



SC Sumitomo Corporation Business Report NEWS

The 1st Half of 153rd Newsletter to Shareholders
April 1, 2020 through September 30, 2020



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Building a New Foundation for Returning to the Growth Trajectory

Representative Director
President and Chief Executive Officer

Masayuki Hyodo

Many countries in the world are still suffering from the spread of COVID-19. The emergence of COVID-19 has significantly changed our daily lives and rapidly worsened our business environment. I believe it will be some time before the global economy regains its strength.

Amid such circumstances, the Sumitomo Corporation Group's consolidated performance was also severely affected. In the first half of fiscal 2020, we recorded approximately ¥135.0 billion as one-off losses, including an impairment loss of ¥55.0 billion in nickel mining and refining business in Madagascar. The result was a consolidated net loss of ¥60.2 billion.

Our performance excluding the one-off losses was approximately ¥75.0 billion, a decrease of approximately ¥54.0 billion from the same period of the previous fiscal year. Our full-year performance forecast for fiscal 2020 is expected to result in a loss of ¥150.0 billion, which is unchanged from our announcement in the first quarter. This is due to concerns about the one-off losses occurring in several projects mainly

as a result of the impact of COVID-19. The forecast also incorporates the one-off losses amounting to ¥250.0 billion, in consideration of the expenses associated with advancing structural reforms, such as the restructuring of unprofitable businesses toward an early recovery in profit. The future outlook remains unclear, with concerns including deterioration in the global economy due to the resurgence of infections centered on Europe and the United States. In this fiscal year, we will therefore continue to carry out management under crisis management mode with cash flow management as our top priority, including reviewing investments and loans prospects on a strictly selective basis and thoroughly reducing costs.

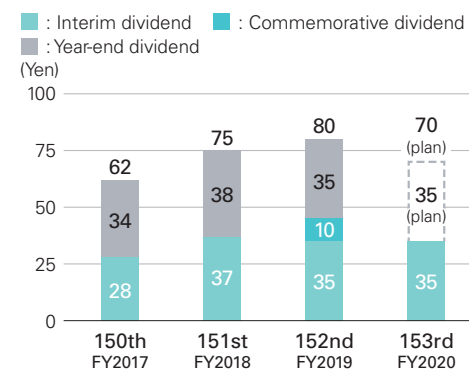
On top of this, in view of the next medium-term management plan, we will undertake the restructuring of unprofitable businesses, strengthening of earning power, and upgrading of sustainability management, and advance structural reforms. First, in the short term, we will undertake the restructuring of unprofitable businesses by withdrawing without hesitation from fields that currently have low profitability and are difficult to improve in the future. In the medium and long term, we will comprehensively strengthen our earning power both in terms of quality and quantity and increase our resilience to fluctuations in the economy by accelerating investment of resources in fields where we can utilize our strengths to grow further. Regarding the enhancement of sustainability management, in June 2020, we identified and announced our key social issues and long-term goals. Pursuing an ideal society will create additional business opportunities for us. We will collaborate with various stakeholders to achieve a sustainable society and grow sustainably together with society. The world continues to face a difficult situation and there are still regions today that suffer from the severe impact of COVID-19. In this context, we will undertake structural reforms so that we can stably create value under all circumstances and contribute to society.

As the President, I take seriously the fact that we announced a loss in our full-year performance forecast for fiscal 2020. Our executives and employees will work as one toward returning to profit and getting back on the growth trajectory as soon as possible so as to meet the expectations of all stakeholders. We ask for your support in our endeavors.

Annual Dividend Forecast in Fiscal 2020 will be ¥70 per Share

We aim to increase dividends by achieving medium and long-term earnings growth while adhering to the fundamental policy of paying shareholders a stable dividend over the long term. Although we forecast a loss of ¥150.0 billion in our full-year performance forecast for fiscal 2020, in addition to our fundamental policy of paying shareholders a stable dividend over the long term, we believe that the major portion of one-off losses will not associate with cash, and that even in the case that a loss of ¥150.0 billion is incurred we will be able to maintain the balance of core risk buffer and risk-weighted assets. Accordingly, the annual dividend for fiscal 2020 is projected to be ¥70 per share, unchanged from the initial projection and the same as the ordinary dividend amount of fiscal 2019. The interim dividend will be ¥35 per share, half of the amount of planned annual dividend.

▶ Dividend per share

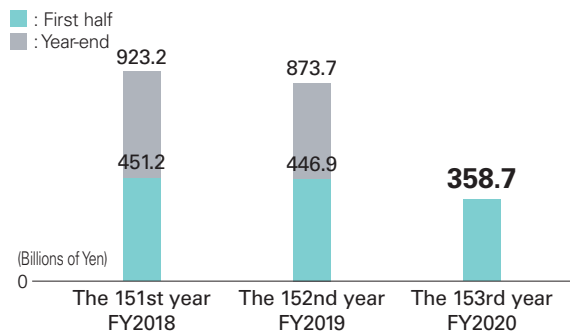


Performance Highlights

Changes in primary management indicators

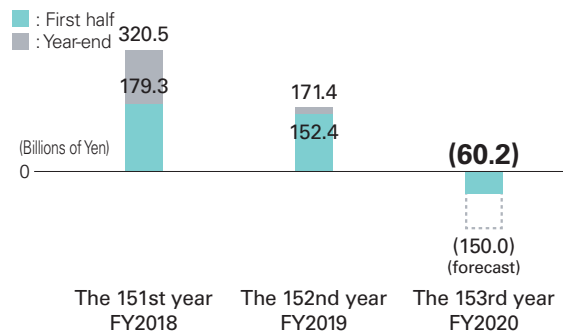
Gross Profit

¥358.7 billion



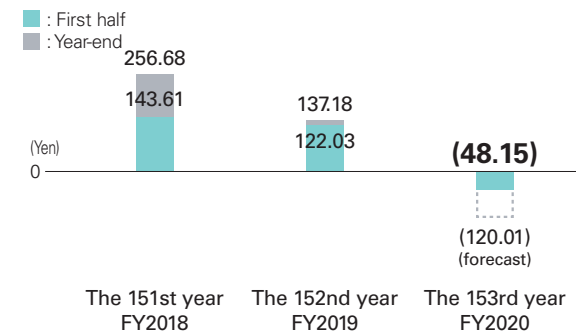
Consolidated Net Income or Loss

¥(60.2) billion



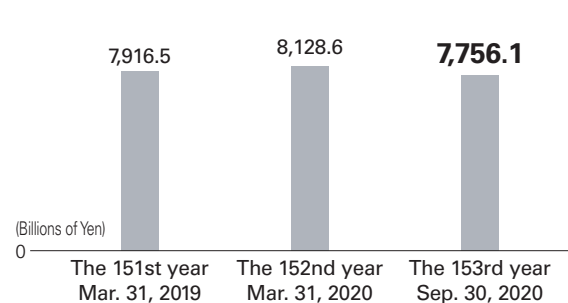
Consolidated Net Income or Loss per Share

