

Corporate Governance

Fundamental Principle

We view corporate governance as the “improvement of management efficiency” and the “maintenance of sound management.” We firmly believe that these can only be accomplished through “securing of managerial transparency.” With the Sumitomo Spirit and the Management Principles as our ethical backbone, we will pursue the optimal managerial system for our Company, namely a method of governance that takes in the interests of all stakeholders.

“Sumitomo Spirit” – embodied in “Business Principles” (drafted in 1891)

1. Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.
2. Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

Sumitomo Corporation’s “Management Principles”

- To achieve prosperity and realize dreams through sound business activities.
- To place prime importance on integrity and sound management with utmost respect for the individual.
- To foster a corporate culture full of vitality and conducive to innovation.

Initiatives to enhance corporate governance

Based on these views and taking into account Japan’s revised Commercial law that took effect in April 2003 and the U.S. corporate reform law (Sarbanes-Oxley Act of 2002), we have discussed ways to enhance corporate governance from diverse perspectives. As a result, we have taken the following five measures to reinforce our auditing practices and enhance the function of the Board of Directors. At the same time, we have compiled our thinking and initiatives on corporate governance into “Sumitomo Corporation Corporate Governance Principles,” available at the following URL: <http://www.sumitomocorp.co.jp/company/governance/index.htm>

Specific Measures

1. Reinforcement and enhancement of the corporate auditing system

We added one outside accounting expert in addition to the two outside law experts. Now having three out of five corporate auditors from outside of the Company, we aim to establish an auditing setup based on diverse perspectives.

2. Appointment of outside advisors

We appointed four knowledgeable persons from outside the Company as advisors. We will seek broad range of advice and suggestions concerning management strategy and medium- and long-term issues.

3. Reduction of the size of the Board of Directors

We have reduced the size of the Board of Directors to 12 to facilitate quick and rational decisions.

4. Adoption of executive officer system

We adopted an executive officer system to clarify executive responsibility and authority and to strengthen the oversight function of the Board. By having all directors (except for the Chairman of the Board of Directors) concurrently serve as executive officers, we aim to prevent gaps between management decisions and executions, and improve our management efficiency.

5. Setting a limit to chairman and president’s term of office

We decided that the term should not exceed three two-year terms in principle.

Organization chart

