formed nine business groups, each bringing together SBUs with high strategic affinity. The SBUs are organized with an emphasis on strategy execution agility, and their sizes vary from 10 to 400 people. Furthermore, we integrated some corporate functions into the business groups, establishing a system that enables each group to autonomously manage its operations and flexibly work on expanding profits, with global offices working together as one to drive our strategies forward.



Empower people and organizations

Under the new organizational structure, we will unleash the potential of our people, who are the driving force behind our growth, and strengthen our strategy execution capability. There are many elements to the power of people and organizations, but our three priorities are business engineering power, leadership, and speed. To embody such attributes in our people and organizations, we will implement various global initiatives. These include talent management starting with clear capability definition, empowering line managers through delegation of authority, and fostering open and flat communication spearheaded by our leaders.

We will maximize the power of the approximately 8,000 employees who make up our global network, the driving force for growth, and strengthen our strategy execution capability.

pp.23–27 | Message from the CAO, Human Capital

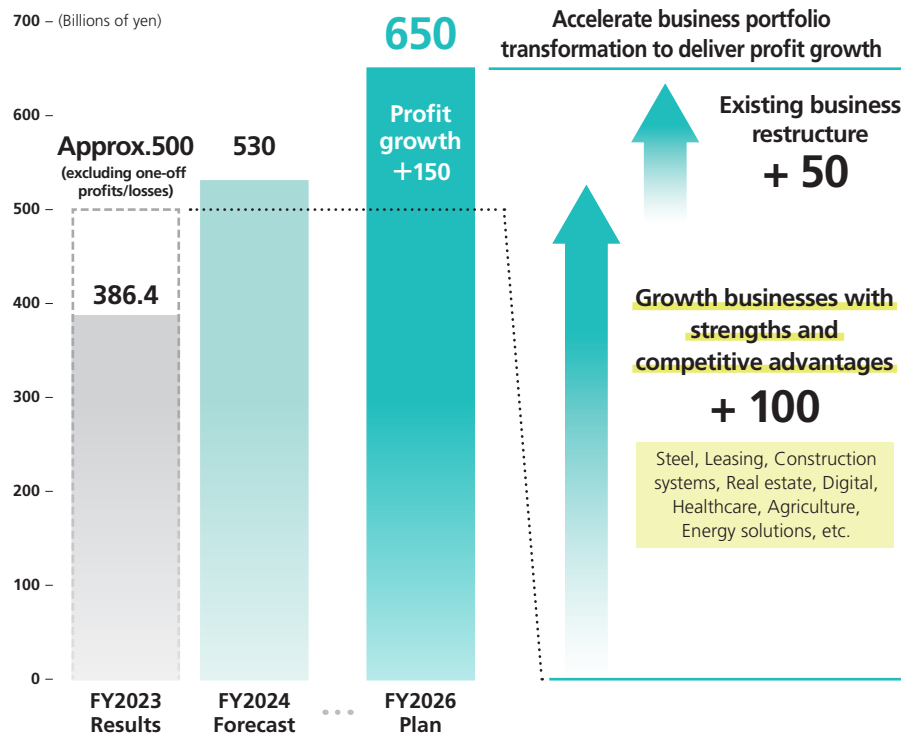
Medium-Term Management Plan 2026

Summary of quantitative plans

Profit plan

During the period of the current medium-term management plan, we are targeting profit for the year of ¥530 billion in FY2024 and ¥650 billion in FY2026. To achieve these targets, we will maintain ROE of 12% or higher and focus on expanding growth businesses with competitive advantages. Businesses with strengths and competitive advantages will drive profit growth of around ¥150 billion from result of approximately ¥500 billion (excluding one-off profits/losses) in FY2023. In addition to further expanding growth businesses, we will accelerate our business portfolio transformation by improving the profitability of restructuring businesses to deliver further growth.

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



Cash flow allocation

We will generate ¥2.8 trillion in cash through asset replacement and improved cash flow earnings. While maintaining financial soundness, we will improve ROE by appropriately allocating the cash generated to growth investments and shareholder returns.

p.21 | Capital policy

Efficiency ratio	ROE 12% or higher
Financial soundness	Positive free cash flow post shareholder return*

* Excludes changes in working capital, etc.

Shareholder return policy

New shareholder return policy

We revised our shareholder return policy after comprehensively considering our improved basic profitability, achieved through the previous medium-term management plan, as well as the need to continuously strengthen our financial position and secure 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

p.21 | Capital policy

Shareholder return	Total payout ratio of 40% or higher Progressive dividend payments

Message from the CFO

In this new stage of growth, we aim to sustainably enhance corporate value through the strategic allocation of management resources.