¥(48.15)



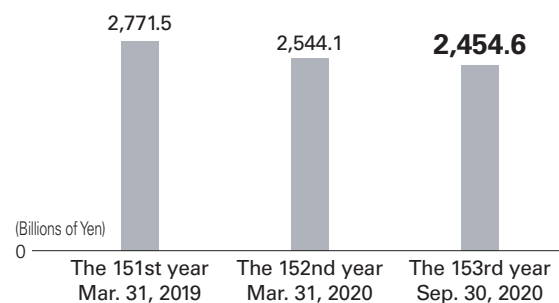
Total Assets

¥7,756.1 billion



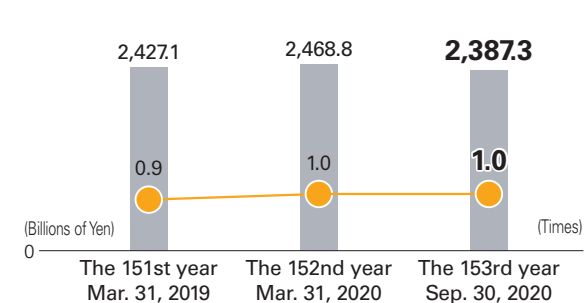
Shareholders' Equity

¥2,454.6 billion



Interest-Bearing Liabilities (Net) / Debt-Equity Ratio (Net)

Interest-Bearing Liabilities (Net) Debt-Equity Ratio (Net)
¥2,387.3 billion 1.0 times



Glossary of terms

Interest-Bearing Liabilities (Net)

Gross interest-bearing liabilities (bank borrowing, corporate bonds, commercial paper, etc.) that must be repaid with interest, minus cash and cash equivalents.

Debt-Equity Ratio (Net)

The value of interest-bearing liabilities (net) divided by shareholders' equity; an indicator of financial soundness.

*In this publication, "consolidated net income or loss" corresponds to "profit or loss for the year attributable to owners of the parent" under IFRS and "shareholders' equity" corresponds to "equity attributable to owners of the parent."

Cash Flow Results

The basic profit cash flow*¹ for the first half of fiscal 2020 was an inflow of ¥87.5 billion due to cash generation from our core business. Net cash provided by other activities was ¥60.0 billion due to a decrease in working capital, and we recovered funds of approximately ¥30.0 billion due to asset replacement, including the sale of the Marcellus shale project in the U.S.

We executed investments of approximately ¥110.0 billion primarily for the participation in the operation and maintenance of passenger railway business in the Philippines and capital investment in SCSK.

As a result, free cash flow after dividends for the first half of fiscal 2020 was an inflow of approximately ¥80.0 billion, while the cumulative total for two and a half years of the Medium-Term Management Plan 2020 achieved positive of approximately ¥180.0 billion.

Regarding our cash flow plan, in light of an expected decrease in cash inflow due to the impact of COVID-19, we have revised our investment and asset replacement plans. However, our policy of reducing interest-bearing liabilities by ¥200.0 billion in order to continue improving our financial soundness remains unchanged. We will manage our overall cash flow more precisely by thorough cost reduction, acceleration of asset replacement through structural reforms, improvement in working capital, and careful screening of investments.

► Cash Flow Results

(Billions of Yen)

	FY2018 - 19 two-year cumulative results	FY2020 first half results	Cumulative total (Apr. 2018 - Sep. 2020)	(Released Aug. 2020) Three-year plan total (Apr. 2018 - Mar. 2021)
Basic profit cash flow	+529.0	+87.5	+616.5	
Depreciation and amortization* ²	+227.2	+57.5	+284.7	+1,000.0
Asset replacement	+360.0	+30.0	+390.0	
Others	-170.0	+60.0	-110.0	+400.0
New investment and replacement	-650.0	-110.0	-760.0	-920.0
Free cash flow	+290.8	+123.3	+414.1	+480.0
Dividend	-192.3	-43.7	-236.0	-280.0
Free cash flow (post-dividend)	+98.4	+79.5	+177.9	+200.0

*1 Basic profit cash flow = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net of interest income + Dividends) × (1-Tax rate) + Dividend from entities accounted for using the equity method

*2 Increase in depreciation by adopting IFRS 16 is deducted as follows: FY2018 - 19 two-year cumulative results: ¥50.0 billion; FY2020 first half results: ¥25.0 billion.

Consolidated net income or loss by segment / Overview

Metal Products Business Unit

- Metal Products Business Unit posted loss of ¥12.3 billion, a decrease of ¥23.0 billion from the same period of previous fiscal year. In addition to the impairment loss posted for tubular products business, the decrease is due to decrease in earnings of tubular products business in the North America and low performance of overseas steel service centers.

Transportation & Construction Systems Business Unit

- Transportation & Construction Systems Business Unit posted a loss of ¥19.8 billion, a decrease of ¥41.8 billion from the same period of previous fiscal year. In addition to decrease in earnings for leasing business and automotive related business, the decrease is due to posting impairment loss and one-off loss owing to the increase of allowances caused by rescheduling of repayment in accordance with local government remedy for COVID-19 in the automotive financing business in Indonesia.

Infrastructure Business Unit

- Infrastructure Business Unit posted loss of ¥7.2 billion, a decrease of ¥46.9 billion from the same period of previous fiscal year. This is mainly due to the peak-out of the progress in construction of large-scale EPC projects and one-off losses including impairment loss posting for IPP business in Australia, while IPP/IWPP business has kept solid performance.

