

## Chapter 3 Business Overview

# Creating Value Through Business

Addressing social issues with a perspective that reaches beyond current changes by working through business and transcending the boundaries of business.

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## Restructuring the business unit framework to create a more agile and flexible system for driving our growth strategies.

With effect from April 1, 2018, we carried out a set of organizational changes designed to drive our growth strategies more aggressively in each of our business domains from a long- to medium-term perspective, thereby allowing us to evolve and advance toward a new stage of development.

The changes consist of three main reforms. The first is the establishment of a new Automotive Manufacturing Business Division under the co-control of the Metal Products Business Unit, whose business primarily involves materials, and the Transportation & Construction Systems Business Unit, whose business requires a panoramic perspective over the entire supply chain of the automotive industry. The two business units will merge their strategies and devote increased business resources to competing in the diversifying automotive manufacturing field.

The second is the consolidation of our companywide capabilities in the social infrastructure field, where continued

market expansion is forecast. This means transferring relevant organizations and business operations from the Transportation & Construction Systems Business Unit to the Infrastructure Business Unit, a move which will allow us to realize further business growth going forward.

The third is the division of the Media, ICT, Lifestyle Related Goods & Services Business to realize enhanced agility and flexibility. Going forward, the Media & Digital Business Unit will work to strengthen Groupwide cross-organizational ICT functions and accelerate DX, while the Living Related & Real Estate Business Unit will reinforce the framework for undertaking healthcare and overseas real estate businesses, and strive to further expand the earnings base.

Creating new systems in this way will allow us not only to pursue growth in existing business domains while retaining agility and flexibility but also enable us to identify new business opportunities through companywide coordination.

### Overview of Organizational Changes

Before change

As of March 31, 2018

Metal Products Business Unit	
• Steel Sheet Products Division	• Light Metals & Metal Products for Transportation Division
• Metal Products for Automotive Industry Division	• Tubular Products Division
Transportation & Construction Systems Business Unit	
• Ship, Aerospace and Transportation Systems Division	• Automotive Division, No. 2
• Automotive Division, No. 1	• Construction & Mining Systems Division
Environment & Infrastructure Business Unit	
• Social Infrastructure Business Division	• Logistics & Insurance Business Division
• Global Power Infrastructure Business Division	
Media, ICT, Lifestyle Related Goods & Services Business Unit	
• Media Division	• Food & Agriculture Business Division
• ICT Business Division	• Materials, Supplies & Real Estate Division
• Lifestyle & Retail Business Division	
Mineral Resources, Energy, Chemical & Electronics Business Unit	
• Mineral Resources Division No.1	• Basic Chemicals & Electronics Division
• Mineral Resources Division No.2	• Life Science Division
• Energy Division	

After change

As of April 1, 2018

Metal Products Business Unit	
• Steel Sheet Products Division	• Light Metals & Metal Products for Transportation Division
• Metal Products for Automotive Industry Division	• Tubular Products Division
Transportation & Construction Systems Business Unit	
• Lease, Ship & Aerospace Business Division	• Automotive Sales & Marketing Business Division
• Automotive Manufacturing Business Division (co-control with Metal Products Business Unit)	• Automobility Business Division
	• Construction & Mining Systems Division
Infrastructure Business Unit	
• Social Infrastructure Business Division	• Logistics Infrastructure Business Division
• Global Power Infrastructure Business Division	
Media & Digital Business Unit*	
• Media Division	• Smart Communications Platform Business Division
• Digital Business Division	
Living Related & Real Estate Business Unit	
• Lifestyle & Retail Business Division	• Materials, Supplies & Real Estate Division
• Food & Agriculture Business Division	
Mineral Resources, Energy, Chemical & Electronics Business Unit	
• Mineral Resources Division No.1	• Basic Chemicals & Electronics Division
• Mineral Resources Division No.2	• Life Science Division
• Energy Division	

Note: Changes to the names of business units and divisions took effect on October 1, 2018.

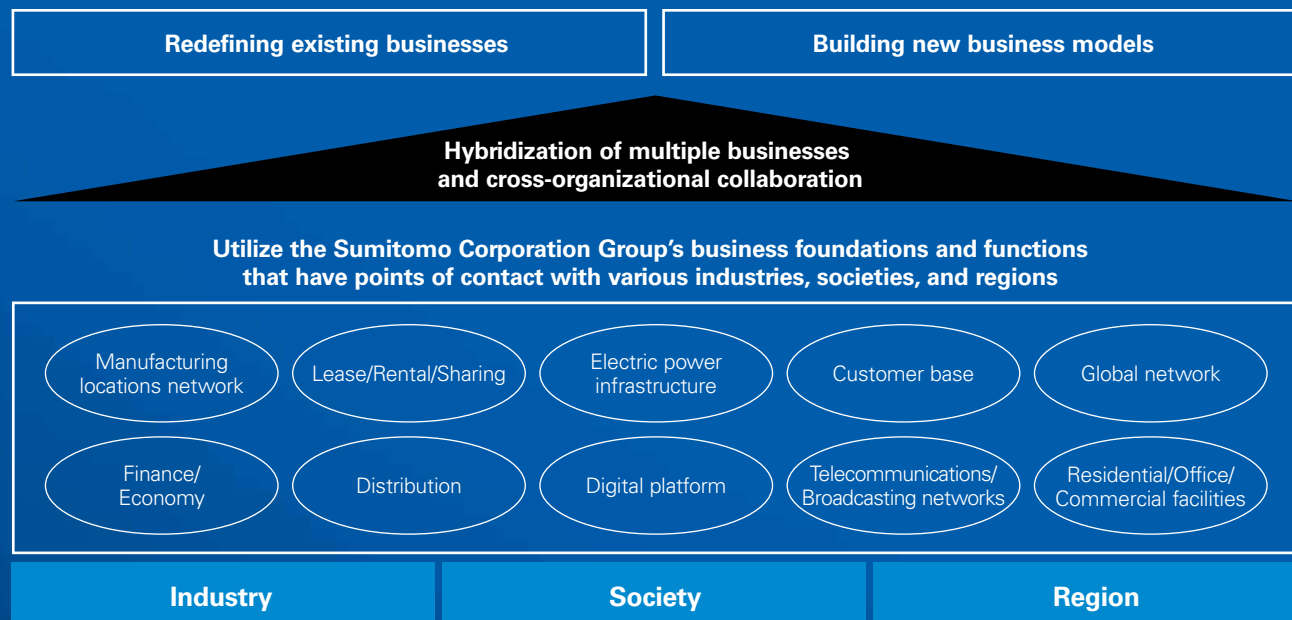
## Special Feature: A Business Approach to Create New Value

# Leveraging business platforms for the creation of new businesses

In the course of its global development as an integrated trading company, the Sumitomo Corporation Group comes into contact with a variety of industries, societies, and regions, and leveraging the management resources that are built from these interactions as a “platform” opens the way to redefine existing businesses and build new business models. Indeed, this constitutes the motive force of the Group’s value creation, as well as the source of its competitiveness.