Reiji Morooka

Representative Director,
Senior Managing Executive Officer,
Chief Financial Officer

Pleased with the results of the previous medium-term management plan, SHIFT 2023, over the three years

We started the previous medium-term management plan in FY2021 after posting a loss in FY2020. Under that plan, we lifted profitability to a higher level and executed structural reforms to strengthen our resilience.

Over the three-year period of the plan, we withdrew from 74 low-profit businesses and allocated company-wide resources to turning around struggling business, leading to improved profitability. However, we recognized losses for some businesses with unresolved issues after reviewing our future business plan and other factors.

We calculated the WACC for each of our SBUs based on their specific business characteristics and risk profiles. All of our businesses aligned their strategies and pursued various initiatives to elevate their ROIC above their respective WACC levels. For company-wide business portfolio management, we recovered management resources through asset sales after taking into account future potential, etc., and we increased investments in steady business growth areas that will drive future growth.

As a result, we generated positive free cash flow post shareholder returns, maintained financial soundness, and significantly improved profitability compared with the previous three years of the medium-term management plan. We believe this is evidenced by our improved PBR, which exceeded 1x.

To reduce the cost of capital and enhance corporate value, we need to establish earning pillars that drive profit growth in our areas of strength.

Over the period of the Medium-Term Management Plan 2026, which began in April 2024, we will build on these achievements to drive further profit growth and enhance corporate value. In this new plan, we have set a target for profit of ¥650 billion for FY2026, with the target of achieving an ROE of 12% or higher in each year of the plan. However, we feel the market is not yet fully convinced of our ability to achieve medium- to long-term profit growth.

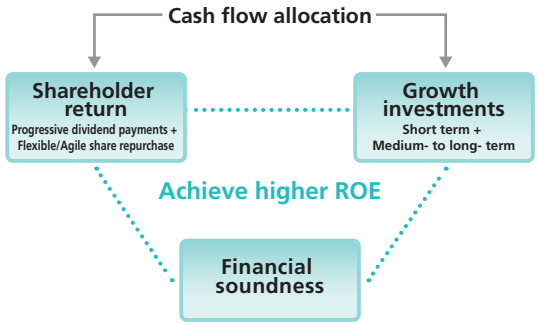
We believe there are two main reasons for this. First, we are still in the process of establishing earning pillars to drive substantial future profit growth. Second, potential declines in future earnings could occur due to investment failures and other factors.

During the three years of the new plan, we will continue to uphold our policy of maintaining financial soundness by generating positive free cash flow post shareholder returns. Specifically, we will generate cash flow earnings (cash flows from day-to-day operations) of ¥2 trillion and recover ¥0.8 trillion by stepping up asset replacement, resulting in total cash flows of ¥2.8 trillion. Regarding asset replacement, we have decided to accelerate that beyond the ¥0.6 trillion achieved under the previous plan, after evaluating the future growth potential of group companies, including those that are currently profitable. Of the more than ¥1.8 trillion allocated for investment, 80% will be directed to growth areas where we can leverage our strengths and competitive advantages. By concentrating funds in areas where we have expertise and can quickly adapt to changing business conditions, we aim to build stronger earning pillars and increase the likelihood of investment success.

Under the new plan, we are targeting shareholder returns of ¥0.7 trillion or more. We will also pay progressive dividends and conduct agile share repurchases, aiming for a total payout ratio of 40% or higher. We project that cash inflows will exceed outflows by ¥0.3 trillion over the period of the plan. This surplus will be allocated to shareholder returns and growth investments based on a thorough assessment of the Group's environment, including investment opportunities and cash flows. Through these efforts, we will achieve a high ROE and ensure sustainable increase in corporate value.

Capital policy

To sustainably increase corporate value, we will make growth investments to increase profits and enhance shareholder return while maintaining financial soundness, with the aim of achieving a sustainably high ROE.



Financial soundness

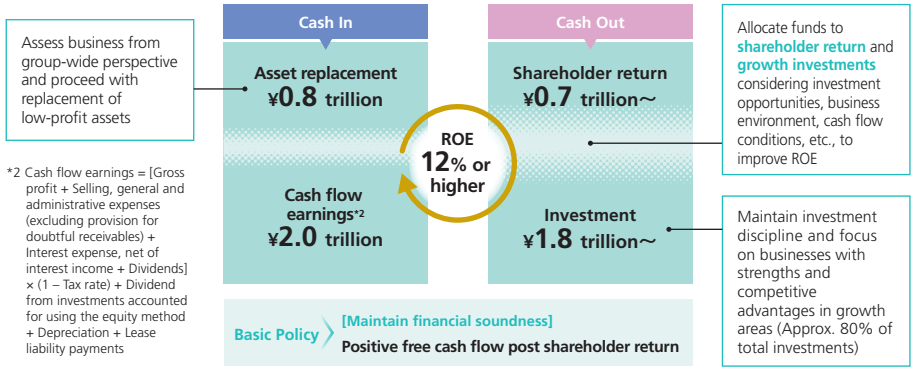
Under our previous medium-term management plan, we sought to strengthen earnings stability and maintain and improve our financial soundness. As a result, we maintained positive free cash flow post shareholder return and improved financial soundness indicators, including the balance between core risk buffer and risk-weighted assets, as well as our net debt-equity ratio, while increasing shareholder return. Under Medium-Term Management Plan 2026, as well, we will continue striving to maintain financial soundness by adopting investment discipline without over-reliance on interest-bearing liabilities and following a basic policy of ensuring positive free cash flow post shareholder return*1.