Media & Digital Business Unit

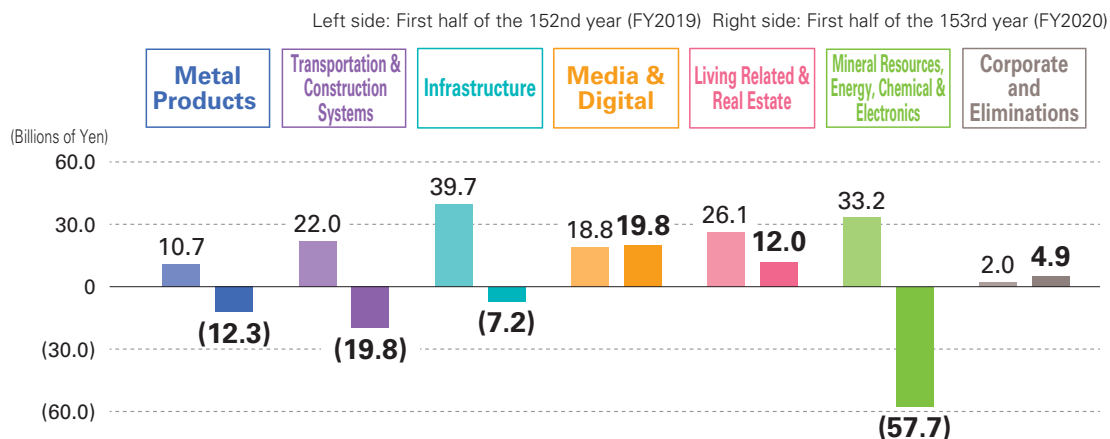
- Media & Digital Business Unit posted profit of ¥19.8 billion, an increase of ¥1.0 billion from the same period of previous fiscal year due to stable performance of major group companies.

Living Related & Real Estate Business Unit

- Living Related & Real Estate Business Unit posted profit of ¥12.0 billion, a decrease of ¥14.0 billion from the same period of previous fiscal year. This is due mainly to the absence of profit posted by large scale properties delivered in the same period of previous fiscal year and decrease in earnings for fresh produce business in Europe and the Americas due to stagnant market environment in the U.S., while domestic supermarket business has kept solid performance.

Mineral Resources, Energy, Chemical & Electronics Business Unit

- Mineral Resources, Energy, Chemical & Electronics Business Unit posted a loss of ¥57.7 billion, a decrease of ¥90.9 billion from the same period of previous fiscal year. In addition to decrease in earnings from coal business in Australia which were impacted mainly by lower mineral resources prices and impacts from the suspension of the Nickel mining and refining business in Madagascar and San Cristobal silver-zinc-lead mining projects, the decrease is due to the impairment loss of ¥55.0 billion posted in the Nickel mining and refining business in Madagascar.

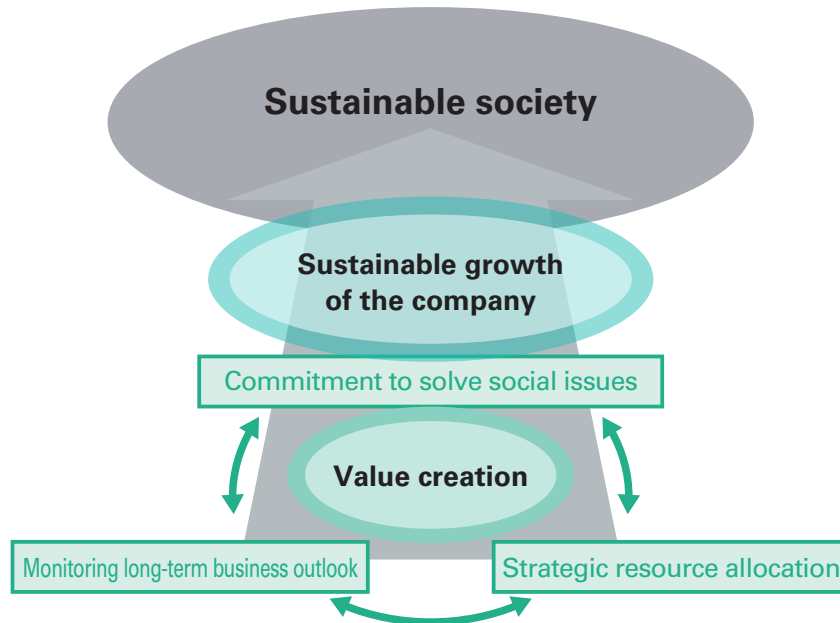




Enhancing Sustainability Management

In 2017, Sumitomo Corporation identified the Material Issues to Achieve Sustainable Growth with Society in line with Sumitomo's Business Philosophy and Sumitomo Corporation Group's Corporate Mission Statement. The Material Issues have helped to clarify the relationship between our business and society and ensure that each business contributes to solving social issues. In June 2020, in order to make a strong commitment to the realization of a sustainable society as part of our efforts to further enhance sustainability management, we identified Key Social Issues with a Long-Term Goal set for each issue, and clarified the role we should play. We will continue to create and deliver the value that society truly needs by anticipating the long-term shifts in the business landscape relating to these social issues and also by strategically allocating management resources.

Pursue sustainable growth with the society



Key Social Issues and Long-Term Goals for the Sumitomo Corporation Group

We have identified six Key Social Issues to target through Group initiatives with a Long-Term Goal set for each issue: "Mitigation of climate change," "Circular economy," "Respect for human rights," "Development of local society and economy," "Improvement of living standards," and "Quality education."