Here, we will introduce two cases that show how we are developing and expanding new businesses by leveraging our Group’s platforms, and using collaboration and cooperation both inside and outside the Company.

### Leverage Business Platforms for New Value Creation



## Case 1

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**Transcending the boundaries of auto leasing businesses to become a mobility services provider for a new era**

In recognition of the technological innovation and shifts in the environment of the automotive industry, the Group is aiming to create new businesses in the mobility services field in response to the needs of a new era.

Utilizing the huge platform of Sumitomo Mitsui Auto Service Company, Limited (SMAS), one of Japan's top automotive leasing companies, we have been strengthening cross-organizational collaboration within the Group, while also obtaining cutting-edge technology and services through alliances with a variety of Start-ups, in pursuit of next-generation's mobility services.

## Case 2

→ Page 53

**Expanding retail sales of low-voltage electricity using the customer base of J:COM, which exceeds 5.4 million households**

Jupiter Telecommunications Co., Ltd. (J:COM) aims to become a "community-service partner" that supports the whole of its customers' daily lives as an indispensable member of the local communities. In April 2016, J:COM began providing "J:COM DENRYOKU for Home," a low-voltage retail electricity service, in addition to its existing services such as cable TV.

In partnership with Summit Energy Corporation, a Group company whose strengths are its capabilities in the supply of electricity and its long years of experience in the electric power business, the number of subscribers for "J:COM DENRYOKU for Home" is continuing to expand by leveraging J:COM's customer base of 5.43 million households.





## Case 1

# Transcending the boundaries of auto leasing businesses to become a mobility services provider for a new era

The automotive industry is currently facing a once-in-a-century period of transformation. As a consequence of such technological advances as the IoT and smartphone e-payment systems, we are in the process of transitioning from an era in which people bought and owned an expensive piece of hardware (an automobile) in order to be able to move around freely, to a new era of mobility services, in which people can move freely at any time to any place, even if they do not own an automobile, while paying only for the distance traveled.

Maintaining its awareness of these industry changes, the Sumitomo Corporation Group aims to become one of the leading companies in the mobility services field. To turn this goal into reality, the key player will be SMAS, which competes for the top spot in Japan's auto leasing industry, and whose

scale of operations puts it in the top rank on a global basis. On a consolidated basis, SMAS owns and manages more than 790,000 vehicles, equivalent to one in every hundred vehicles on Japan's roads.

To transform SMAS itself, and to utilize its huge platform as a new mobility service provider, the Group is actively working on alliances with other companies, including Start-ups.

For instance, SmartDrive, in which the Group took an equity position last year, was founded in 2013 as a Start-up in the field of technology for connected vehicles. SmartDrive has developed a device that can collect data related to distance driven, speed, and handling, simply by plugging the device into the vehicle's cigarette lighter socket. Collected data is analyzed, and based on the results, SmartDrive offers



SMAS, the country's leading auto leasing service provider, utilizes its huge platform to provide various values and solutions including optimization in fleet management.

Number of owned and  
managed vehicles  
(Consolidated basis)

**790,000**

Number of corporate  
customers

**More than  
40,000**

solutions which will improve driving safety and optimize delivery routes. By collaborating with SmartDrive, SMAS will be able to offer new solutions such as, optimization in vehicle maintenance, and introducing telematics insurance to its 40,000+ corporate customers.

Sumitomo Corporation Group has also taken a capital participation in a Start-up called, akippa Inc. (akippa), which is the leading provider of a parking-space sharing platform in Japan. akippa has developed a service that updates the vacant space information covering more than 19,000 parking lots nationwide, and puts them on its website and mobile app. The app allows users to make reservations and make cashless payments. SMAS' customers can reduce costs by sharing their vacant parking spaces through akippa app. At the same time, by utilizing akippa's service, SMAS' customers can also make their sales activities more efficiently, thanks to the simplicity of reserving parking spaces. J:COM, the Group's cable TV business, uses akippa services, to reduce operation costs. Moreover, we are also promoting collaborating akippa with office buildings and condominium development projects, of which parking lot management is crucial.

The Group is also forming strategic partnerships that include capital participation in overseas Start-ups. U.S.-based Turo Inc. (Turo) provides a peer-to-peer car sharing platform, with those wishing to borrow vehicles through the app to make reservations, and the vehicle owner receives a fee. The



SmartDrive has developed a connected telematics device, and now provides connected vehicles on a fixed monthly payment.



akippa offers a solution to utilize vacant parking spaces with no initial asset investment, which enables owners to monetize unused spaces. The service also enables users to park at a reasonable parking fee.

Turo website and app already lists approximately 230,000 vehicles of more than 900 makes and models in US market. In addition to the US market, the company has begun providing its service in Canada and Germany. Going forward, Turo plans to expand its operations primarily in Europe and Asia. The Group will support Turo's expansion in Asia, including Japan, and seek for synergies with SMAS' customers.

The Company continues to regard SMAS as an important mobility platform, and will seek to establish MaaS (Mobility as a Service) business model as a one-stop service in relation to transportation of people and goods, by cooperating with Start-ups and research institutions to obtain new technology and services. The mobility service field has a high affinity with other industries, such as, power industry through the shifts into electric vehicles (EVs) and charging/discharging technology. Also we are making collaborations with real estate industry through smart-city projects, and we are willing to create overall-strength as an integrated trading company.