*1 Excludes changes in working capital, etc.

Growth investments

We will accelerate ongoing efforts to transform our business portfolio and generate returns that exceed our cost of capital. Specifically, we will continue utilizing business-specific ROIC and WACC as indicators and proceed with business restructuring, including replacement of low-profit assets. At the same time, we will build earning pillars that drive profit growth by prioritizing allocation of management resources to growth businesses where we can demonstrate our strengths and competitive advantages, thereby further expanding our earnings base and improving earnings stability. We will also leverage digital and GX to further strengthen our growth businesses while fostering next-generation businesses and acquiring new strengths.

Cash flow allocation (Medium-Term Management Plan 2026, three-year total)

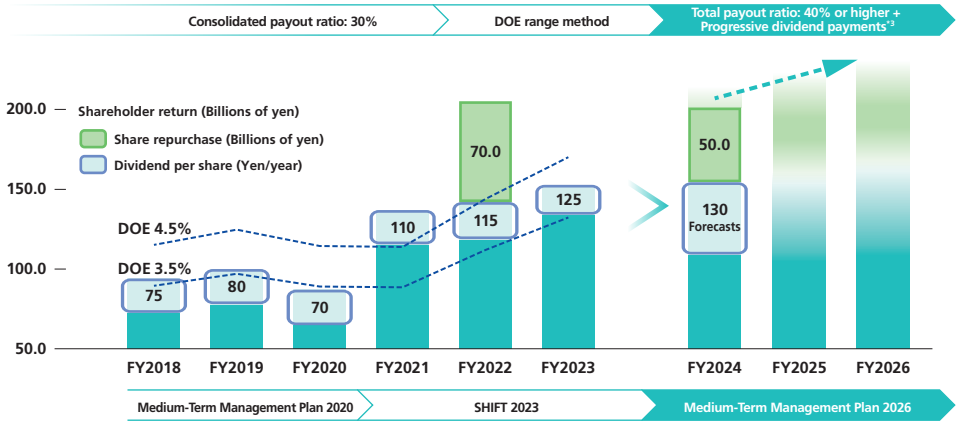


*2 Cash flow earnings = [Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends] × (1 – Tax rate) + Dividend from investments accounted for using the equity method + Depreciation + Lease liability payments

Shareholder return

We have revised our shareholder return policy, effective from FY2024, after having comprehensively considered the improvement of basic profitability through the previous medium-term management plan, continuously strengthening our financial position, and securing funds for investments toward sustainable growth. Under our new policy, we will pay dividends and repurchase our shares in a flexible and agile manner with a total payout ratio of 40% or higher. We will also 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 return and increase shareholder value.



*3 Dividend per share to be maintained or increased

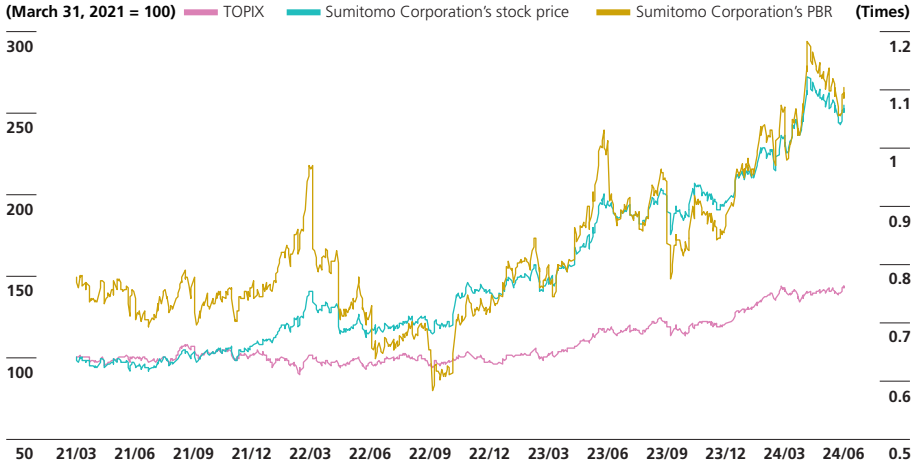
Management conscious of cost of capital and stock price

Analysis of current situation

By implementing various measures outlined in our previous medium-term management plan, SHIFT 2023 (FY2021-FY2023), the Company has improved its basic profitability, withdrawn from low-profit businesses, thus strengthened its resilience. Thanks to these efforts, our average ROE for the period of the plan was approximately 14%.