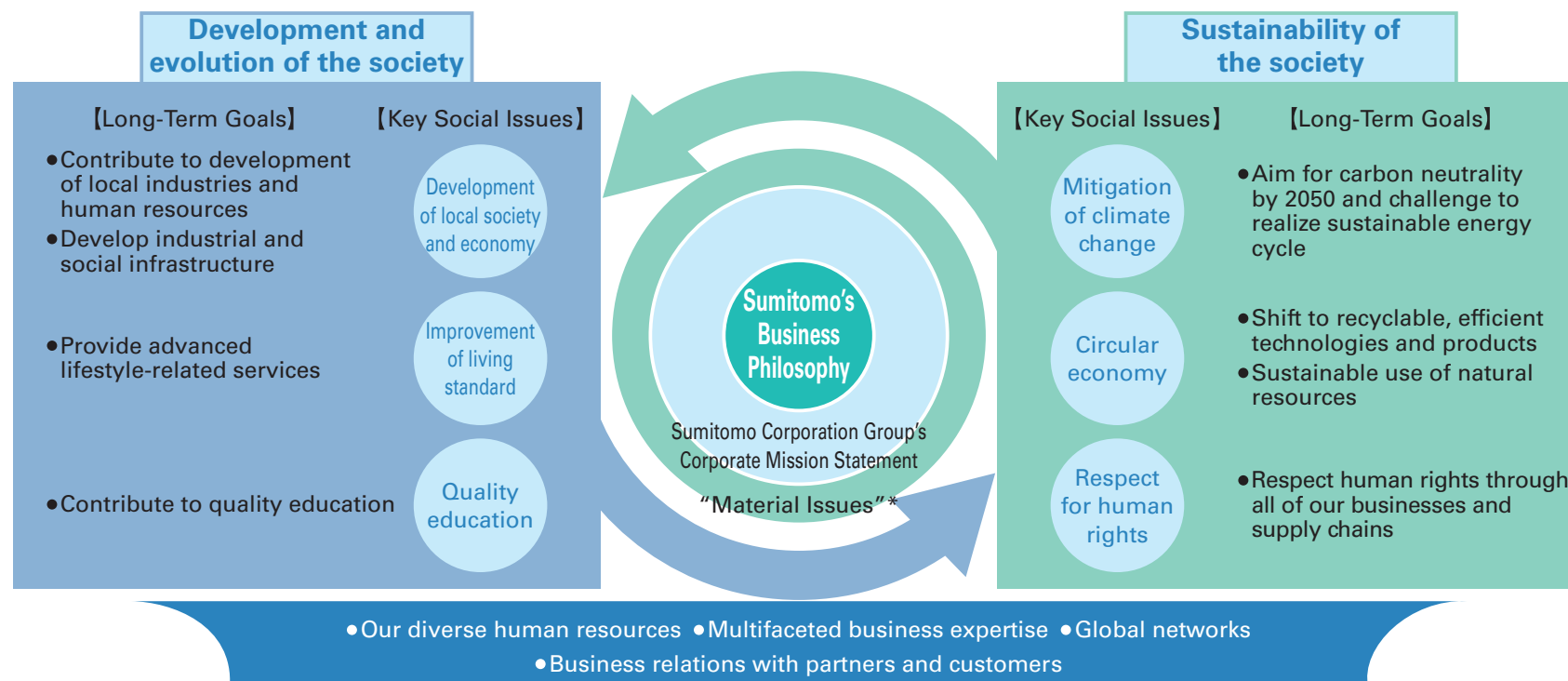
As the global society works to realize a sustainable society, these issues and goals demonstrate the role which the Sumitomo Corporation Group should play on the basis of its strengths—human resources, business expertise, global networks and business relationships—and also serve as a guideline for the Group's entire business operations.

Although we will pursue to achieve these goals through business activities, we will contribute to providing quality education through our philanthropy as well as a variety of human resources development initiatives.

The six social issues have two themes: the Sustainability of the society, and Development and evolution of the society. The sustainability of the society is a globally shared goal as well as a major premise of the development of society and our business. On the other hand, the solutions for pursuing the sustainability of the society will be generated from further social and economic development and therefore, we believe that these two themes are mutually complementary.

Regarding our Long-Term Goals for individual Key Social Issues, such as aiming for carbon neutrality in 2050 to mitigate climate change, will be addressed on a long-term basis. Meanwhile, there are goals that we must constantly work on in our business on a day-to-day basis. In addition to our Long-Term Goals on each issue, going forward we will set Mid-Term Goals and KPIs for each, promote initiatives for each issue and disclose progress toward them, and enhance our sustainability management in order to achieve sustainable growth together with society.

Key social issues and long-term goals for Sumitomo Corporation Group



* Priority issues identified for the Sumitomo Corporation Group to pursue sustainable growth with society

Material Issues and Key Social Issues

The Material Issues that Sumitomo Corporation identified in 2017 are based on Sumitomo's Business Philosophy and Sumitomo Corporation Group's Corporate Mission Statement. We organized how each business in our portfolio contributes to society, classified them into four Material Issues, and then added two of our management issues to identify our six Material Issues. We have been placing these six Material Issues at the core of our management to constantly check that

the business strategies and each business align with the Material Issues and make sure that they contribute to solving the social issues.

On the other hand, with the newly identified Key Social Issues and their Long-Term Goals, Sumitomo Corporation Group will take another step forward in its sustainability management by clearly defining the role it plays in achieving a sustainable society. We believe that both the Material Issues and Key Social Issues are essential in order to understand how our business relates to social issues and also to make clear our commitments to society.



Future of Social Infrastructure Business Division



Corporate Officer
General Manager, Social
Infrastructure Business
Division

Hidemasa Kozawa

Joined Sumitomo Corporation in 1990. General Manager of Transportation Systems & Infrastructure Business Dept. in 2016, and General Director of Sumitomo Corporation Vietnam LLC in 2018. Assumed current position in October 2020.

Creating New Value Through Our Comprehensive Infrastructure Portfolio

In addition to conventional mechanical and electrical equipment trading, the Social Infrastructure Business Division's business involves the investment in infrastructure projects and infrastructure construction. Specifically, the Division consists of Japanese corporations including Sumitomo Shoji Machinex, one of Japan's largest trading companies specializing in machinery and electronics, and Summit Energy, a pioneer in electric power retailing in Japan; the Infrastructure Business Development Dept., which is engaged in water and other businesses in the UK, Brazil, and China; the Transportation Systems & Infrastructure Business Dept., which is engaged in the supply of rail cars and construction of urban railways as well as railway operation and maintenance in Southeast Asia, such as the Philippines, and the U.S.; the PFI Business Dept., which is engaged in the privatization of core infrastructure such as airports; the North Hanoi Project Dept., which is working to promote development of a smart city in northern Hanoi, Vietnam; and the Zero Emission Business Dept., which was launched in April 2020 with the aim of building a decarbonized society to prevent global warming.

