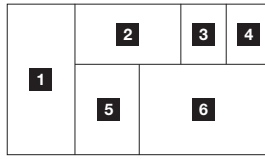


Feature 1:

Value Creation in Myanmar

Moving Myanmar Forward:
Contributing to Economic Development through
Information and Communications Services





- 1 A base station that enables telecommunication networks
- 2 An MPT store in Yangon
- 3 MPT-brand smartphones
- 4 A mobile phone advertisement in a Yangon department store
- 5 Local children using a smartphone in Myanmar
- 6 Our employees with the female personnel responsible for over-the-counter customer services at MPT stores



Asia's Last Frontier

The Sumitomo Corporation Group focuses on the development of businesses based on a medium- to long-term viewpoint in promising fields and regions, as part of the Companywide growth strategy set out in the medium-term management plan Be the Best, Be the One 2017 (BBBO2017). Following on from the previous medium-term management plan, Be the Best, Be the One 2014 (BBBO2014), we are continuing a regional strategy focused on Brazil, India, Turkey, Sub-Saharan Africa, and Myanmar as Companywide business development regions.

Myanmar has an area almost twice that of Japan and a population of more than 51 million and has grown markedly—achieving real GDP growth of between 7% and 8%. In 2011, the country transitioned to a civilian government, with a new administration led by Aung San Suu Kyi taking office in March 2016. In addition, the U.S. government lifted all economic sanctions against the country. Myanmar is attracting worldwide attention as “Asia’s last frontier.”

For more than 60 years, the Sumitomo Corporation Group has been doing business in Myanmar. When Japan normalized relations with the country in 1954, we established our first base in Southeast Asia in Rangoon, which is now Yangon. Since then, we have developed businesses in a wide range of fields, such as railcars, construction equipment, automobiles, and basic chemicals. Our business initiatives have contributed to helping Myanmar develop social and industrial infrastructure and build a new nation. For example, in 2013 we took part in the first major collaboration among the public and private sectors of Japan and Myanmar, an industrial park development and management project in the Thilawa Special Economic Zone.

Drastic Transformation of the Telecommunication Market in Myanmar

We can see Myanmar’s new dynamism from recent developments in the telecommunication sector. In 2013, Myanmar’s government opened the country’s telecommunication market to foreign investment. In the following year, an alliance comprising KDDI Corporation (KDDI) and the Sumitomo Corporation Group was chosen as a partner to undertake joint operations with Myanma Posts and Telecommunications (MPT). The building of a nationwide telecommunication network and competition arising from market liberalization have driven mobile phone penetration in Myanmar—far surpassing the initial targets that Myanmar’s government set. We estimate mobile phone penetration has jumped from 10% at the end of 2012 to more than 100% as of

2017. In emerging countries, mobile phones tend to spread more rapidly than fixed line telephones, which require massive infrastructural investment. Nonetheless, drastic change of the type Myanmar is experiencing is extremely rare.

Thorough Analysis of Advantages and Risks before Participation

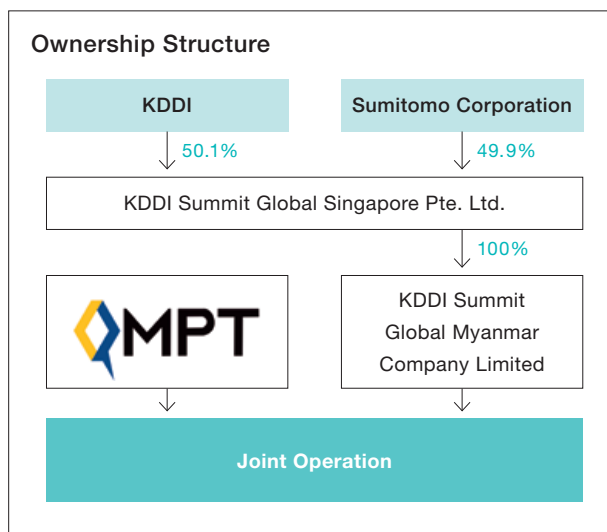
Prior to entering Myanmar’s telecommunication sector, we analyzed a range of factors—including market potential, risks specific to emerging countries, and the strength of our expertise in the telecommunication business—and prepared carefully.