While there are various methods to calculate the cost of shareholders' equity, we currently believe that if we can continuously achieve ROE of 12% or more, our profitability will exceed the cost of shareholders' equity and create Economic Value Added (EVA). The Company's stock price showed an upward trend throughout FY2023, and its PBR exceeded 1x in the first quarter of FY2024.

Sumitomo Corporation's stock price performance



		FY2021	FY2022	FY2023
Sumitomo Corporation's stock price (8053)	Close (Yen)	2,119.0	2,341.0	3,652.0
	High (Yen)	2,238.5	2,488.0	3,766.0
	Low (Yen)	1,434.0	1,762.5	2,261.0
PBR (Times, end of March)		0.83	0.76	1.00

Initiatives

By accelerating the business portfolio transformation outlined in Medium-Term Management Plan 2026 (FY2024-FY2026), we continue targeting ROE of 12% or higher and sustainable corporate value increase and thus further improving our PBR.

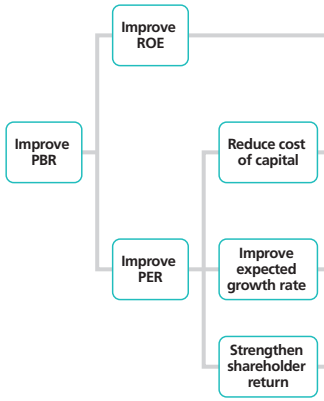
Specifically, we will increase profitability by prioritizing allocation of management resources to growth businesses with strengths and competitive advantages, while utilizing business-specific ROIC and WACC as indicators. At the same time, we will steadily improve the stability of earnings by restructuring businesses, including through replacement of low-profit businesses. To smoothly implement these initiatives, we reorganized our structure around strategic business units (SBUs) and revised the Management Council's structure to ensure timely and accurate decision-making.

Regarding shareholder return, under SHIFT 2023 we improved profitability, strengthened our financial position, and secured funds for investments in sustainable growth. With these improvements, we established a policy in FY2024 to pay progressive dividends and conduct share repurchases in a flexible and agile manner with a total return ratio of 40% or higher. We will continue to allocate management resources appropriately to shareholder returns and growth investments with a focus on sustainable enhancement of corporate value, while maintaining financial soundness.

We will also work to enhance information disclosure and strive for constructive dialogue with market participants so that the track record and details of these initiatives can be fully understood.

PBR logic tree

Our initiatives to enhance corporate value are depicted through a PBR logic tree as illustrated here.



Main points	Relevant content
• Utilize business-specific ROIC and WACC as indicators to accelerate business portfolio transformation … Prioritize allocation of management resources on growth businesses with strengths and competitive advantages … Restructure businesses, including replacement of low-profitability businesses • Reorganize structure with strategic axis and revise structure of Management Council	• pp.5–8 Message from the President and CEO • pp.16–19 Medium-Term Management Plan 2026
• Strengthen resilience • Promote sustainability management • Enhance information disclosure and promote constructive dialogue	• p.20 Message from the CFO • pp.16–19 Medium-Term Management-Plan 2026 • pp.45–49 Sustainability • p.75 Dialogue with stakeholders
• Achieve sustainable growth through addressing social challenges • Establish earning pillars to drive profit growth and cultivate businesses that will become new strengths • Empower people and organizations (Leverage the full potential of human capital)	• p.9 Message from the CSO • p.11 Material Issues • p.20 Message from the CFO • p.23 Message from the CAO • pp.16–19 Medium-Term Management Plan 2026
• New shareholder return policy (Make progressive dividend payments and conduct share repurchases in a flexible and agile manner)	• p.21 Capital policy

Message from the CAO

Empower people and organizations in the growth stage

Makiko Eda
Managing Executive Officer
Chief Sustainability, DE&I Officer,
Chief Administration Officer, and
Chief Compliance Officer

Leveraging the full potential of diverse and talented human capital in the growth stage

Sumitomo Corporation Group is supported by exceptional human capital who have gained experience in various global businesses. Currently in our growth stage, we must now fully leverage the potential of our people to pave the way for dynamic growth. This is precisely what we mean by "Empowering people and organizations."

Having joined Sumitomo Corporation in 2023 from outside the Company, I am impressed by how all employees embody Sumitomo's Business Philosophy and our Management Principles and Activity Guidelines, which places prime importance on integrity. While many companies struggle to instill values within their organizations, Sumitomo Corporation makes it a strong cornerstone, which represents our major strength. Our employees believe that addressing social challenges will enable our businesses to take root and thrive in society. Embracing an "enterprising spirit," they are tackling the challenge of adapting to change for the benefit of society. This attitude reflects a proactive response to the demands of the times.