## Case 2

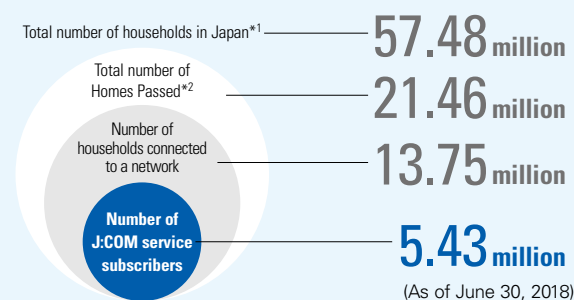
# Expanding retail sales of low-voltage electricity using the customer base of J:COM, which exceeds 5.4 million households

J:COM, which was established in 1995, is Japan's largest multiple system operator for cable TV. The total number of households subscribing to the service that J:COM has developed had reached 5.43 million as of the end of June 2018, equivalent to about 10% of the total households in Japan.

In the course of developing its cable TV business, which is a community-based medium, approximately 2,600 J:COM

sales staff nationwide make door-to-door visits to help customers find a service that best suits their lifestyle. In addition, J:COM has a dedicated team of more than 600 employees that provides after-sales care, visiting customers when contracts are about to expire and providing thorough and careful support. Thanks to this, the company's points of

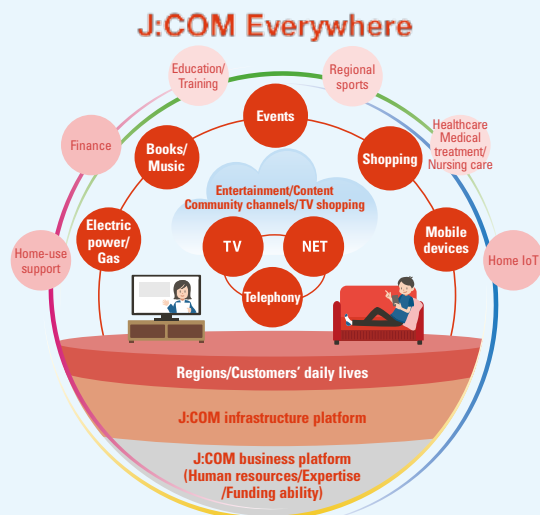
### J:COM Network Scale



\*1 Total number of households derived from the Ministry of Internal Affairs and Communications' basic resident register as of January 1, 2016

\*2 Households for which network is built and available for service provisioning

### J:COM's Vision as a Community Service Partner





contact with customers of these 5.43 million households goes beyond simple contractual connections and has led to close relationships, establishing the basis of a cross-business platform.

J:COM's aim is to become a "community-service partner" that supports the whole of its customers' daily lives as an indispensable member of the local communities. Based on this vision, the company provides a variety of services related to cable TV, Internet, telephone, and mobile devices, in addition to which it began offering "J:COM DENRYOKU for Home," a low-voltage retail electricity service, in April 2016.

The electricity sold by J:COM is procured from Summit Energy, a company involved in the electric power business that manages the supply-and-demand balance for electricity. Summit Energy began retail sales of electric power in Western Japan in 2001, during the very early stage of electricity deregulation. In 2004, Summit Energy expanded its operations nationwide. Currently, the company procures electricity from the wholesale electricity market and from the power generation facilities of Sumitomo Corporation Group and other companies, in addition to the five power generation plants that it owns itself, and sells it to both corporate and individual customers. Through active investments in large biomass power plants, we strive to broaden the use of renewable energy, and are steadily expanding our customer base. The strengths of Summit Energy lie not only in price competitiveness but also in its expertise and experience in the electric power business, as demonstrated by its supply capabilities, the core of which are the power plants owned by its group, and by more than 10 years of supply-and-demand management experience.

After the full deregulation of retail electric power in 2016, many companies entered the retail electric power market, attracting attention to "the new electricity retail market." However, there remained concerns and uncertainty among consumers about whether their house would be able to switch or not, how much cheaper would it really be, what is



Sakata Biomass Power Plant

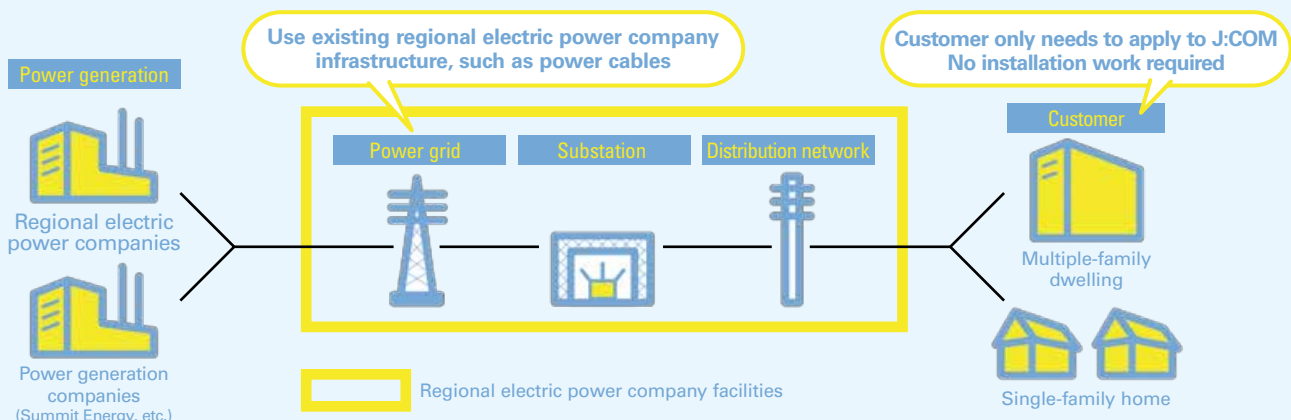
the risk of power outages, and how difficult is the process. All of this combined to result in certain hurdles to popularization.

It was here that the 5.43 million-household customer base using J:COM's service showed its strength. Not only was J:COM able to approach its customers, but sales staff were able to give an overview of the service as well as explain its features in a thorough and careful manner, answering any uncertainties and leading to improvements in customer satisfaction.

As a result, in March 2018 cumulative users of "J:COM DENRYOKU for Home" broke through the 500,000-household level. This represents roughly 10% of the approximately 6.5 million households nationwide that made the switch to the new electric power from 2016 onwards. In April 2018, a new menu of services was offered for homes using only electrical power sources. By filling out its lineup of electric power products, J:COM has increased the choice of electric power services matched to the format of the customer's home.

Going forward, J:COM will continue to cooperate with Summit Energy to fill out its services, and also to broaden services that support the whole of customers' daily lives in various aspects, such as home IoT and finance, leveraging its unique platform.