(1) Advantage: Telecommunication business know-how cultivated over many years

In Japan, we have invested in many different ICT (information and communications technology) businesses. Meanwhile, in emerging countries we have been involved in telecommunication businesses partnering with local companies for more than two decades. The know-how we have accumulated in domestic and overseas markets gives us insight into market trends in Myanmar as well as a major advantage in the development of local businesses.

(2) Advantage: Strong relationship with partners and contributions to the people of Myanmar

Since the 1970s, the Sumitomo Corporation Group has developed strong mutual trust with MPT through various projects that provided MPT with telecommunication network equipment. Moreover, we have a strategic partnership with KDDI that entails



working as a team in relation to domestic Cable TV operator Jupiter Telecommunications Co., Ltd. (J:COM). In developing the telecommunication business in Myanmar, MPT, KDDI, and the Sumitomo Corporation Group share the belief that “The People of Myanmar Come First.”

(3) Responses to various risks

As much as possible, we eliminate uncertainties and risk associated with investments. Regarding country risk, we receive support from the Japanese government and the World Bank Group by way of investment insurance that covers our risk. To mitigate legal risk, arising from tax and other laws, as well as risk associated with repatriation to Japan, we obtain prior written confirmation from local tax authorities and investment commissions. Also, during the preparation period for the operation we received support from government agencies in Japan and the local Japanese embassy.

As a result of these efforts, we concluded a contract with MPT to undertake joint operations in July 2014. Having sent more than 40 personnel to Myanmar, we are executing the joint operations in a hands-on manner.

New Growth Strategy

Provision of High-Speed, Large-Capacity Telecommunications

MPT is Myanmar’s flagship telecommunication carrier. It boasts the leading market share and the most extensive mobile network coverage as of March 31, 2017. In recent years, the competition between MPT and two foreign carriers, Norway’s

Telenor Group and Qatar’s Ooredoo, has become fierce. These newcomers are desperately trying to catch up with MPT. Also, a fourth carrier, in which a Vietnamese company has a stake, is preparing to enter the market. This will intensify competition. Crucially, mobile phone penetration is currently more than 100%, and the potential for growth in voice calls is limited.

Under such market circumstances, the key for further growth is a high-speed, large-capacity data service. In Myanmar, 4G mobile service has just started. Consequently, mobile Internet usage is diversifying into such areas as social networking services (SNSs) and streaming services for music and video. Such diversification of usage will drive revenue growth. Also, we intend to realize further significant growth potential by offering a wide range of content. As part of this strategy, we started to sell MPT’s own-brand smartphones in the fall of 2016. For these smartphones, we offer low price handsets that include a certain volume of free data usage. Our aim is to leverage the MPT brand as the country’s No. 1 carrier to accelerate the popularization of smartphones and the growth of Internet usage.

Mobile Money

While in developed countries post-payment of mobile phone fees is widespread, in Myanmar prepayment is the standard method of payment. More than 85% of people do not have bank accounts and therefore cannot pay by account transfer. This restricts the growth of commerce in society, and people suffer considerable inconvenience.

In response, we aim to introduce “mobile money,” which has spread like wildfire in Africa and other regions. The prepaid system means that accounts must always remain in credit. By

Global Development in the Telecommunications Field

Mongolia

MobiCom Corporation LLC

(Mobile phone carrier)

Partners: KDDI, Newcom LLC
(Local investment company)

Malaysia

Merchantrade Asia Sdn Bhd

(MVNO and remittance services)

Partner: Founder

Myanmar

MPT

(Mobile phone telecommunications and base station infrastructure establishment)

Partners: MPT, KDDI

Japan

T-Gaia Corporation

(Mobile phone sales and agency operations)

Singapore

T-GAIA Asia Pacific Pte. Ltd.

(Settlement operations)

USA

Jitterbug

(MVNO for seniors)

Partners: Founder, Charles River Ventures, Steelpoint Capital Partners

South Korea

Omnitel, Inc.