Organizational structure with strategic axis and empowerment of people and organizations

In April 2024, we renewed our head office business organization for the first time in 60 years as part of our initiative to "Strengthen the driving force for growth" under the Medium-Term Management Plan 2026. Specifically, we created strategic business units (SBUs) based on business strategy, irrespective of employee numbers or business size, to enhance decision-making agility. We also reviewed the composition of the Management Council, which determines company-wide management policies, and are actively driving a comprehensive reform of our business portfolio.

Under this new organizational structure, we are focusing on three priorities—business engineering power, leadership, and speed—to leverage the full potential of our people.

To achieve significant growth, we need to enhance our business engineering power and develop a broader vision. Experience on the business front lines is crucial for cultivating this creativity, and we are implementing measures to help employees develop such experience. In the Medium-Term Management Plan 2026, we outlined our vision for achieving business growth by seizing pivotal opportunities presented by the times. With this vision in mind, we established the Diverse Urban Development Group and the Energy Transformation Business Group, integrating businesses that were previously dispersed across multiple divisions. By leveraging the synergies and innovations generated by these groups, we will accelerate the creation of new business value.

I also believe that by leveraging their individual strengths and incorporating new perspectives to exercise leadership, each person in our diverse talents will enhance the overall strength of the organization. To achieve this, we are intensifying our efforts from the previous medium-term management plan to put the right talent in the right positions, irrespective of nationality, age, gender, or other individual characteristics. Sumitomo Corporation's people engage in a diverse array of global businesses, gaining extensive experience daily, which contributes to the steady development of a talent pool. In FY2023, mid-career hires made up more than 45% of new hires at the Japan head office and 10% of all employee hires. In terms of Group human capital, talented local Group personnel hold key business positions in overseas operations in such areas as tubular products, steel products, construction systems, and agribusiness.

Finally, we need speed. To lead in the global market, which is rapidly evolving due to accelerating technological innovation, we will adopt more agile strategies, speed up decision-making, and expand our business globally. We will also advance the use of AI across the Company to boost organizational efficiency and foster creativity of our people.

Human Capital

Our people

Throughout our history spanning over 400 years, we have inherited and upheld Sumitomo's Business Philosophy. One of its core tenets, "Recognize human resources as the most important asset," represents our unwavering belief that our people are the source of our competitiveness and the driving force behind our growth. This belief is also reflected in our Management Principles and Activity Guidelines. A retrospective view of our history reveals that talent discovery and development have consistently been regarded as matters of utmost importance in our management approach, regardless of the era.

This culture of valuing our people has been perpetuated as an integral part of the Group's DNA. In 2020, we established the Global HR Management Policy, which represents our vision and philosophy regarding talent management on a global scale.

Based on this philosophy, and to more clearly express our belief that employees are our treasure, and our capital as the driving force behind our corporate value enhancement, we have decided to refer to our people as "human capital" (人財) rather than "human resources" (人材) in our Medium-Term Management Plan 2026 and beyond, except when using the general term. The Sumitomo Corporation Group, having engaged in global business development dealing with a diverse array of products and services, benefits from the contributions of talents with wide-ranging knowledge and experience. We believe that this diverse talent, by incorporating new perspectives and leveraging our historically established networks, will address various social challenges, thereby creating unprecedented added value. Consequently, this approach will enhance our group's corporate value.

Human capital strategy road map

Initiatives of SHIFT 2023

In the previous medium-term management plan, SHIFT 2023, we implemented three key measures under our Management Base SHIFT strategy, with the aims of eliminating existing barriers, promoting the right talent in the right positions, and enabling each individual to maximize their performance. The first was to introduce a job grading system, the second called for a reform of the evaluation system, and the third was to integrate career courses.

Under the first measure, introducing a job grading system, we eliminated seniority-based management approach and adopted position-based grading system in which grades are determined purely by the scope and size of the job. In addition to communicating closely with employees around 200 times, we focused on actual promotions in FY2022 and FY2023 (the first two years following the system's introduction). Among employees surveyed in FY2023, 41% responded that they felt the previous seniority-based management had been effectively eliminated (affirmative response), which was 1.5 times higher than in FY2022, indicating a gradual change in mindset.

The second measure involved reforming the evaluation system. This shifted from relative evaluations based on comparisons with others to absolute evaluations focused on individual development. This approach involves supervisors engaging with each of their subordinates to evaluate their respective job performance, with the aim of fostering career development tailored to each individual. To establish career-related dialogue between subordinates and supervisors, we provided training for managers covering one-on-one interviews, coaching, and so forth. In surveys from FY2022 to FY2023, satisfaction with evaluation feedback interviews improved by 3 points, and career-related dialogues with supervisors improved by 7 points.