**With "J:COM DENRYOKU for Home," it is possible to provide electric power services to 21.46 million households\* nationwide.**



\* As of June 30, 2018



# Metal Products Business Unit

- Steel Sheet Products Division
- Metal Products for Automotive Industry Division
- Light Metals & Metal Products for Transportation Division
- Tubular Products Division



**Makoto Horie**  
General Manager

## Addressing social and customer issues to bring innovation to the supply chain

The Metal Products Business Unit deals primarily with metal products, which are the key materials for a variety of industries. We contribute to the development of society by delivering high-quality and high-performance products manufactured by steelmakers all over the world, and through the business activities that we undertake globally with our partners. We do not merely “sell metals” as a material. Rather, we approach the business from the perspective of customers who “use metals.” We are working on providing solutions to “social and customer issues” currently existing as well as “new needs” that emerge on a daily basis.

In addition, by upgrading our business models through digital transformation (DX), we will take on the challenge of creating innovation in the supply chain.

Our goal is to create new demand for metal products and to realize sustainable growth with society.



Steel Service Center (Mexico)



Precision machining for oilfield equipment (Singapore)

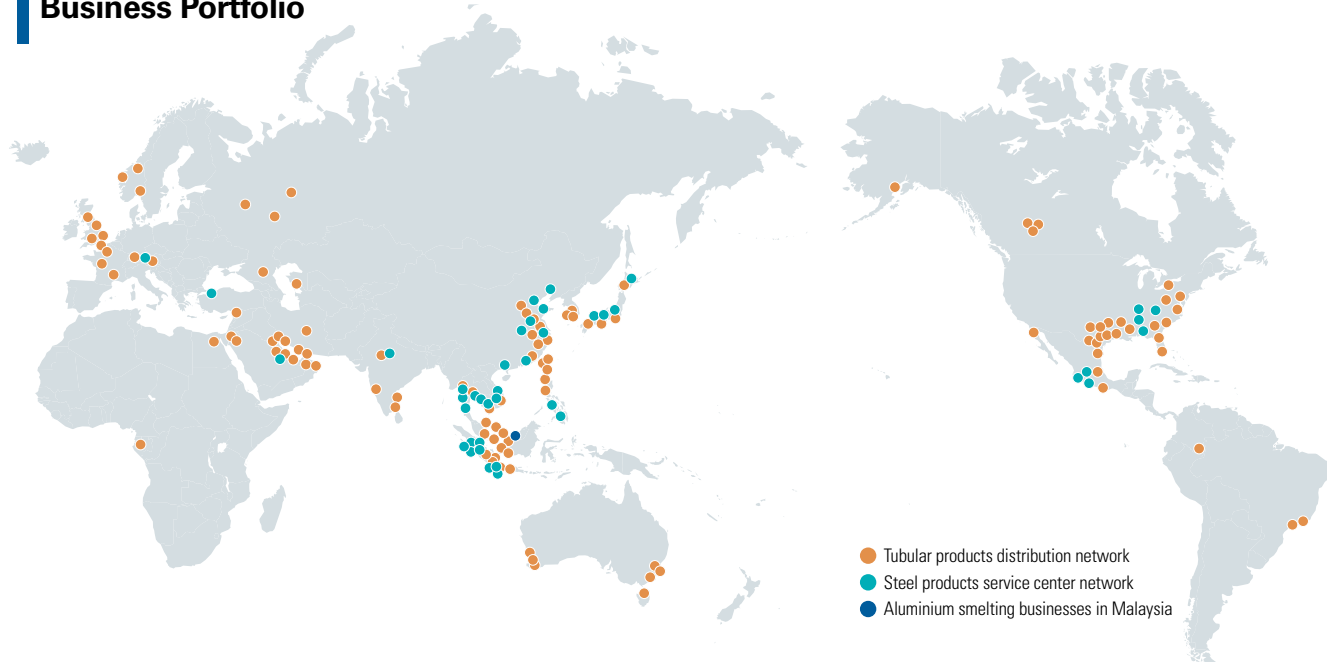


Aluminum smelting business (Malaysia)

## Overview and Analysis of Each Field

Field	Steel Sheet & Other Steel Products	Tubular Products	Non-Ferrous Products & Metals
Overview	We provide high-value-added services mainly to customers of automobile, home appliance, and railway industries, through a broad range of business from material supplying to parts manufacturing.	Through our unique supply chain management (SCM) system, we have built a strong customer network and act as a total service provider to oil and gas companies.	Our participation in the overseas aluminum smelting and rolling business as well as in trading of ingots and rolled products highlights our integrated capabilities in the aluminum business
Strengths	<ul style="list-style-type: none"> <li>Leading market shares in niche segments such as rails, wheels, and axles for railway</li> <li>Expertise, solution capabilities, and a strong customer network in automobile related steel products</li> </ul>	<ul style="list-style-type: none"> <li>Our position as one of the world's largest handlers of oil country tubular goods (OCTG), and our expanded value chain</li> <li>Strategic partnerships with energy majors, and service provision/development capabilities realized through our global network</li> </ul>	<ul style="list-style-type: none"> <li>Sharing our global growth strategy with leading partners in the upstream and midstream of aluminum value chain</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Upgrading existing business models using information and expertise accumulated through steel products trading</li> <li>Creating new business models from the client's perspective</li> </ul>	<ul style="list-style-type: none"> <li>Responding to fourth industrial revolution, and digitization</li> <li>Responding to shift to low-carbon societies</li> <li>Dealing with localization requirements in oil-producing countries</li> </ul>	<ul style="list-style-type: none"> <li>Further strengthening of the aluminum smelting operations, securing stable supplies of bauxite and alumina, and enhancing the added value of aluminum products</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Modal shifts in developed countries and railway infrastructure development in emerging countries</li> <li>Global steady growth of automotive production</li> <li>Growing demand for steel products driven by urbanization in emerging countries and infrastructure upgrades in developed countries</li> </ul>	<ul style="list-style-type: none"> <li>Cultivating metal products, equipment, and services used in the energy sector that are closely related to the OCTG business, expanding our share in OCTG market, and extending our business foundations by capitalizing on the Edgen Group Inc. network</li> <li>Expanding the business into peripheral metal products and equipment, including new materials</li> </ul>	<ul style="list-style-type: none"> <li>Weight reductions in transportation equipment in preparation for low-carbon/recycling-oriented societies, shift to renewable energy, demands to recycle resources</li> </ul>
Risks	<ul style="list-style-type: none"> <li>Market volatility due to steel oversupply and trade issues in various countries</li> <li>Obsolescence of existing products due to the automotive industry's global environmental measures or dramatic change in business conditions due to the emergence of alternative materials</li> </ul>	<ul style="list-style-type: none"> <li>The emergence of protectionism</li> <li>Structural change in the industry due to realignments in related industries</li> </ul>	<ul style="list-style-type: none"> <li>Intensifying competition with aluminum products from emerging countries, trade restrictions and market volatility caused by cross-border trading and political issues</li> </ul>

## Business Portfolio



## Metal Products Business Unit

### Fiscal 2017 Results

Metal Products Business Unit posted profit of ¥32.4 billion, an increase of ¥30.6 billion from the previous fiscal year, due to earnings improvement in tubular products business in North America, the stable performances of overseas steel service centers, and one-off profit from asset replacement.

