

ESG Small Meeting for Investors/Analysts

Sustainability Management of Sumitomo Corporation



Sumitomo Corporation

October 24, 2018

- 1. Trend of ESG Investment and SC's Sustainability Management**
- 2. Sumitomo's Business Philosophy, SC group's Management Principles and Material Issues**
- 3. SC group's Value Creation Model**
- 4. Initiatives for Medium-Term Management Plan**
- 5. Initiatives for Social and Environmental Issues**
- 6. Dialogue with Shareholders/Stakeholders**

## Realization of “Sustainable Society”

- Environmental issues are threatening sustainability of society
- Universal social issues across the nations/regions and industries (e.g. human rights issues)
- Corporate Social Responsibility need to be addressed more stringently

## Pursuit of “Sustainable Growth of Company”

- Identification of Management Vision and mechanism of value creation
- Relationship with social issues (opportunities/risks)
- Our corporate strength and utilization of management resources
- Efforts to increase corporate value in long term

- ❑ Our business is spreading globally and across the industries. We have the responsibilities to contribute to the realization of sustainable society.
- ❑ We address social issues through our business activities and work to achieve sustainable growth with society.

# 2. Sumitomo's Business Philosophy, SC group's Management Principles and Material Issues

## Sumitomo's Business Philosophy

"Maintain integrity and sound management"  
"Avoid easy gains"  
"Enterprising spirit to stay a step ahead"  
"Benefit to self and others, private and public interests are one and the same"

## Corporate Vision

We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.

## Management Principles

### Corporate Mission:

To achieve prosperity and realize dream through sound business activities

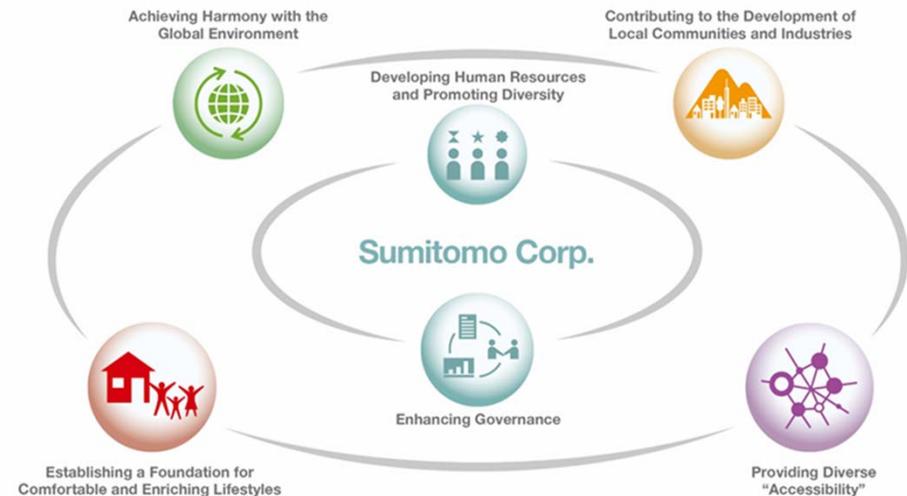
### Management Style:

To place prime importance on integrity and sound management with utmost respect for the individual

### Corporate Culture:

To foster a corporate culture full of vitality and conducive to innovation

## Six Material Issues to Achieve Sustainable Growth with Society



We contribute to realize sustainable society by addressing variety of social issues through our business activities

## 2. Sumitomo's Business Philosophy, SC group's Management Principles and Material Issues

Important factor on decision-making process

= making decisions on strategies and individual investments base on the trend of long-term social issues and attitude towards provision of value required by society

**Practice on Management Principles through each business**

Provision of Value, Governance, and Risk Control respond to long-term social trend

**Control of Impacts to Social / Environmental Issues on Business**

Social/environmental risk management on our group and supply chain

**Strategic Development of Business for Solving Social Issues**

Allocation of resources to emerging fields / Creation of next-generation business