(Value-added services for mobile phones)

Partner: Founder

Russia

Enforta BV

(Wireless broadband)

Partners: European Bank for Reconstruction and Development, Base station infrastructure construction and leasing, and others

Russian Towers LLC

(Base station infrastructure construction and leasing)

Partners: Founder, UFG Private Equity, Macquarie Renaissance Infrastructure Fund, and others

IXcellerate

(Data centers)

Partners: Founder, International Finance Corporation (IFC), and others

enabling the use of this money for other payments, customers can easily create a “bank account.” The benefits of this new infrastructure are immeasurable.

For example, migrant laborers in cities can remit money to their families living in rural areas. Also, the dissemination of cash-less payment linked to “mobile accounts” would enable major purchases without reliance on cash. Other potential uses for mobile money include the provision of finance services, which help the people of Myanmar become financially independent and enable installment sales. Further, mobile money could facilitate a range of FinTech (financial technology) services that use big data about customer behavior collected from mobile phones.

We have our sights set on transcending the boundaries of ICT businesses and related value-added service businesses to move into financial infrastructure construction and then into other fields beyond it. In realizing this ambition, we will create unique value by using our capabilities as an integrated trading company to build social infrastructure and improve daily life.

Personnel Development via Off-the-Job and On-the-Job Training

To win out amid fierce competition among four carriers trying to attract new customers, developing the capabilities of personnel, including sales personnel, is essential. While ensuring the employment of MPT’s approximately 8,000 personnel, we are taking various steps to increase labor productivity and employees’ value as “human resource assets.”

Firstly, we are expanding and improving off-the-job training. We are conducting more than 180 programs, from basic skills such as English conversation and computer skills through to soft skills such as leadership and team building. Annually, these programs account for 18,000 enrollments. The training programs are based on the in-house Sumisho Business College (SBC), which the employees of Sumitomo Group companies utilize. We are optimizing the curriculum to suit local needs in consultation with MPT.

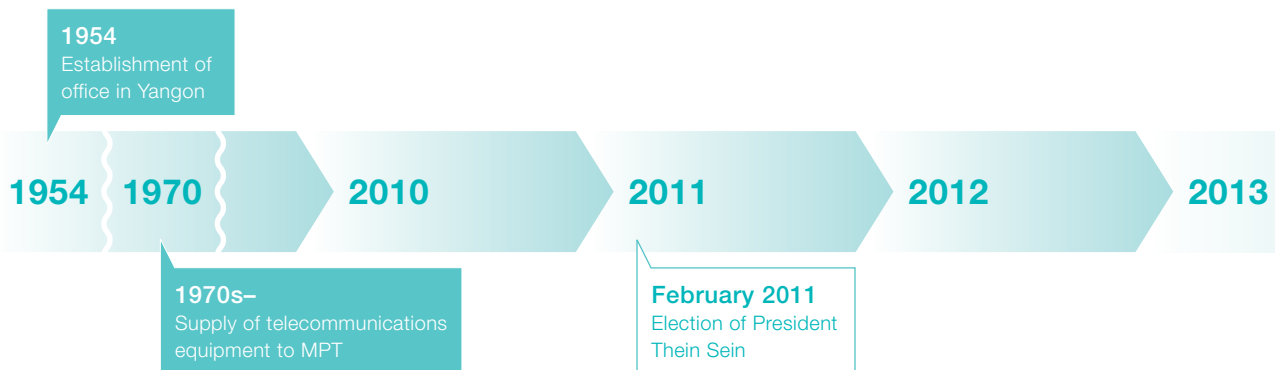
Secondly, we have built an operational system that includes on-the-job training. For all senior management positions, we have established deputy positions, allocating one employee from Japan and one from Myanmar. By ensuring discussions on an equal footing and consensus building in all important managerial decision making, this system has significantly strengthened organizational cohesion. While cultivating ample mutual understanding, we aim to realize operational agility by simplifying processes and delegating authority.