In the steel sheet & other steel products field, we focused on enhancing the value and our competitiveness of steel service center business. We integrated steel service center business conducted in the Chugoku region by Summit Steel Co., Ltd., into Hiroshima Steel Center Co., Ltd., an affiliate of Marubeni Itochu Steel Inc., with which we concluded a strategic alliance. In the tubular products field, we acquired shares of a U.S.-based oil country tubular goods (OCTG) distributor which has nationwide locations, sales and logistics network and a broad customer base with the aim of further expanding the value chain and strengthening services and other functions in the tubular product business in North America. In the line pipe business, we invested in a startup Dutch manufacturer of thermoplastic composite pipes (TCP)

which consist of glass fiber, carbon fiber, and synthetic resin to enhance the value it provides and broaden our customer base through the introduction of innovative technologies.

#### Performance Highlights (Billions of yen)

	FY2016	FY2017	FY2018 Forecast
<b>Global basis*1</b>		*3	*3
Profit*2	1.8	<b>32.4</b>	37.0
<b>Segment basis</b>			
Gross profit	67.4	<b>66.8</b>	
Share of profit of investments accounted for using the equity method	5.8	<b>7.1</b>	
Profit*2	10.0	<b>20.2</b>	
Basic profit	11.8	<b>17.0</b>	
Total assets	676.1	<b>663.5</b>	

\*1 "Global basis" consists of results including operations in the Overseas Subsidiaries and Branches segment.

\*2 Profit for the year attributable to owners of the parent

\*3 Global basis profit for fiscal 2017 (right-hand column) is shown based on the new organizational structure introduced in fiscal 2018.

### "Medium-Term Management Plan 2020"

	Steel Sheet & Other Steel Products	Tubular Products	Non-Ferrous Products & Metals
<b>Increase Value of Existing Business</b>	<ul style="list-style-type: none"> <li>Capture demand for steel products arising from urbanization in emerging countries and infrastructure upgrades in developed countries</li> <li>Expand the revenue base by participating upstream manufacturing process in specialty steel business</li> <li>Expand the revenue base by providing unique/integrated services in North American railway products and equipment businesses</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the revenue base by implementing DX to upgrade OCTG SCM services and by taking initiatives in peripheral businesses</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the revenue base by expanding the aluminum value chain, centered around aluminum smelting businesses in Malaysia</li> </ul>
<b>Create Next-generation Business</b>	<ul style="list-style-type: none"> <li>Promote next-generation manufacturing and machining processes at companies, such as steel service centers, by utilizing the Internet of Things (IoT), artificial intelligence (AI), and robotics</li> </ul>	<ul style="list-style-type: none"> <li>Create new businesses by exploring and commercializing innovative maintenance/ repair technologies that enable longer lives for oil and gas wells</li> </ul>	<ul style="list-style-type: none"> <li>Promote next-generation operations by utilizing such technologies as IoT, AI, and robotics</li> </ul>
<b>Leverage Business Platforms</b>	<ul style="list-style-type: none"> <li>Create new value in automotive manufacturing-related businesses by utilizing the global materials procurement platform of the Metal Products Business Unit and the automotive value chain of the Transportation &amp; Construction Systems Business Unit</li> </ul>	<ul style="list-style-type: none"> <li>Create new value by leveraging our solid OCTG customer base, that enable us to accelerate the abovementioned DX and new technologies commercialization together with customers</li> </ul>	<ul style="list-style-type: none"> <li>Create new value by leveraging business foundations, centered around aluminum smelting businesses in Malaysia together with our unique trading capabilities</li> </ul>



## Focus on Fiscal 2017

**Promoting investments to emerging fields in tubular products business**

Energy companies that produce oil and gas are in the process of actively adopting innovative technologies, such as digitization and new materials, with the objective of reducing costs and raising production efficiency. These significant changes are generating major business opportunities for us as an integrated trading company. Our tubular products business, which has a solid customer base consisting of the world's energy majors, has adopted the perspective of "using metals" in addition to that of "selling metals." We are creating unique value by utilizing our capabilities as an integrated trading company, such as our networks and business expertise in other business fields, combined with the existing strengths of our tubular products business.

The acquisition of OCTG distributor Champions Cinco Pipe & Supply LLC (CCPS) has further strengthened our presence in the U.S. OCTG distribution market. In the United States, we have already established distribution networks with the largest sales and customer bases. By overlaying the supply network of Edgen Group with these OCTG distribution networks, we are building a business model that will enable us to sell non-tubular products and equipment. With the addition of CCPS, which has technologically informed sales capabilities, we expect to be able to make this model even

more robust.

Also, at the end of March 2018 we invested in Airborne Oil & Gas B.V. (AOG), which develops and supplies tubular products made from a thermoplastic composite of glass fiber, carbon fiber, and synthetic resin. Lightweight and highly resistant to corrosion, AOG products using these new materials also have the support of our customers, and we expect them to lead to cost reductions in the development of offshore oil and gas fields and to improvements in operational efficiency.

Meanwhile, we and our subsidiary SC Global Tubular Solutions, LLC (SCGTS), which had developed a Tubular Information Management System (iTIMS) for inventory control of OCTG and other products and equipment used in the energy industry, have now begun joint research with clients on the possibility of integrating iTIMS with the well design and drilling control systems used by energy companies. By posting staff to client worksites and other measures, we are working to upgrade our OCTG supply chain management (SCM) business model.

By the activities of the new Energy Equipment & Services Department that was established in fiscal 2018, we will accelerate initiatives that transcend the previous business domains of the tubular products business.