**Increase in stability and growth potential on management and corporate value in the long-term**

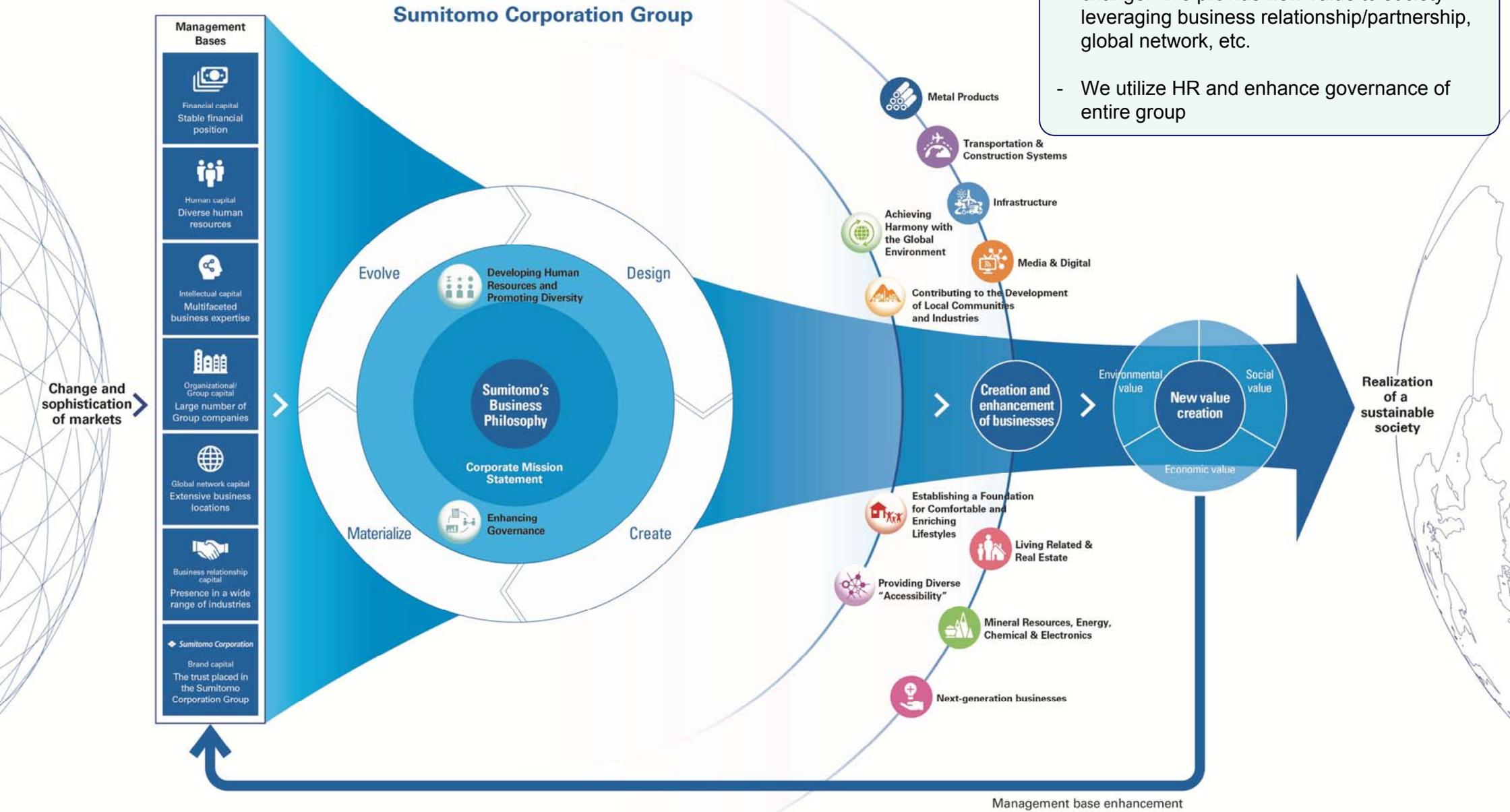
**Better recognition from shareholders and stakeholders**

