

Sumitomo Corporation Group's Material Issues

Message from the Chief Strategy Officer



ESG*1 Management for Achieving Sustainable Growth

The Sumitomo Corporation Group positions its material issues as the foundation for its management, based on which the Company will make greater contributions to the realization of a sustainable society while continually heightening its corporate value.

Masao Tabuchi

Representative Director, Senior Managing Executive Officer,
Chief Strategy Officer and Chief Information Officer

The Sumitomo Corporation Group grows together with society.

To date, the Group has proceeded to resolve numerous social issues through its global business activities in a wide range of industries. The basis for these efforts can be found in Sumitomo's business philosophy, which has formed the foundation for Sumitomo's ongoing development over the course of 400 years. One of the core concepts of this philosophy is embodied in the statement "Benefit for self and others, private and public interests are one and the same."^{*2} This concept lives on in our Group's Corporate Mission Statement, which puts forth our aim to create new value and contribute broadly to society.

Companies have been recently placed at a crossroad questioning the stance they will adopt in addressing social issues through growth strategies that account for non-financial information including ESG. In light of this situation, we unveiled our Six Material Issues to Achieve Sustainable Growth with Society, which clarify the desired relationship between our business activities and society, in April 2017. In the process of identifying these issues, I exchanged opinions with Outside Directors, representatives from international institutions, and institutional investors. Given how we exercise diverse functions in a variety of fields, there were high anticipation with regard to the types of initiatives the Company would deploy to address social issues.

The Six Material Issues do not serve merely as an outline for fulfilling the Company's social responsibilities, but will rather furnish a roadmap for driving its growth. We position the issues as the basis for our medium-to-long-term management strategies and for the initiatives of individual businesses with the aim of making greater contributions to realizing a sustainable society. In my capacity as a director and as the Company's chief strategy officer, I will play a leadership role in advancing initiatives on this front, remaining always mindful of the balance between opportunities and risks.

The material issues for us, which define the type of company we should become and the type of business we should develop to be meaningful to society, are subject to change. We will thus revise the Six Material Issues when necessary as we advance a dialogue with stakeholders and develop an understanding of contemporary needs through our business activities. We will leverage our strength and provide value by staying a step ahead in dealing with social change, including that related to diversifying needs and environmental issues. I am convinced that this approach is what will create business opportunities for the Group and serve as a path toward sustained improvements in corporate value over the next 100 years.

*1 Environmental, social, and governance (the indispensable management perspectives needed to achieve ongoing, long-term growth)

*2 The belief that Sumitomo's business activities must benefit not only Sumitomo, but also the nation and society

Six Material Issues to Achieve Sustainable Growth with Society

Leveraging our trust-based relationships with customers and partners across the globe and utilizing our business expertise, we will secure our growth and address social issues simultaneously by fulfilling our Corporate Mission: “To achieve prosperity and realize dreams through sound business activities.”



Achieving Harmony with the Global Environment

To realize recycling-oriented society and mitigate climate change, we are working to establish frameworks for the efficient use of resources and stable supply of renewable energy. In doing so, we will achieve growth in harmony with the global environment.



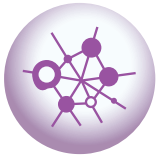
Contributing to the Development of Local Communities and Industries

We steadily procure and provide goods and services to meet the needs of people in various countries and regions and contribute to developing industrial platforms. Through these means, we will create a virtuous cycle in which we can grow and develop together with local communities.



Establishing a Foundation for Comfortable and Enriching Lifestyles

We strive to realize more convenient and comfortable lifestyles by providing goods and services for daily use while also responding to needs for high-quality lifestyles in order to support the physical and mental health of people around the world.



Providing Diverse “Accessibility”

We provide diverse accessibility to open up the possibility of creating new value. To this end, we will improve mobility for safe and efficient flow of people and goods, and expand the network connecting information and finance.

As a prerequisite for resolving the issues listed above, we strive to maintain and enhance our Management Style that places prime importance on integrity and sound management with utmost respect for the individual and our Corporate Culture full of vitality and conducive to innovation.



Developing Human Resources and Promoting Diversity

In order to create new value and innovation by allowing our diverse personnel to fully exercise their abilities in a variety of fields, we will promote the development and empowerment of human resources, which represent our most important management resources.