We believe one of the missions of our telecommunication business in Myanmar is to transfer our know-how to Myanmar. Both sides will benefit greatly if our partner acquires the capabilities to not only pursue profit and work efficiently but also to lead and develop the business. Accordingly, we will help our partner develop managerial personnel with such skills and capabilities.

Resolution of Material Issues

Only a few years ago, people in Myanmar rarely owned mobile phones. Also, the use of the Internet to access information about the rest of the world and the use of telephones were limited.

History of Our Telecommunication Business in Myanmar



The penetration of mobile phones is closely linked to the dramatic change that Myanmar's society is undergoing, and our business is underpinning this social transformation. Due to the proliferation of mobile phones, there has been a surge in SNS user numbers. Consequently, as in other Southeast Asian countries, Facebook and other SNSs now play an important role in forming public opinion in Myanmar.

Further, MPT contributes significantly to the creation of employment in local communities. The construction of MPT's base stations and fiber-optic networks is mostly done by people from Myanmar, and the agency's sales personnel and operators are also local hires. Another significant economic benefit MPT provides to local communities is additional income for small business owners. Most of the tens of thousands of stores selling mobile phones in Myanmar are traditional mom-and-pop stores that sell daily commodities.

"Benefit for self and others, private and public interests are one and the same" sums up our business philosophy. Guided by this philosophy, we will tackle material issues through our business activities. For example, we will focus on Establishing a Foundation for Comfortable and Enriching Lifestyles through mobile phones and Providing Diverse "Accessibility," which is essential for future value creation. Moreover, through employment creation and ripple effects on peripheral businesses, we want to realize the goal of Contributing to the Development of Local Communities and Industries. Our overriding goal is to achieve truly sustainable growth by continuing to work closely with the people of Myanmar (see ▶ ["Sumitomo Corporation Group's Material Issues" on page 10](#)).

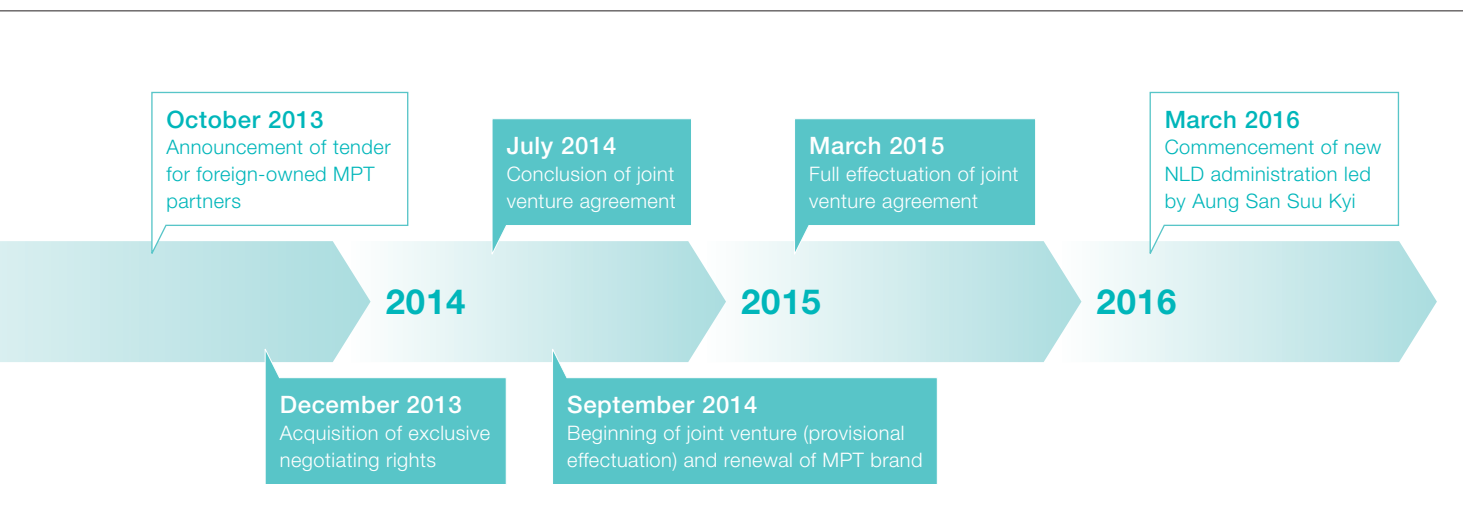
Supporting Accounting Procedures of Joint Operations