**Increase in employees' motivation**

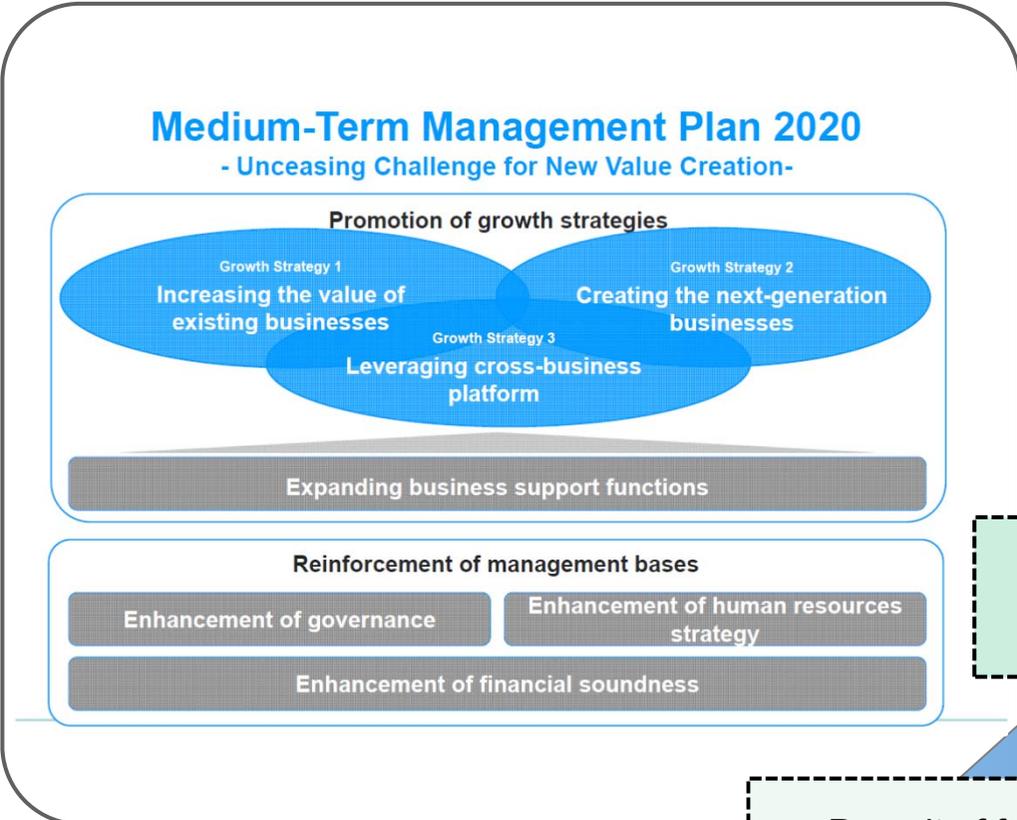
# 3. SC group's Value Creation Model

## Value Creation Model

- The core of our value creation model is Sumitomo's Business Philosophy and SC group's management principles.
- We constantly stay ahead in dealing with change. We provide new value to society leveraging business relationship/partnership, global network, etc.
- We utilize HR and enhance governance of entire group



# 4. Initiatives for Medium-Term Management Plan



Maintain and Strengthen of Value Creation Model / Sustainable Growth and Increase in Corporate Value in the Long-Term

- Allocation of management resources and next-generation business development and R&D base on current mega-trend

- Value creation by leveraging our platform which has contacts with customers in a variety of regions and business fields

- Pursuit of full-potential of existing group companies, respond to changes in environment

- Strengthen group's governance  
Increase in operational excellence and corporate value of group companies

- Enhancement of monitoring function of BOD and Management Council

- Promoting "Diversity & Inclusion" for promoting our growth strategies to make diversity a source of competitiveness

## Creation of Next-Generation Business

### Technology x Innovation

Strengthen of Business Development System on IoT·AI related Fields (Silicon Valley, US)