Enhancing Governance

We will enhance our ability to draft and implement strategies for achieving sustainable growth and to provide appropriate supervision of these strategies, all while maintaining transparency. In this manner, we will improve management efficiency and maintain sound management.

Initiatives



Renewable Energy Business

We are actively operating wind and solar power generation and other renewable energy projects inside and outside of Japan to promote sustainable and reliable supplies of energy.



Wood Resource Business

In the general forest products business in the Russian Far East, we are promoting sustainable forest management by using "ribbon cutting" logging, which leaves the parent trees intact so that they can drop seeds which will germinate naturally.



Reused EV Battery Project

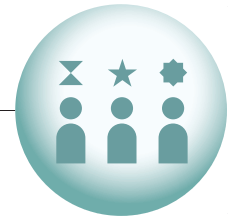
We contribute to wider access to renewable energy usage by utilizing used power storage systems collected from electric vehicles (EVs) to stabilize the power of renewable generation which fluctuates based on environmental conditions.

Achieving Harmony with the Global Environment



Developing Human Resources and Promoting Diversity

We are undertaking various measures for developing ambitious human resources capable of competing on the global stage and for promoting diversity. Such measures include the Besshi Copper Mines hiking training session to experience and assimilate Sumitomo's Business Philosophy, training for locally hired employees and initiatives for encouraging more active involvement of female employees in business.



Developing Human Resources and Promoting Diversity

Establishing a Foundation for Comfortable and Enriching Lifestyles



Cable TV Business

We operate the largest Cable TV business in Japan, providing over 90 TV channels, Internet and other services to 5.28 million households, thereby enriching people's daily lives.



Car and Motorcycle Retail Financing Business

Conducting our financing business, mainly in emerging countries, and targeting income groups previously without access to funds to purchase cars and motorcycles, we have greatly improved people's quality of life.



Crop Protection and Fertilizer Business

We leverage our sales network to offer crop protection products, fertilizers, and other agricultural materials together with our knowledge and information on the proper usage of products. Through these efforts, we contribute to a stable food supply and eco-friendly agricultural production.



Business Contributing to a Stable Energy Supply

In the tubular products business, we supply superior quality tubular products and related materials leveraging high technological skills to users around the world, thus contributing to the stable supply of energy and support the industrial foundation.



Industrial Park Business

While supporting the manufacturing operations of Japanese companies in Asia, we contribute to industrial and economic development in the region by creating jobs, cultivating human resources and building related infrastructure.



Resource Development Business

While securing stable supplies of resources, we assist the development of local industries through cultivating human resources and installing industrial and living infrastructure, thus contributing to environmental preservation and sustainable development.



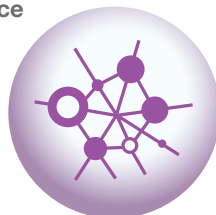
Contributing to the Development of Local Communities and Industries



Enhancing Governance

Enhancing Corporate Governance

We are constantly enhancing our corporate governance by "promoting managerial reforms" as stipulated in the medium-term management plan and advancing ongoing initiatives for reinforcing the monitoring function and improving the effectiveness of the Board of Directors.



Providing Diverse "Accessibility"



Aircraft Leasing Business

We support safe and proper aircraft management through our aircraft leasing business in the aviation industry, which sustains the transport of people and goods, and draws countries all over the world closer together.



Mobile Telecommunication Service Provider Business

Our telecom service in Myanmar delivers service at Japanese quality standards, contributing to the rapid spread of the mobile phones in the country. Through this business, we are creating telecom networks offering various ways of access.



Business Supporting Transportation Network Development

Utilizing specialized vessels for transporting long rails, we enabled the transport of 150-meter-long steel rails, which previously needed to be divided into six segments for transportation. As a result, we are helping expedite the development of railroad networks and reduce maintenance work.

Identification Process

We set up an internal, cross-organizational taskforce and identified Six Material Issues to Achieve Sustainable Growth with Society, based on Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement.

Investigation

- ▶ While referring to the SDGs*¹ adopted by the United Nations (UN) in 2015 and the international guidelines such as the IIRC's International Integrated Reporting Framework,*² we exchanged opinions with institutional investors and experts. We then formulated the methodology for identifying material issues needing to be addressed in order for us to achieve sustainable growth with society.