During a two-and-a-half-year overseas posting that included long business trips, my role in joint operations with MPT was to establish rules and regulations and payment-related procedures and to introduce accounting systems. As well as the challenges posed by Myanmar's strict regulation of foreign currency and complex remittance procedures, local operations struggled with foreign currency remittance under U.S. sanctions. Stopping payments causes delays throughout operations. Therefore, on an almost daily basis, we negotiated with banks and business partners and devised remittance routes by searching for correspondent banks able to accept funds and by changing payment currencies. Through resolution of such issues, we helped joint operations establish payment procedures compatible with Myanmar's unique systems and regulations.



Ryoko Matsubara

Accounting Dept., Media, ICT, Lifestyle Related Goods & Services
(Resident in Myanmar until January 2017)



Feature 2:

Discussion between the President and Outside Directors: Corporate Governance Enhancements Aimed at Sustainable Growth

In its medium-term management plan “Be the Best, Be the One 2017 (BBBO2017),” Sumitomo Corporation has defined “improve corporate governance and decision-making process” as one of its goals under the directive of “promote managerial reforms.”

A discussion was held between the President and Outside Directors centered on the means to enhance the Board of Directors as a part of the managerial reforms aimed at facilitating sustainable growth.

Structure of Board of Directors and Role of Outside Directors

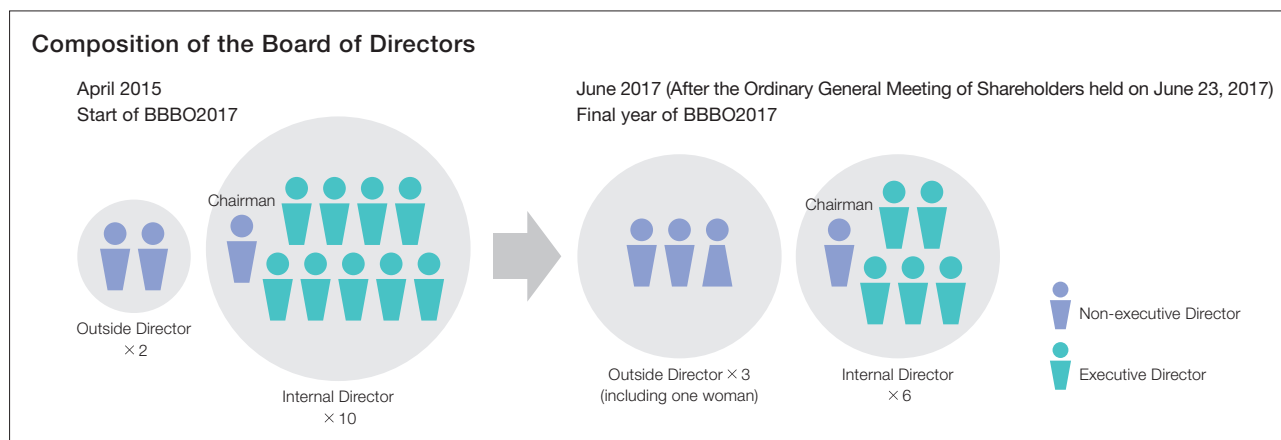
Nakamura: It was at the Ordinary General Meeting of Shareholders held in June 2013 that Sumitomo Corporation first appointed Outside Directors, two of whom then joined the 10 internal directors we had at that time.

Prior to this, we had been engaged in an ongoing discussion on the ideal structure of the Board of Directors in which we paid consideration to how best to separate the execution function from the oversight function. We have examined several possibilities up until today, including appointing Outside Directors from various backgrounds and gradually increasing the number of such directors. These discussions led to the current structure, and we stand committed to working toward an even more ideal structure going forward.