The third measure, integrating career courses, involved eliminating rigorous course-based career system. This system had been a long-standing practice in Japan, which created a glass ceiling for women who are recruited for administrative roles, limiting them from pursuing a broader range of career paths. By integrating career courses into a single professional track, individuals are no longer constrained by their job title and challenge themselves in a wide range of fields for the career they want to achieve. As a result, 13 employees from the former administrative track were promoted to managerial positions in FY2022 and 17 in FY2023, and all are playing active roles.

Great place to work and employee engagement

Starting in FY2023, we are conducting an annual engagement survey on a global basis. This involves surveying employees worldwide, including those hired at both domestic and overseas offices, to assess (1) their level of commitment to the organization and their willingness to take initiative in their work, and (2) whether their work environment enables them to maximize their performance. The results of the survey are shared with employees, and various initiatives are implemented at each workplace. The annual goals of executive officers also include numerical targets related to engagement and DE&I, and the results of the survey will be reflected in the share grant ratio of their restricted performance share unit-based remuneration.

	FY2023
Employee Engagement Index	68%
Work Environment Index	68%

Example of workplace initiative to improve employee engagement

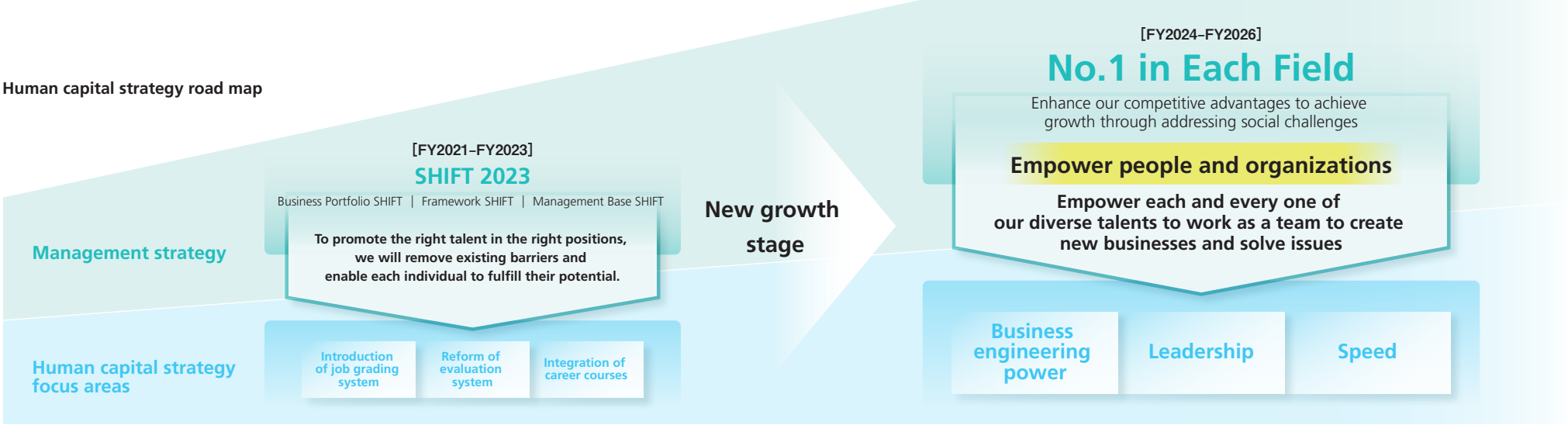
Human Capital

Initiatives of Medium-Term Management Plan 2026

In the previous medium-term management plan, we worked to improve the foundation of our HR systems and the skills of our line managers. Under the new medium-term management plan, starting in FY2024, we will seek to "Empower people and organizations" as a key part of our quest to become "No.1 in Each Field." In this medium-term management plan, having made significant progress in the growth stage, we will enhance our strategy execution capability by unleashing the power of our people and organizations more than ever before.

In the face of a rapidly evolving VUCA business environment, we are empowering our diverse talents to "Unlock Your Power" and passionately pursue the realization of "Enriching lives and the world." By cultivating an engaging work environment, we are enabling our people to unleash their full potential, driving the creation of new business opportunities, and addressing social challenges. In particular, we are prioritizing "Business Engineering Power," "Leadership," and "Speed" as critical capabilities for our people and organizations, and we will implement various measures to ensure dynamic growth.

Human capital strategy road map



Business engineering power

We have acquired business engineering power in various business fields by refining competitive advantages and exercising sound management decisions. By further enhancing this business engineering power, we will drive transformative changes in our business portfolio and target even more dynamic growth.