## COMMENT

**Business model innovation with disruptive technology**

Having a background in engineering, and having worked with steel products my whole career, I am personally challenged to be fully immersed into the world of Thermoplastic Composite Pipe (TCP), and very excited by our investment in AOG; the world's leading manufacturer of fully bonded TCP for the oil and gas industry. The shared vision we have is to accelerate the commercialization of AOG, connecting them to our global network, thereby accelerating the realization of a profitable and growing business. AOG's disruptive technology, innovative products and dynamic approach also represent a clear opportunity to re-imagine our global business model. Through a process of genuine collaboration, we can continue to deliver efficiencies and total cost reduction to our customer base, and develop our marketing capabilities in a rapidly changing business environment.



**David Rodgers,** General Manager of Midstream Department, Tubular Products Unit, SCEU

# Transportation & Construction Systems Business Unit

- Lease, Ship & Aerospace Business Division
- Automotive Manufacturing Business Division
- Automotive Sales & Marketing Business Division
- Automobility Business Division
- Construction & Mining Systems Division



**Shoichiro Oka**  
General Manager

## Creating new value, facing the Fourth Industrial Revolution squarely

In “Medium-Term Management Plan 2020,” we will take a flexible approach to expanding and developing each business domain to realize sustainable growth, based on our “leasing and financing business,” and “automotive,” “construction and mining equipment” and “ship and aerospace” business with their worldwide value chains.

In terms of specific measures, we will upgrade leasing and financing business and leverage it as platform in pursuit of synergies throughout the Company. In addition, we will invest and develop businesses in new fields in anticipation of the coming mobility society, combining these with our existing business platforms to create new value. In manufacturing business, we aim to realize new innovations by working on materials innovation, developing new basic technologies, and incorporating engineering functions.



© BOEING



Leading-edge aircraft in leasing business

© AIRBUS



Various response to the next-generation mobility society

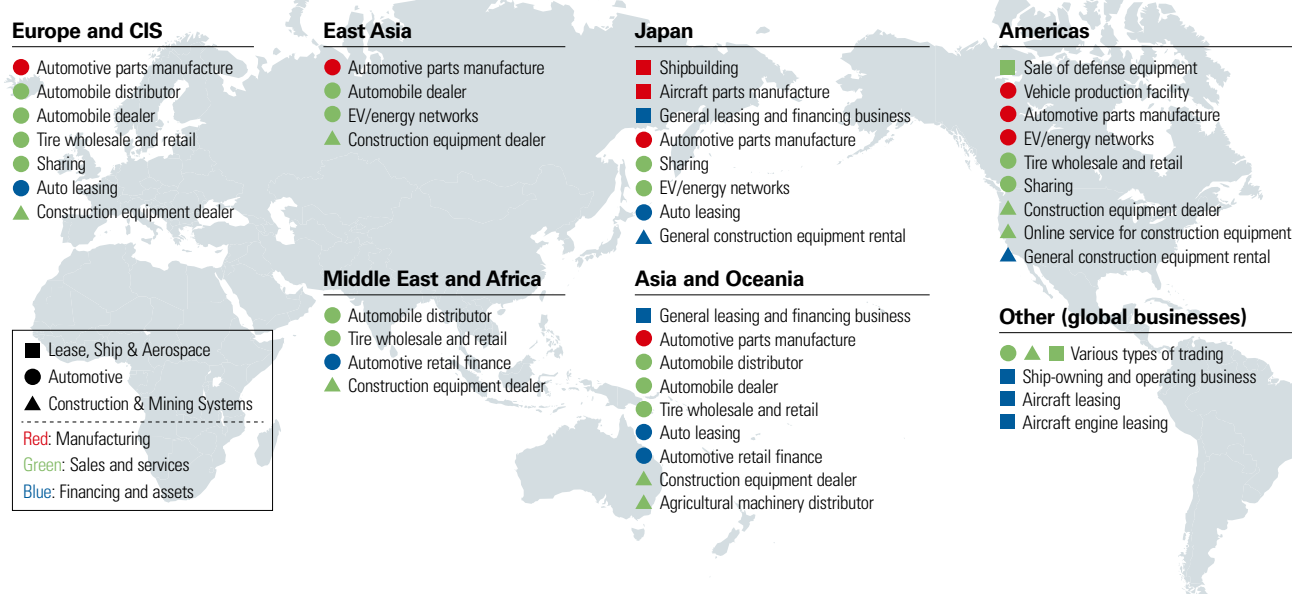


Ultra-large excavator and truck for mining

## Overview and Analysis of Each Field

Field	Lease, Ship & Aerospace	Automotive	Construction & Mining Equipment
Overview	While expanding and developing our ship, aerospace and aircraft leasing businesses, we will blend our integrated business functions with those of the general leasing and financing company to realize further value creation.	While expanding and developing the core functions of manufacturing, sales and marketing, financial services and mobility services, we aim to build new business and new value to respond to the next-generation mobility society.	We will promote global development of construction equipment sales and marketing business and construction equipment rental business, while further expanding our No.1 position in the trading companies.
Strengths	<ul style="list-style-type: none"> <li>Japan's leading general leasing and financing business</li> <li>World-top-class aircraft leasing business</li> <li>Ship business that combines shipbuilding, owning, and charter functions</li> </ul>	<ul style="list-style-type: none"> <li>A value chain and business portfolio that covers upstream through downstream business fields on a global basis</li> </ul>	<ul style="list-style-type: none"> <li>Strong business management capabilities developed through many years of hands-on management</li> <li>Talented local management teams in each region</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Expanding business foundations of general leasing and financing business, and aircraft leasing business while developing new businesses in peripheral areas</li> <li>Upgrading of the defense/aerospace business by strengthening sales, financing, manufacturing and aftermarket functions</li> </ul>	<ul style="list-style-type: none"> <li>Innovating business and creating new business models to reflect technological innovations of new car society</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening and expansion of business foundations in emerging markets</li> <li>Creation of next-generation businesses utilizing advanced technologies</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Increase in demand for aircraft in emerging countries</li> <li>Establishing and commercializing new functions in aircraft aftermarket</li> </ul>	<ul style="list-style-type: none"> <li>Response to next-generation mobility society by leveraging existing business platforms</li> <li>Collaboration with Start-ups</li> </ul>	<ul style="list-style-type: none"> <li>Increase in construction demand due to population growth and urbanization in emerging countries</li> <li>New business opportunities resulting from the spread of ICT machines and advanced technologies in construction industry</li> </ul>
Risks	<ul style="list-style-type: none"> <li>Decrease in demand for leasing, shipping cargo movements, and aircraft accompanying softening growth in the global economy</li> <li>Intensifying competition with newly emerging players in the areas of shipbuilding and aircraft leasing</li> </ul>	<ul style="list-style-type: none"> <li>Geopolitical market risks</li> </ul>	<ul style="list-style-type: none"> <li>Cyclical markets</li> </ul>