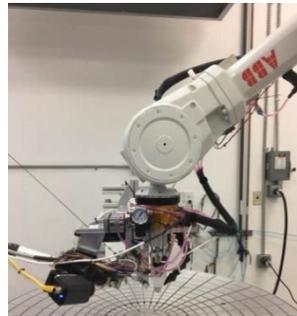
- 1998: Establishment of Presidio Ventures (CVC)
- 2017: Opening of Silicon Valley Office in US

<Actual Investments>

“Humatics” High accuracy 3D positioning system

“Afero” IoT solution for electronics by providing specialized chips

“Arevo” Manufacturer of 3D printed carbon fiber composite parts



Arevo

“TruTag Technologies” A Start-up of Manufacturing Micro tag

- fabrication of nano-porous silica for micro tag, advanced mobile hyperspectral imaging, and data management

“Nileworks” Manufacture and Development of Drone for Agriculture

- High accuracy and fully automated operation
- System monitors the growth of each stalk by utilizing installed camera
- Sprays appropriate agrochemicals



### Healthcare

<Investments>

**Participation to US Generic Pharmaceutical Business (Nov 17)**

- Investment to USL which is owned by Sawai's US group company



### Social Infrastructure

<Current Initiatives>

**Water Concession Business in Brazil**

- water supply, sewerage and industrial water treatment system provided to 17 million people in approx. 100 cities in 12 states.

Utilizing Re-use Batteries for Electric Vehicles

- world's first large-scale power storage system which utilizes used batteries (Yumeshima Island, Osaka)

- Power storage facilities in Koshiki Islands (Satsumasendai, Kagoshima Pref.)



Yumeshima Island, Osaka

# 5. Initiatives for Social and Environmental Issues

## 【Our Direction towards Climate Change Issues】

We simultaneously tackling the two issues of controlling greenhouse gas emissions and ensuring a stable energy supply, we will work to achieve sustainable growth with society

For power generation business, we will shift emphasis in the power generation asset portfolio to gas and renewable energy over mid- to long-term, by around 2035, with aim of (both figures based on generation capacity) :

reducing share of coal (50% -> 30%)

increasing share of renewables (20% -> 30%)



Offshore wind farm project (Belgium)



Biomass power plant (Sakata, Yamagata)

In other businesses, we will strengthen our initiatives on new technologies and business models in areas such as energy management, storage battery business, hydrogen related business