While indicating future directions, the Sumitomo Corporation Group will transform its existing core businesses, create new value through cross-business synergies, and develop businesses that anticipate and move in response to social structural changes. We believe that the key to sparking innovation unique to the Sumitomo Corporation Group lies in the business engineering power that we are seeking.

We believe that diversity is one of the key elements of innovation.

In addition to our people with diverse business experience, we have actively recruited professionals who have honed their expertise at other companies. Currently, mid-career hires constitute approximately 10% of our workforce. To transform this diversity into a driving force for our business, we are enhancing our onboarding processes for mid-career hires, promoting diversity in decision-making positions, and fostering internal talent mobility through initiatives such as internal job postings and concurrent jobs. These efforts aim to create an environment conducive to innovative ideas.

Human capital

DE&I initiatives

Targets for Women's Empowerment

- Introduction of indicator for women's empowerment in officer evaluation and remuneration
- Promotions not based on attributes (gender, seniority, etc.), active promotion of mid-career hires including executive officers, and promotion of women and younger employees to senior management and general manager positions

Targets for FY2030

Ratio of women in managerial positions	Ratio of women in general manager positions	Ratio of women in Director and Audit & Supervisory Board Member positions
20% or higher	10% or higher	30% or higher
(9.6% as of April 2024)	(2.4% as of April 2024)	(18.8% as of April 2024)

Diversity Weeks 2024

Total number of participants: **2,300**

Participation in the Tokyo Rainbow Pride 2024* parade

Number of participants: **120**

* LGBTQ+ related event

Certified as a "Gold" in "PRIDE Index 2023"

Selected as a "Next Nadeshiko: Companies Supporting Dual-career and Co-parenting" for FY2023

Leadership

We believe that empowering our talent to incorporate fresh perspectives and cultivate strong leadership is key to achieve dynamic growth.

In the VUCA era, effective leadership is crucial for swift adaptation and value creation. We focus on developing future leaders essential for medium-to long-term growth and fostering self-leadership, where individuals take the initiative in their actions.

To nurture successors for key positions in the future, we will establish talent pools at an early stage. Our goal is to develop rich and strong leadership pipelines by defining the skills and experiences that will be needed for the next 5 to 10 years. Each year, our top managers address the development needs of selected talent and discuss differentiated development plans. Based on these discussions, we will accelerate the growth of candidates through our established leadership training programs, which continuously evolve to align with our business strategies.

In addition, we introduced an e-learning platform in April 2024 to foster individual leadership development. On a non-consolidated basis, we have dispatched around 900 employees overseas, and the e-learning platform is designed to allow each employee, including those working overseas, to learn at their own convenience. Within the first month of its release, approximately 70% of employees accessed the platform, significantly exceeding the 20% average of other companies. Simultaneously, we are developing a website for line managers to provide them with one-stop access to content for learning the management skills and leadership competencies required for global leaders. We believe that such self-initiated learning activities represent the driving force behind our growth.

Self-leadership for new recruits

For new graduate recruitment, we launched our "WILL recruitment" selection process, which is intended to value each person's "willingness to take action." This process allows each person's initial assignment to be determined before joining the Company. It is also part of our efforts to foster self-leadership in each of our future talents. As a result, we have seen not only the overall number of applicants increase but also a rise in applications from a diverse group of people. These include students who have studied science and advanced technology, who represented relatively few applicants in the past.

Speed

Under our new business organizational structure, launched in April 2024, we aim for speedy, agile, and autonomous management. Consequently, we are also promoting the delegation of authority in HR-related matters. Building on the success of previous initiatives, such as enhanced training programs for line managers, we are further empowering direct supervisors. This approach enables line managers to engage more effectively with individual team members and promote efficient and effective organizational management in alignment with the Company's strategy. In addition, we intend to adopt AI on a company-wide basis to establish a system that allows us to focus on higher-value, strategic activities.

Entrance Ceremony in 2024. ▸ https://www.sumitomocorp.com/en/jp/news/topics/2024/group/20240401

Initiatives to refine and unleash the power of our people

The driving force behind our growth is our diverse talent.
A variety of initiatives to unleash the power of people.

Human capital initiatives 01

Spreading Sumitomo's Business Philosophy

Training conducted annually at Besshi Copper Mine (which birthed Sumitomo's business) to help employees experience and inherit Sumitomo's Business Philosophy

Human capital initiatives 02

Extensive training programs

Around 200 training courses per year through the Sumisho Business College (SBC)

Human capital initiatives 03

Cross-organizational collaboration

MIRAI LAB PALETTE, a hub where individuals from diverse backgrounds and cutting-edge technologies converge, stimulating one another and creating new value that transcends organizational barriers and defies conventional practices