Developing a smart city in northern Hanoi

We are striving to create new value by using our traditional organizational strength as a trading company to connect these broad infrastructure portfolios with a variety of different industries. One example is our smart city development project in northern Hanoi. In addition to conventional residential and commercial real estate development, the city's design brings together many of the Social Infrastructure Business Division's strengths, including urban railways and other public transportation infrastructure, 5G communications infrastructure, public sanitation such as water



The conceptual image of the first phase of the project, which focuses on housing and green space development.

and sewage systems, and education, medical care, and disaster prevention systems, with the goal of creating a zero-CO₂ emission city. We have styled these as open platforms and welcome the participation of a variety of companies contributing advanced technologies or funds.

The Northern Hanoi Smart City Development site lies at the halfway point 10km between Noi Bai International Airport and the center of Hanoi City in a key transportation hub featuring major roads and bridges built using yen loans from the Japanese government. This large-scale urban development covers approximately 270 hectares and aims to create a new urban center for Hanoi. The first phase construction of 70 hectares (residential area) is scheduled to begin in 2021, with occupancy planned to begin in the second half of 2023.

Promotion of zero emissions

Summit Energy owns three large biomass power plants in Japan with a generation capacity of approximately one billion kilowatt hours (kWh) of green power per year—equivalent to 1,000 megawatts of solar power. The Zero Emission Business Department aims to expand the storage battery reuse business for electric vehicles through 4R Energy, a joint venture with Nissan. By putting Summit Energy's green power and storage batteries in actual social use, we will promote the widespread use of renewable energy and energy conservation through energy management, contributing to a zero-emission society. We have already received inquiries from many business owners and individual customers about how to realize zero emissions.



Summit Energy's Sakata Biomass Power Plant with Mt. Chokai in the background

Water business in the UK, a leader in infrastructure privatization

In February 2013, Sumitomo Corporation acquired Sutton & East Surrey Water (SES Water), a water supply and distribution company in the UK, a nation at the forefront of infrastructure privatization. SES Water, established in 1862, supplies water to a population of approximately 700,000 in southeast London. It is a privatized water business responsible for the operation and maintenance of eight water treatment works and more than 3,000 kilometers of pipelines, as well as capital investments, dealing with regulatory authorities, customer billing, and other customer services. Since the full privatization of water and sewage companies in the UK in 1989, many of the aging facilities have been refurbished and the leakage rate is said to have declined by almost 40%. SES Water has also undergone extensive refurbishments of its facilities and improvements to its operation and maintenance systems, and is today one of the most efficiently operated water companies in the UK. Lower leakage rates lead not only to improved business revenue, but also to more efficient use of water resources. Another important mission of SES Water is to develop a sustainable business by ensuring long-term preservation of precious water resources with the help of water conservation efforts by local residents.

We will continue to work to realize coexistence with the global environment and establish a foundation for comfortable and enriching lifestyles in the region by establishing an optimal cycle for water resources and delivering stable services.



The reservoir at the Bough Beech Water Treatment Works SES Water's only facility that uses surface water (water drawn from a stream/river). This plant supplies 15% of SES Water's water, with the remaining 85% sourced from groundwater and softened before supplying to users due to its higher calcium content.



An event held at the Godstone Water Treatment Works to teach the local community about the importance of water resources and how to conserve water in the home. With a firm sense of social responsibility as a key local infrastructure provider, the facility aims to contribute to the local community through awareness raising initiatives.

Business Topics

Sumitomo Corporation Group deploys its global business operations in a wide range of industries, placing the “Six Material Issues to Achieve Sustainable Growth with Society” as the core of corporate management.

Metal Products Business Unit



Contributing to Industrial Development Through New Manufacturing Technologies

Sumitomo Corporation enters the prototype casting business using 3D printing technology

Sumitomo Corporation has taken a 35% stake in Kimura Foundry America (Headquarters: Indiana, U.S.) a U.S. subsidiary of Kimura Foundry (Headquarters: Sunto District, Shizuoka Prefecture), which engages in the prototype casting business using 3D printing technology.

The sand mold 3D printing equipment introduced by Kimura Foundry can form a sand mold directly from the 3D data input into the printer by binding resin or other agent on the thin sand layer one on another, making it possible to complete a sand mold in one day. As the pattern manufacturing process can be omitted, the lead time required for the delivery of a casting can be significantly shortened. Kimura Foundry has also developed technology to suppress the expansion of the sand even when an iron/steel-based material with a melting temperature exceeding 1,400 degrees Celsius is poured into the mold, thereby preventing the shape of the casting from being deformed. Another benefit is that dozens or more molds can be produced simultaneously in a single process.

Going forward, we aim to generate synergy effects between the business and Sumitomo Corporation Group's auto parts manufacturing business, while making effective use of its overseas customer network to expand the prototype casting business across the fields of construction and agricultural machinery, industrial equipment, and others. We will push ahead with the expansion of the business in Europe and Asia in addition to the US, hoping eventually to support the development of related industries by establishing new forms of manufacturing, such as on-demand manufacturing.

Kimura Foundry America's plant, where casting parts are manufactured using the sand mold 3D printing equipment.



Molten metal tapping from an electric furnace to a ladle.



Engineering company SCAE possesses outstanding network capabilities, technological prowess, and expertise.

Transportation & Construction Systems Business Unit



Entering the Automotive Engineering Business

Delivering new value to meet the needs for developing next-generation vehicles in the rapidly-changing automotive industry

In August 2020, Sumitomo Corporation entered the automotive engineering business by establishing SC Automotive Engineering (SCAE), a company formed through a collaboration with automotive development experts.

Design and development technologies are rapidly becoming more sophisticated and complex as the automotive industry takes on “once-in-a-century” transformation, including advancement and expansion of the connected, autonomous, shared, and electric (CASE) fields, an increase in the number of automotive models, and diversification of regional development needs around the globe. To address these changes, automakers and automotive component manufacturers are increasingly seeking collaboration with external partners and advanced engineering services.

SCAE is a new type of engineering company that meets these changing needs. Aiming to contribute to the development of the automotive industry, SCAE will deliver optimized engineering services to solve the issues of automakers and automotive component manufacturers, by utilizing Sumitomo Corporation's domestic and global network, experience in the automotive industry, and knowledge from experts across a broad range of automotive technological fields.