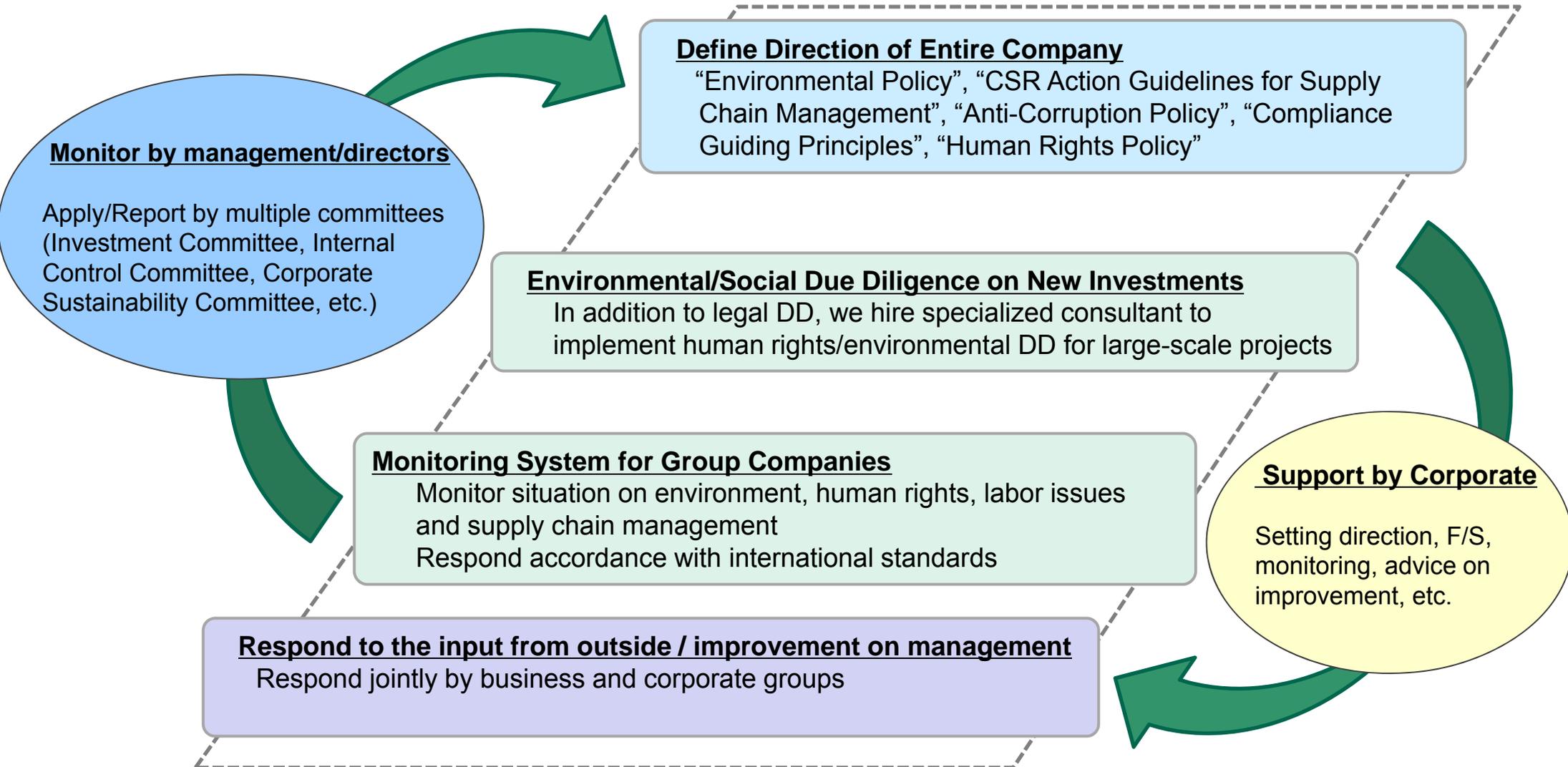
Smartscooters and swappable battery recharging station (Ishigaki Island, Okinawa)



Koshiki Island Battery Storage Facilities (Satsumasendai, Kagoshima)