Tanaka: I have continued to serve as an Outside Director of the Company since being appointed at the Ordinary General Meeting of Shareholders held in June 2015.

Having been reminded that I was appointed in Sumitomo Corporation’s third year of having Outside Directors, I now have a fresh outlook on the significance of my role. There was much talk of energizing the Board of Directors when I joined, and I recall how we implemented many changes at a rapid clip. For example, the method of explaining proposals at Board of Directors’ meetings has been changing for the better.

Ehara: I was appointed as an Outside Director at the Ordinary General Meeting of Shareholders held in June 2016. Since then, the Company’s Board of Directors has been evolving with breakneck speed. In the midst of such change, my mind is always on how I can contribute to the sustainable growth of Sumitomo Corporation as an Outside Director. I believe that





Kuniharu Nakamura
Representative Director
President and Chief Executive Officer



Nobuyoshi Ehara
Outside Director (Independent Director)



Yayoi Tanaka
Outside Director (Independent Director)


one of the roles I am expected to play is to bring attention to matters that go untouched by the management team.

It could even be said that Outside Directors have a special privilege that allows us to candidly raise issues that internal directors perhaps no longer see as necessary to discuss. Drawing attention to such matters will, in the end, serve to help protect the Company.

Nakamura: Internal directors have previously been engaged in brisk discussions at meetings of the Management Council, our highest executive-level body for decision making. It was thus decided that it was necessary to choose items for discussion at the Board of Directors with regard to which we can utilize external insight. Based on this recognition, we evolved the Board of Directors, bringing us to where we are today. In light of this recognition, we also made a proposition at the Ordinary General Meeting of Shareholders held in June 2017 to reduce the number of internal directors.

Tanaka: A major risk will go unaddressed if someone chooses not to call attention to a serious issue out of consideration for various internal departments during the process of formulating proposals through bottom-up consensus building by the executive team. This of course can apply to all Japanese companies. Outside perspectives are necessary for preventing such risks.

The Board of Directors will continue to evolve, utilizing experience and insight in various fields in the pursuit of sustainable growth.



The Role of Outside Directors in Practice

Ehara: Sumitomo Corporation has already revised standards for presenting proposals to the Board of Directors and reformed Board proceedings to allow for more productive discussions. Agenda-setting and time allocation, both of which have significant influence on the quality of Board discussions, can be further improved. Changes in this regard would enable the Board to focus on more substantial matters.

Tanaka: There tends to be a formulaic nature to the matters prescribed as needing to be decided by the Board of Directors according to the Companies Act of Japan. The Board therefore might want to consider identifying those issues with regard to which we can move ahead with in a procedural manner and those issues that require more focused discussions, and allocate time appropriately.

Nakamura: We are aware of this issue. We have therefore increased the number of opportunities for reporting to the Board of Directors regarding the formulation of basic strategies in order to allow for more practical discussions at Board meetings.

For example, the Board of Directors has already held several discussions on the policies to be implemented in the next medium-term management plan, which is set to be launched in

fiscal 2018. We plan to provide opportunities for discussion on this matter going forward. However, there is not enough time at Board meetings. For this reason, internal directors have been talking with Outside Directors off-site after Board meetings and then further building upon the content of the plan with the rest of the executive team. Looking at this ongoing process, I can confidently say that we are engaging in productive discussions.

Ehara: There is not much to be gained by Outside Directors repeating discussions on individual proposals that have already been thoroughly examined by the executive team. A critical role of an Outside Director is to steer the Board's discussions by refining the agenda.

In-depth briefings from the Company's representatives prior to Board meetings have been helpful in enabling us to be well-prepared. One area in which the Company can improve is the briefing materials supplied to the Board. Improvements in this area could go a long way.

Tanaka: One reason why certain briefings are difficult to understand may be that, as a result of prudent coordination among different departments within the Company, these briefings have become too cluttered with information.

Ehara: Outside Directors represent shareholders and other stakeholders that are not necessarily involved in day-to-day business. It is therefore crucial that discussions and proposals be carried out in a way that enables us, as well as those we represent, to easily and accurately understand the issues at hand.