Infrastructure Business Unit

Entering Railway Business in the Philippines

Contributing to enhance regional economic development and living environment through involvement in railway operations, maintenance and development of rail way infrastructure

Sumitomo Corporation acquired a stake in Light Rail Manila Corporation (LRMC), which operates and maintains urban passenger railway transit line in Manila, marking its entry into the railway concession business in the Philippines.

In 2014, LRMC, whose shareholders include local conglomerates, Ayala and MPIC^{*1}, acquired the rights to operate LRT-1 Line, which serves Metro Manila, through to 2047. LRMC has since made steady progress in improving the service.

Over the years, Sumitomo Corporation delivered several EPC^{*2} projects in Metro Manila. We also arranged numerous rolling stock delivery contracts as well as EPC contracts, both sometimes coupled with maintenance services, in Japan and overseas. Going forward, we are set to work with LRMC to create additional value, leveraging its railway infrastructure complementary business expertise, such as the development of in-station amenities and retail services.

In line with the company vision to promote economic development and improvement of living environment in the Philippines, we are set to continue our efforts to help reduce congestion in Metro Manila, through our numerous initiatives aimed at strengthening the transportation network in the capital.

The COVID-19 pandemic caused operations to be suspended for more than two months. In June, however, the railway resumed its service with restrictions on passenger numbers after implementing measures to prevent the spread of the disease, including installation of partitions between seats and thermal cameras.

*1 MPIC: Metro Pacific Investments Corporation

*2 EPC: Engineering, Procurement and Construction. A project encompassing design, procurement and construction of a railway system



Manila's LRT-1 Line is a key infrastructure supporting peoples' lives.



DX銘柄2020
Digital Transformation



IoT development / HAX Tokyo



Robot development / HAX Shenzhen

Media & Digital Business Unit

Sumitomo Corporation Selected as a Digital Transformation Stock (DX Stock) 2020

Creating new value by using technology to tackle challenges in the Group's various business frontlines

Sumitomo Corporation has been selected as a Digital Transformation Stock (DX Stock) 2020 by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE).

The DX Stock program aims to recognize companies that have dramatically reformed their business models through the use of digital technology in order to achieve new growth and enhance competitiveness. Sumitomo Corporation was highly evaluated for the deep penetration of DX into its corporate culture.

Sumitomo Corporation has established the DX Center in April 2018 and has appointed a CDO^{*1} to promote DX together with SCSK. With a view to the 5G and digital age, we have undertaken organizational reforms, expanding DX initiatives globally with more than 150 members. Furthermore, CDO has visited more than 20 major locations all over the world to raise DX awareness by explaining how DX can upgrade our businesses.

In order to accelerate DX, we have also started to make partnerships with aiforce, an AI-tech start-up and KIYONO, a data marketing company as well as establishing Insight Edge, a data analytics company. We have also founded IN Venture in Tel Aviv, Israel, as our fifth global CVC^{*2}, and started the HAX Tokyo accelerator program so as to co-create innovation with start-ups.

We aim to generate new value through DX, such as cross-industry businesses and new industries, while making an effort to promote corporate transformation^{*3} (CX).

*1 CDO: Chief Digital Officer

*2 CVC: Corporate Venture Capital

*3 Corporate transformation: A drastic reform of a company's organization, systems, and corporate culture



Grand Opening of Kanda Square and Grand Emio Tokorozawa (Phase 2)

Revitalizing the region using our accumulated expertise in urban development

In September 2020, Kanda Square, a large-scale complex building in Tokyo's Kanda area, and Grand Emio Tokorozawa (Phase 2), a retail facility directly connected to the Seibu Tokorozawa railway station, were opened.

Kanda Square is a building with 21 floors above ground and one floor below ground that includes offices, restaurants, shops, rental halls, and conference rooms. Summit Store, a Sumitomo Corporation Group-owned supermarket, has opened its smallest store on the 1st floor. Summit has devised many ideas to provide enough volume and variety of fresh products that can meet various needs, while introducing new technologies such as self-service cash registers and electronic price tags, in anticipation of opening new such stores in the central area of Tokyo in the future. We will work to promote the appeal of Kanda, a key location for our office building business, with the aim of creating a facility that is not only used by office workers but also by local residents.

Grand Emio Tokorozawa, which had 77 stores when it initially opened during Phase 1 in 2018, has boosted its lineup with 48 new stores during Phase 2. We have worked to develop and operate these facilities in accordance with the tone of the local community.

In addition to abundant multipurpose plazas and rest spaces, Grand Emio provides a space that serves to promote the appeal of Tokorozawa, which is becoming more popular as a living town. Going forward, we will continue to contribute to local revitalization by developing and operating a range of facilities.

Kanda Square, a new building complex which opened on September 4



Summit Store on the first floor of Kanda Square



Grand Emio Tokorozawa, a retail facility directly connected to Tokorozawa Station which opened on September 2



USMag's commercial plant (front) and by-products containing a high level of lithium chloride (back)



Ensuring Stable Supply of Raw Materials to Contribute to Next-Generation Automobiles

Sumitomo enters into an exclusive distributorship agreement for US-produced lithium carbonate

Sumitomo Corporation has entered into an exclusive distributorship agreement with US MAGNESIUM LLC ("USMag") for lithium carbonate for sale in Japan, Korea and China, and began marketing USMag's lithium carbonate in August 2020.

Lithium carbonate is a raw material for producing lithium-ion batteries that are essential sources of power for smartphones and electric vehicles and there is also strong demand for the material in industrial applications, including as additives for thermal glass. Japan imports almost all of its lithium carbonate, and with demand for hybrid and electric vehicles expected to grow, there is a need to establish supply arrangements to ensure stable procurement over the long term.

USMag, one of the world's largest metallic magnesium companies, manufactures lithium carbonate by refining the by-products produced during the metallic magnesium manufacturing process, and its products are characterized by their low environmental impact and outstanding cost competitiveness due to the reuse of by-products.

Going forward, Sumitomo Corporation plans to sell approximately 10,000 tons of lithium carbonate per year for use in lithium-ion batteries and the ceramic and glass-related industries, and will contribute to the stable supply of resources and a sustainable society through its lithium carbonate business.

Please visit the website below to view the details of Material Issues of the Sumitomo Corporation Group.