Classification of Our Business and Social Issues and Selection of Material Issues

- ▶ Based on the SDGs which considered to comprehensively cover numerous social issues, each business unit compiled a list of the social issues they are currently addressing through their business and those they hope to address in the future.
- ▶ Referencing these lists and considering Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement, we contemplated our current strengths and the roles we should assume in the future. We then selected social issues that we regard as important and that need to be addressed with high priority as well as our challenges to be overcome in creating solutions.

Exchanges of Opinion with Internal and External Stakeholders

- ▶ We exchanged opinions with outside experts such as international organizations and institutional investors, and conducted surveys covering all officers and employees to collect their opinions, so as to clarify the interests and expectations of internal and external stakeholders with regard to our corporate activities, which were incorporated into discussions of how best to classify and describe the issues that had been identified.

Identification

- ▶ The selected issues and their importance were reviewed by the CSR Committee. With deliberation and approval by the Management Council and the Board of Directors, the Six Material Issues to Achieve Sustainable Growth with Society were finalized.

*1 An abbreviation of Sustainable Development Goals. Comprising 17 goals encompassing global challenges to be achieved by 2030. These goals were embraced by all 193 UN member states at a UN Summit held in 2015.

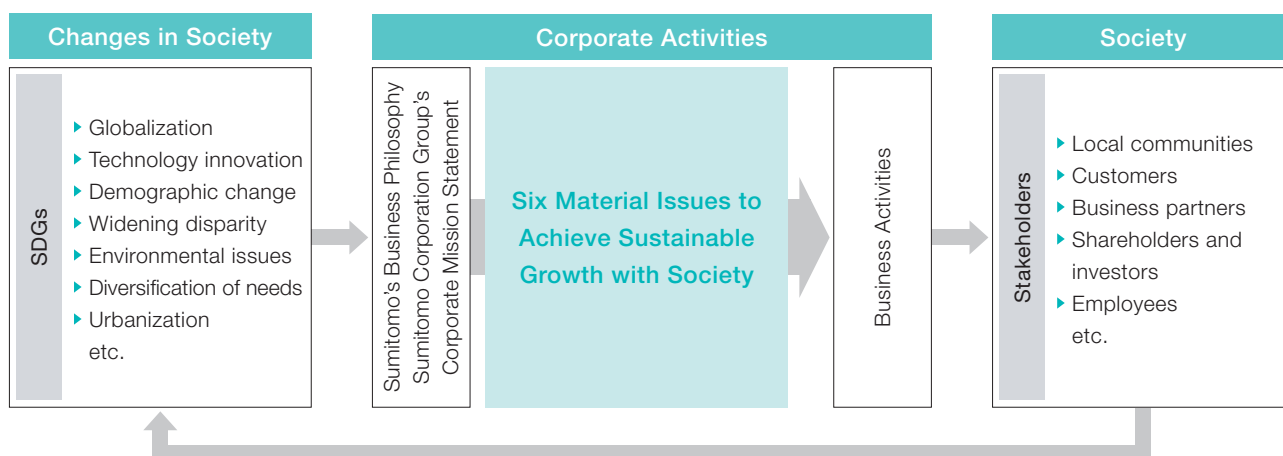
*2 A framework published by the International Integrated Reporting Council (IIRC) aimed at the evolution of corporate reporting. The framework is designed to help companies to provide information (financial and non-financial) that is important to explaining their ability to create value over the long term in a clear, simple, and comparable manner.

Future Initiatives

We have defined the Six Material Issues to Achieve Sustainable Growth with Society as an important factor in developing business strategies and in the decision-making process for individual businesses. Going forward, we will pursue sustainable growth by resolving these issues through our business activities.

At the same time, we will advance the dialogue with our stakeholders to maintain an in-depth understanding of society's expectations for us and of our strengths. We will revise the material issues flexibly in response to changes in society.

▶ Where Material Issues Fit In



Principles and Policies Supporting Corporate Activities

We have established our own principles and policies while respecting international conduct standards. In accordance with these principles, policies and standards, we are addressing the Six Material Issues to Achieve Sustainable Growth with Society.