Nakamura: I will reassert the importance of easy-to-understand briefings on individual Board proposals to the executive team. As part of this, I will request that briefing materials include explanations of the significance of the proposal in terms of its social value and its relationship to our Management Principles and our Six Material Issues to Achieve Sustainable Growth with Society. This information will be included alongside the explanations of the basic strategies of the relevant organizations and the position of the proposal therein that we have previously provided. I will also have the executive team adequately prepare so that we may have more in-depth discussions at meetings of the Board of Directors. Specifically, I want to focus on how individual proposals are related to our

basic strategies and on how they will be positioned in the portfolios of specific divisions and of the Company as a whole.

Ehara: Sumitomo Corporation's Six Material Issues directly translate to the ESG framework. An ability to better explain the significance of the Company's various initiatives based on the Six Material Issues will enable clearer investor communication with regard to the Company's impact on environmental, social, and corporate governance issues.

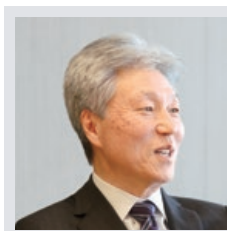
Nakamura: Returning to Ms. Tanaka's comment, I also see an issue with paying too much concern to the various individuals among the different departments within the Company.

I was very fortunate to face various challenging opportunities throughout my career and complete them with excitement. It is therefore my hope that employees too will be able to feel a sense of passion toward their work, without becoming too obsessed with the opinions of others, and thereby be able to be happier in their work. I am determined to keep on communicating this message to employees.

Tanaka: I have sat down and talked with all female managers at Sumitomo Corporation. These meetings were held in groups of seven or eight, and I think 14 meetings were held in total. Participants were very forthright, offering their earnest opinions. Many expressed extreme devotion to their job, stating how they love becoming lost in their work and feel joy in completing their tasks. It would seem that they share passion that you mentioned.

Moreover, these meetings helped me better understand the corporate culture of Sumitomo Corporation while also proving an opportunity to think about the ideal form of diversity management from a perspective that is not just limited to empowering female employees. As such, I found these meetings to be incredibly meaningful. I was even granted the opportunity to present my findings from the meetings at the General Managers' Meeting,* which I feel sparked discussion within the Company. This experience helped me discover a new way that Outside Directors can connect with and contribute to the companies at which we serve.

* An annual, full-day meeting at which domestic and overseas general managers are gathered together to share information and opinions on topics related to Group management



Means of facilitating deeper and more practical discussions are being sought out.

Nakamura: As I recall, Ms. Tanaka's presentation illustrated how, despite our having robust systems for supporting the empowerment of female employees, there were issues with regard to the implementation of these systems. After this presentation, we reaffirmed our commitment in working to ensure that our systems function to meet our goals.

Direct communication with employees should be conducted while remaining aware of the inherent tension necessary of a representative of shareholders and other stakeholders.



Future Evolution of the Board of Directors

Ehara: Sumitomo Corporation is extremely transparent with Outside Directors. Management has been quick to take action to address issues raised by Outside Directors. President Nakamura's proposal to improve pre-meeting briefings is a prime example. There is still much more to be done. However, this also means that there is much room for improvement. The management team's commitment to evolve and improve the Board and its discussions gives me great excitement about the future.

Tanaka: If a company is to share information and tackle challenges together with Outside Directors, information with the potential to have a negative impact on the company should be among the first that is shared. It is also important to remain

aware of the inherent tension between Outside Directors and those within the company. Outside Directors should not become regular members of the internal team. Rather, we must maintain the outside perspectives of shareholders, consumers, and other stakeholders as this is the role we are expected to play.

Nakamura: I must thank you both for your very honest opinions today. Going forward, Sumitomo Corporation will continue to pursue the most ideal forms for the Board of Directors and for our corporate governance systems through discussions with Outside Directors. As we work toward our shared goal of ensuring sustainable growth for the Company, I hope to engage in brisk discussions with Outside Directors while maintaining an awareness of the inherent tension you speak about. I look forward to your ongoing support.