<https://www.sumitomocorp.com/en/jp/sustainability/material-issues>

Sumitomo Corporation Material Issues

Search

Creating New Value From Nothing —the 0→1 Challenge, Sumitomo Corporation’s Intrapreneurial Program

The 0→1 Challenge program was launched in 2018 to provide an opportunity for individual employees to propose new businesses irrespective of position, department, or length of career. Sumitomo Corporation promotes it as an initiative for “creating the next-generation businesses,” one of the three pillars of growth strategy under the Medium-Term Management Plan 2020, aiming to encourage individuals to materialize new business ideas.

To give shape to unique business ideas that can help solve regional issues, we have created three blocks—Asia, the Americas, and Europe, Middle East, Africa & CIS—and established a system to support the Sumitomo Corporation Group employees around the world in their challenges by providing advice from experts both inside and outside the company.

The program’s first year saw the launch of new businesses in fields that we had not previously explored. The drive and aspirations of the passionate employees have resonated throughout the company, leading not only to a change in employee mindset, but also to the transformation of existing businesses.

In fiscal 2020, the program’s third year, while many employees worked from home, we ran a range of online initiatives to support employees taking on intrapreneurial challenges, based on the concept of “Do what is now possible. Do what is possible only now. Create one from zero!” Even in this year’s irregular environment, we have received a large number of ideas.

Through this program, we hope to generate new businesses to meet the needs of the changing times, and will continue to pursue innovative ways of generating new value going forward.



Last year’s final judging session in fiscal 2019 at MIRAI LAB PALETTE. Aspiring intrapreneurs listening to inspiring lectures.



The fiscal 2020 Interim Pitch Contest was held at MIRAI LAB PALETTE with no audience. The event was streamed live online in Japanese and English.



Participants receiving feedback from the judges after the Interim Pitch Contest.



Based on Sumitomo's business philosophy, the Group has adapted to the changes, overcome the challenges and successfully developed. We will introduce the achievements of the forefathers of Sumitomo.

Second Director-General of the Sumitomo Family

Teigo Iba (1847 - 1926)

Tackling Environmental Issues and Modernizing the Management of the Besshi Copper Mines

Teigo Iba, the nephew of Saihei Hirose, the first Director-General of the Sumitomo Family, was inspired by Sumitomo's business philosophy of "working for the public interest" and joined Sumitomo in 1879 after serving as a judicial official. At the time in 1894, the rapid expansion of the Besshi Copper Mines had led to destruction of the mountains and forests, and sulfurous acid gas emitted from the smelter had caused smoke pollution. With local farmers rioting over the pollution, the situation was grim. In order to solve this smoke pollution problem, Teigo Iba, a general manager at Head Office at the time, was appointed as a general manager of the Besshi Copper Mines. Iba relocated the smelters to Shisaka Island, a deserted island on the Seto Naikai (Inland Sea of Japan). With total construction costs amounting to approximately 1.7 million yen, equivalent to two years of net income from the Besshi Copper Mines, the move was a huge undertaking that put the company's fate on the line. He also became involved in sustainable forestry management, planting more than one million trees every year at the Besshi Copper Mines. He made many other excellent decisions including terminating conventional wet refining method, which was the main cause of the smoke pollution, and the discontinuation of

the sulfuric acid and ironmaking businesses that were unprofitable due to technological issues.

In conjunction with the smoke pollution problem at the Besshi Copper Mines, Iba undertook the modernization of Sumitomo management. With the continuous growth of the organization, further evolution of management was needed urgently and many start-up companies were established in Japan following the Sino-Japanese War. In 1895, Iba hosted the first Sumitomo Family Director Meeting at the Onomichi branch. The decisions were made including the establishment of Sumitomo Bank and expansion of overseas trade, and a number of Sumitomo companies that have continued into the modern era were born. The following year, Iba consulted with executives on a review of all Sumitomo businesses and drastically revised the Rules Governing the House of Sumitomo that had become incongruous with reality. The main points were to abolish the Mine Headquarters and have the Director Meeting deliberate on key matters, to rename the Executive Director as the Director-General, and to make Directors, who were subordinate to General Managers, members of the Director Meeting as executives. This was the origin of the Sumitomo Director-General system and



Teigo Iba during his time as Director-General



Besshi Copper Mines in the Meiji era. Teigo Iba worked to restore the mountain to its natural state.
Photo: Sumitomo Historical Archives



Tree-planting efforts restored the natural environment.
Photo: Sumitomo Forestry Co., Ltd.

Director Meeting, thereby resulting in the establishment of a council system.

Another noteworthy achievement by Iba is his establishment of a human resource foundation looking 50 to 100 years into the future by educating and promoting young talented personnel while also recruiting a broad range of human resources. In 1895, Sumitomo hired university graduates for the first time. In 1899, he invited retired personnel from the government and financial business, further accelerating modernization of the Sumitomo organization and systems and thereby establishing a foothold for the further diversification of Sumitomo business.

Corporate Profile / Stock Information

Corporate Profile (As of September 30, 2020)

Establishment:	December 1919
Paid-In Capital:	¥219,781,067,183
Status of Employees:	Number of Employees 5,455 ^(Note) Number of Employees (Consolidated basis) 72,823 (Note) It includes 167 persons whom overseas branches and offices of the Company employ.
Status of Subsidiaries and Associated Companies:	Number of Consolidated Subsidiaries 662 Number of Associated Companies 288
Status of Operating Locations, etc.:	Domestic 22 Overseas 114
Accounting Auditor:	KPMG AZSA LLC

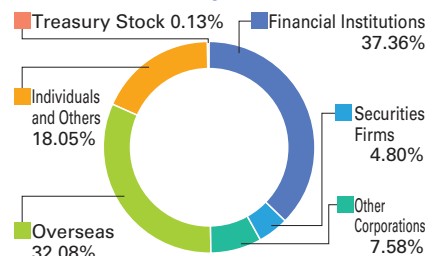
Stock Information (As of September 30, 2020)

Number of Shares Authorized for Issuance: 2,000,000,000 shares

Number of Issued Shares: 1,251,253,867 shares

Number of Shareholders: 200,606

Shareholders Composition:



Major Shareholders

Name	Number of Shares (In Thousands of Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	119,705	9.58
BNYM AS AGT/CLTS NON TREATY JASDEC	67,403	5.39
Custody Bank of Japan, Ltd. (trust account)	61,985	4.96
Sumitomo Life Insurance Company	30,855	2.47
Custody Bank of Japan, Ltd. (trust account 5)	25,909	2.07
JP Morgan Chase Bank 385781	18,379	1.47
Mitsui Sumitomo Insurance Company, Limited	18,000	1.44
State Street Bank West Client - Treaty 505234	16,571	1.33
JP Morgan Chase Bank 385632	14,955	1.20
Nippon Life Insurance Company	14,879	1.19

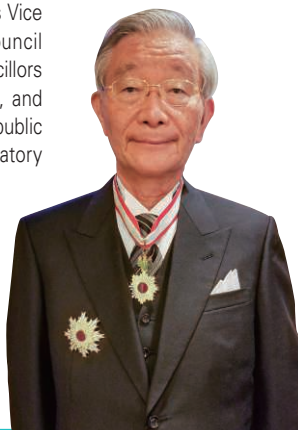
(Note) The shareholding ratio is calculated by dividing the number of shares held by the number of shares outstanding – which is derived by deducting treasury stock (1,651,600 shares) from the total number of issued shares – and rounding to the nearest hundredth of a percent.

Special Advisor Motoyuki Oka Receives Order of the Rising Sun, Gold and Silver Star

Sumitomo Corporation's Special Advisor Motoyuki Oka received the Order of the Rising Sun, Gold and Silver Star at the 2020 Spring Decoration Ceremony.

In addition to expanding Sumitomo Corporation's operations and performance as President from 2001 and Chairman from 2007, Mr. Oka was awarded for his contribution to the development of the trading industry over many years as Vice Chairman of the Japan Foreign Trade Council and Vice Chairman of the Meeting of Councillors of Keidanren (Japan Business Federation), and for his significant contribution to Japan's public interest as Chair of the Council for Regulatory Reform of the Cabinet Office and Chair of the Policy Evaluation Council of the Ministry of Internal Affairs and Communications.

The Decoration Ceremony, which had been postponed due to the COVID-19 pandemic, was held at the Imperial Palace on July 31.



Information for Shareholders

Fiscal Year: From April 1 of each year through March 31 of the following year
Ordinary General Meeting of Shareholders: June

Record Date: Ordinary General Meeting of Shareholders March 31
Year-end Dividends March 31
Interim Dividends September 30

Stock Transfer Agent and Account Management Institution for Special Accounts: Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Stock Transfer Agent, Handling Office: (Mailing Address) Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Business Planning Department
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Business Planning Department
8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063

(Telephone Inquiries) 0120-782-031
(URL) <https://www.smtb.jp/tools/english/>

Shares per Unit: 100 shares
Stock Listings: Tokyo, Nagoya, Fukuoka
Stock Exchange Code: 8053

Public Notices: Public notices shall be made electronically. If electronic notice is impossible due to accident or other unavoidable reason, the notice shall appear in the *Nihon Keizai Shimbun*.
(Public Notice URL) <https://www.sumitomocorp.com>

● Contact for Notifications and Inquiries Concerning Shares

For shareholders having an account with a securities company, please contact your securities company for notifications of change of address, etc. and inquiries. For shareholders not having an account with a securities company, please contact the telephone inquiries number on the left.

● About Special Accounts

For shareholders who have not used the custody and book-entry transfer system for securities prior to the introduction of electronic share certificate system, a special account has been established with Sumitomo Mitsui Trust Bank, Limited. For inquiries concerning special accounts, please contact the telephone inquiries number on the left.

Everyday Life

Bringing a smart lifestyle to customers through mobile phone shops across Japan



T-Gaia is a leading company of the mobile phone shop operators and aims to offer essential and helpful services to the neighboring customers by selling devices such as smartphones and tablets.

Smartphones have become an essential part of people's lives, while increasing the demand for online services instead of outings with COVID-19. Mobile phone shops operated by T-Gaia offer customers "smartphone lessons" to make them understand how to use and enjoy smartphones with ease.



Smartphone lessons during COVID-19



ICT lessons for children

Smartphone users among seniors has been increasing recently to more than 70%, and many of them have attended smartphone lessons. T-Gaia also provides lessons for children to teach them ICT skills and how to use smartphones safely. Furthermore, the shops feature a corner where customers can experience advanced technologies such as virtual reality (VR) contents, live videos and games with 5G connection.

T-Gaia operates approximately 1,200 mobile phone shops including docomo, au, SoftBank, and Rakuten Mobile shops all over Japan. With such retail shop network, T-Gaia will continue to deliver excitement, happiness and safety to customers by expanding its advanced ICT services for a 5G society.



Docomo shop featuring a 5G experience corner

A gift card; easy-to-use and expressing your gratitude

QUO CARD, a subsidiary of T-Gaia, issues prepaid gift cards "QUO cards." QUO cards have been well accepted for more than 30 years as a friendly and convenient gift card and now can be used at over 60,000 retail stores. Last year, it launched a new service "QUO Card Pay" that can be used on smartphones. It has been increasing the use cases such as collaboration with SNSs and enterprises' major campaigns. During the COVID-19 pandemic, QUO Card Pay has been used as a safe and convenient digital gift to express gratitude for health care workers, government officers, and company employees, or as giveaways for online events.



The number of retail stores to handle QUO Card Pay is increasing, including Lawson, and recently at UNIQLO and EDION. QUO Card Pay offers many promotions to attract new users with its credit at such as the official Twitter event. Check it out!

QUO CARD (Smart Service Business Dept., Sumitomo Corporation)

Takuhiro Matsuyama

QUO CARD PAY
Official Twitter
(Japanese version only)



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Editor's Note

The 0→1 Challenge is an intrapreneurial program launched in 2018. The final selection process for this year will begin in January with the Asia block. Sumitomo Corporation employees' passionate efforts to commercialize business ideas are helping us foster a culture where challenge is encouraged without fear of failure. In addition to reports on business activities, our official Facebook page also features local introductions by employees on assignment around the world, as well as a range of initiatives. Please subscribe for the latest news.



Caution Concerning Forward-looking Statement

Statements included in this publication regarding future performance and other matters have been determined on the basis of information currently available. Such statements may differ in future depending on changes in the business environment, etc., and Sumitomo Corporation does not guarantee their reliability.