## Business Portfolio





# Transportation & Construction Systems Business Unit

## Fiscal 2017 Results

In the Transportation & Construction Systems Business Unit, we showed strong performances in the leasing and financing business, construction equipment sales and marketing business and construction equipment rental business. In addition, there was a recovery trend in the shipping market. For these reasons, the profit increased by ¥16.0 billion year on year, to ¥72.3 billion.

In Lease, Ship & Aerospace business field, regarding Sumitomo Mitsui Finance and Leasing Company, Limited, we and Sumitomo Mitsui Financial Group, Inc., agreed to the capital restructuring with their respective ownership percentages adjusted to 50%. Through this capital restructuring, we aim to further enhance the competitiveness of the general leasing and financing, aircraft leasing and auto leasing businesses, and to realize sustainable growth. In Automotive business field, while reinforcing our existing wide-range of global value chain, we proceeded to invest in new mobility areas such as the CASE (connected, autonomous, shared, and electrification) area. In Construction & Mining Equipment business field, we responded to wide-range of customer needs through the global operation of construction equipment

sales and marketing as well as construction equipment rental. We also undertook initiatives that contributed to the economic development of emerging countries, such as for the public works in the Republic of Uganda, with delivering construction machineries for roadway construction to the Uganda Ministry of Works & Transport.

### Performance Highlights (Billions of yen)

	FY2016	FY2017	FY2018 Forecast
<b>Global basis*1</b>		*3	*3
Profit*2	56.3	<b>72.3</b>	70.8
<b>Segment basis</b>			
Gross profit	131.2	<b>80.0</b>	
Share of profit of investments accounted for using the equity method	43.1	<b>40.3</b>	
Profit*2	46.9	<b>48.2</b>	
Basic profit	50.1	<b>47.8</b>	
Total assets	1,471.9	<b>1,343.7</b>	

\*1 "Global basis" consists of results including operations in the Overseas Subsidiaries and Branches segment.

\*2 Profit for the year attributable to owners of the parent

\*3 Global basis profit for fiscal 2017 (right-hand column) is shown based on the new organizational structure introduced in fiscal 2018.

## "Medium-Term Management Plan 2020"

	Lease, Ship & Aerospace	Automotive	Construction & Mining Equipment
<b>Increase Value of Existing Business</b>	<ul style="list-style-type: none"> <li>Strengthening general leasing and financing, aircraft leasing and engine leasing businesses through capital restructuring and asset accumulation</li> <li>Strengthening shipowning business by diversifying the business model</li> <li>Developing the value chain in aircraft business field</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening the business foundations and developing into new areas through integrated initiatives in the areas of manufacturing, sales and marketing and mobility service including leasing and financing</li> </ul>	<ul style="list-style-type: none"> <li>Building the resilient business infrastructure with its geographical expansion through enhancing asset efficiency, strengthening after-sales service system and improving operation quality</li> </ul>
<b>Create Next-generation Business</b>	<ul style="list-style-type: none"> <li>Challenge for creating new business models gained from access to advanced technologies in the defense, aerospace and their peripheral fields</li> </ul>	<ul style="list-style-type: none"> <li>Challenge for creating new business models through investments into Start-ups related to CASE, MaaS (Mobility as a Service) and through social proving test of new technologies and services</li> </ul>	<ul style="list-style-type: none"> <li>Challenge for creating new business models in the area of ICT construction and precision agriculture by utilizing autonomous, connected, AI and other advanced technologies</li> </ul>
<b>Leverage Business Platforms</b>	<ul style="list-style-type: none"> <li>Creating new value by combining the domestic general leasing and financing business with the Sumitomo Corporation Group's expertise, networks and businesses</li> </ul>	<ul style="list-style-type: none"> <li>Creating new value by combining new technologies and services with our existing business platform, such as auto leasing in Japan, automotive financing in Indonesia and tire distribution in the United States, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Promoting geographical business expansion and creating new business models in peripheral area by utilizing the globally developed foundation of sales and marketing business and rental business</li> </ul>

## Focus on Fiscal

2017

## Supporting the “Eco-Island Initiative” of Ishigaki City in Okinawa Prefecture through a strategic partnership with Taiwanese company Gogoro



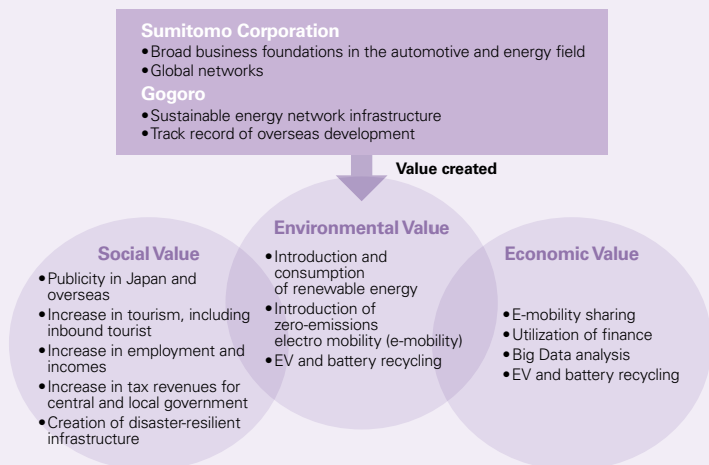
Smartscooters and swappable battery recharging stations provided by Taiwanese company Gogoro

Although the tourism industry is often seen as the great answer to regional revitalization, in the tourist destinations that rely on their rich natural environment and attractive landscapes as assets, there exists the concern that the increase in traffic associated with tourist movements and population growth will result in environmental pollution.