Human capital initiatives 04

Health and well-being

- Support system for employees' mental and physical health that includes in-house clinics (medical and dental) and counseling centers
- Subsidy for comprehensive medical checkup (up to ¥80,000), immunizations, etc.
- Encouragement to undergo regular health checkups (uptake rate: 100%)
- Educational activities on health issues, such as holding seminars on lifestyle disease prevention and Femtech exhibitions

Human capital initiatives 05

Embracing diverse work styles

- Various systems to support diverse lifestyles and careers, including one for employees with overseas assignments to be accompanied only by their children (total number of users: 20) and encourage male employees to take childcare leave (ratio of eligible male employees taking it in FY2023: 63.6%).
- In-house entrepreneurship program ("0→1 Next") inspires new ideas from our people

Human capital initiatives 06

Career

- SC Alumni Network encourages alumni and current employees active outside the Company to network and innovate
- Career development program designed to support autonomous career development

Entrance ceremony: "Seize, enjoy, and maximize opportunities"

In April 2024, we held an entrance ceremony to celebrate the start of our new employees' careers. The President and CEO addressed new employees with the message, "Seize, enjoy, and maximize opportunities." This message conveys the hope that in a VUCA world, each individual will take on challenges in new fields, face difficulties, enjoy any situation, and play an active role while leveraging their unique individualities. The event also featured an athletic demonstration by a sport climber sponsored by the Company and a video message from senior employees. The atmosphere was filled with smiles as new employees and executives engaged in lively conversations. The ceremony was broadcast online to the families of new employees and all employees, allowing everyone to celebrate this special day together.

Features of entrance ceremony

1. Open dress code for attendees
2. No conventional practices such as standing up and bowing
3. Use of the term "Mr." or "Ms." when addressing executive officers instead of official title
4. Firm handshakes exchanged between each new employee and an officer when notifying assignments
5. Photo sessions with the President and CEO and leaders of assigned groups

Transformation through digital

「SHIFT 2023」: Progress of DX

The entire Group has been working together to promote DX, which is positioned as an important tool to support the Business Portfolio SHIFT outlined in our previous medium-term management plan, SHIFT 2023.

In 2023, we consolidated the functions responsible for overseeing our DX promotion and IT strategy activities. In collaboration with Group companies Insight Edge (DX technology and engineering), SC Digital (data marketing), SCSK (digital solution development and operation), and others, we deployed IT and digital technologies across our business sites to enhance profitability and create value.

Our DX initiative continues to expand as a business and evolve into delivering solutions that benefit society. Emerging examples of social applications can be seen in new technologies, such as generative AI and quantum technology. In particular, we established SC-Ai Hub, a cross-functional organization dedicated to generative AI, to consolidate the requirements and expertise in this field. This initiative aims to expedite operational reforms and business development through the introduction, development, and implementation of generative AI technologies. In addition to deploying generative AI services, search apps, and decision support tools accessible to all employees, we are introducing and commercializing generative AI-based business improvement apps at each workplace. In these and other ways, we are fully leveraging the potential of generative AI across our operations.

Accelerated new growth driven by digital

We are entering a new phase with our DX initiatives. We will strengthen our business capabilities by leveraging digital technology to its fullest potential. At the same time, we will drive business transformation through the application of digital capabilities and expertise developed at each business site, with the aim of enhancing profitability. We will also promote the adoption of generative AI and other advanced technologies to enhance the efficiency and sophistication of our operations. Furthermore, we will measure the effectiveness of these initiatives and make investments as appropriate.

By embracing innovation through the advancement of digital and AI, the Sumitomo Corporation Group is taking on the challenge of providing new value to the world. Please stay updated on the Group's growth.

Tatsushi Tatsumi
Executive Officer
CDO/CIO

ENEXIA — Examples of operational enhancement and new business creation through deployment of digital

The introduction of renewable energy is urgently required to realize a carbon-neutral society. However, it is difficult to generate a stable supply of renewable energy from sources such as solar and wind because their output fluctuates depending on the weather. This has been an impediment to our business advancement.

In 2023, therefore, we developed a highly accurate forecasting model and optimization algorithm, allowing us to become the first company in Japan to sell renewable energy through the FIP* system. In March 2024, meanwhile, we established ENEXIA LLC, a new company led by a data scientist, to fulfill the functions necessary for expanding our renewable energy business. In this way, we are expanding our electric power value chain and contributing to the proliferation of renewable energy.

*Feed-in-premium (FIP): A system designed to provide direct financial incentives or premiums for the generation and delivery of renewable energy

Summit — AI-based initiatives to improve work comfort and operational efficiency

Our Summit supermarket chain utilizes AI for customer and sales forecasting, product ordering, personnel planning, and other areas to enhance operational efficiency and support initiatives aimed at creating a better work environment for employees. By leveraging DX to enhance employee and customer experiences while addressing social issues, such as loss reduction and labor security, we aim to realize Summit's vision of making supermarkets in Japan more enjoyable.