# 5. Initiatives for Social and Environmental Issues

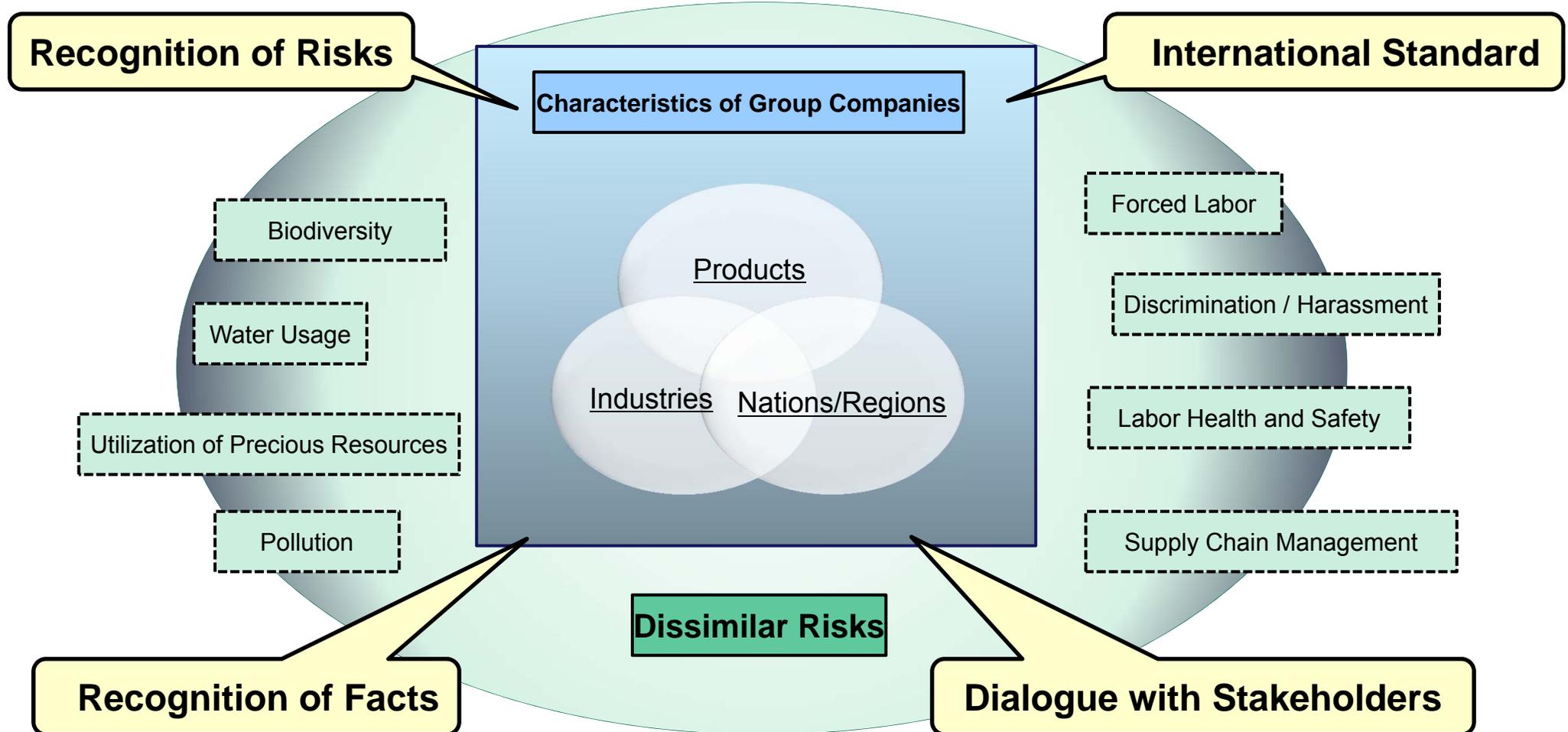
## 【ESG Risk Management】



# 5. Initiatives for Social and Environmental Issues

## 【ESG Risk Management】

### Monitoring of Group Companies including ESG risks



**【Our Focuses】** · Capturing of our entire business portfolio's risk profile and selection of prioritized risks  
· Management of Supply Chain's Risk mainly for human rights issues

## Integrated Report

Introduction of Value Creation Model

## ESG Small Meeting for Investors/Analysts

## ESG Communication Book

Disclose on our philosophy for sustainability and initiatives towards social/environmental issues

<b>[Contents (tentative)]</b>	
<u>1. SC group's sustainability</u> ○Management Principles, Sustainability ○Material Issues ○Value Creation Model ○Medium-Term Management Plan ○Structure for promoting our sustainability ○Define ESG risks and opportunities	<u>4. Governance</u> ○Corporate Governance ○Compliance ○Risk Management ○Information Security ○Engagement with Stakeholders
<u>2. Addressing Environmental Issues (Policy/Cases)</u> [Environmental Management / Climate Change / Water Resources / biodiversity / Pollution / Resource Utilization ]	<u>5. ESG Quantitative Data</u> ○Environmental ○Social ○Governance
<u>3. Addressing Social Issues (Policy/Cases)</u> [Human Rights / HSE / HR Training / Supply Chain / Industrial Technological Innovation / Healthcare / Enriching Lifestyle, Social Contribution Activities]	<u>6. External Recognition</u> ○ESG Indices, etc.