To help “mobility solution” in such tourist destination, we concluded a strategic partnership with Taiwanese company Gogoro Inc. in September 2017, whose mission is transform megacities into smart cities, and we accordingly established our wholly owned subsidiary e-SHARE Ishigaki Co., Ltd. in December 2017. In addition to supporting the Eco-Island Initiative of Ishigaki City, Okinawa Prefecture, we collaborate with local enterprises to roll out a sustainable mobility sharing service on Ishigaki Island with smartscooters and GoStation which is swappable battery recharging stations. Looking ahead, the plan is to promote the use of clean energy by making GoStations with swappable batteries as the power source for a wide range of compact mobility options.

Rolling this vision out to Asian countries where demand exists for compact electric vehicles (EVs) will additionally help

spreading the use of a variety of EVs and put in place energy network infrastructures. By going beyond the mobility field to expand into diverse energy service fields, we further envisage contributions to harmonization with the global environment and the revitalization of local industries toward a vision of realizing next-generation smart cities.



## COMMENT

## Toward concrete realization of innovative business models

After happening to see a television interview of Gogoro’s CEO Horace Luke, I became fascinated with the innovative business model I had never seen before and the company’s efforts and their principles. Afterwards, I’m really proud that we were able to make concrete project such as concluding a strategic partnership with Gogoro, starting sharing business in Ishigaki Island, and I am so excited about the future possibilities. Toward the great goal, with the common slogan “Go Big or Go Home! and ASAP!,” we will involve all our group companies, and work hard together with Gogoro as one team!!

**Dennis Yang,** Deputy General Manager  
Machinery & Electric Division, Sumitomo Corporation Taiwan Ltd.



Staff of the Machinery & Electric Division, Sumitomo Corporation Taiwan Ltd. (Author front row far left)



# Infrastructure Business Unit

- Social Infrastructure Business Division
- Global Power Infrastructure Business Division
- Logistics Infrastructure Business Division



**Tsutomu Akimoto**

General Manager

## Stay ahead, Shape the future

By staying a step ahead in dealing with change and creating new value in response to the needs of each client and local community, the Infrastructure Business Unit aims to make a wide-ranging contribution to society by adding its own value to it.

As global initiatives to control greenhouse gas emissions proceed in response to rising environmental awareness, infrastructure development has become a pressing issue in emerging countries against a backdrop of rapid urbanization and population growth. To help resolve these social issues, we contribute to the development of local communities and industries, achieve harmony with the global environment by developing and enhancing infrastructure that meets the needs of each country's society and industries. In developed countries we focus on environment-friendly infrastructure development, such as power generation using renewable energy. At the same time, in emerging countries we work to resolve shortages in power and water, taking steps to develop transportation infrastructure and logistics networks to support development of local communities and building foundations of people's lives.



Automated people mover system for Tampa International Airport (United States)



Az-Zour North power generation and water desalination plant (Kuwait)



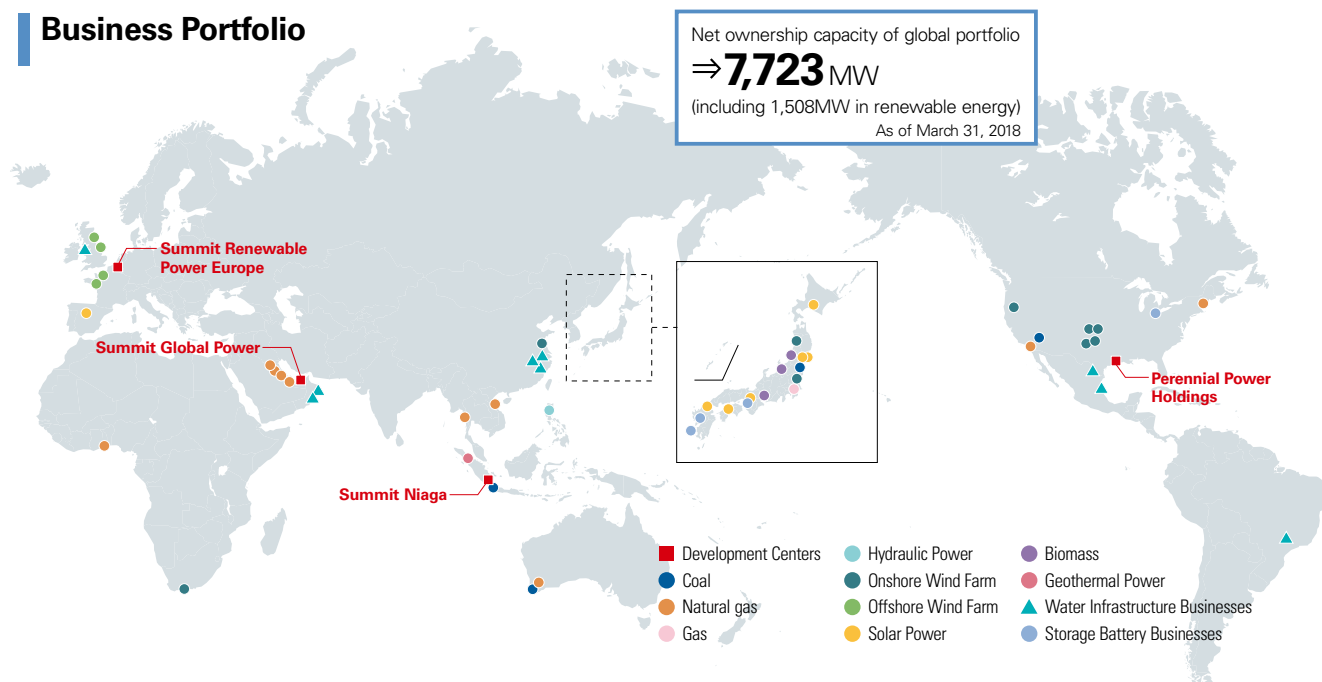
Thang Long Industrial Park (Vietnam)



## Overview and Analysis of Each Field

Field	Social Infrastructure	Global Power Infrastructure	Logistics Infrastructure
Overview	We are engaged in electricity retail businesses in Japan, industrial infrastructure businesses such as industrial facilities, water infrastructure businesses, and businesses related to transportation infrastructure.	We are engaged in power generation businesses including renewable energy as well as power plant EPC businesses, both in Japan and overseas.	In addition to logistics services such as shipping, customs clearance, and delivery, we also arrange various insurance contracts, and develop and operate overseas industrial parks.
Strengths	<ul style="list-style-type: none"> <li>Project management capabilities backed by an extensive engineering, procurement, and construction (EPC) track record</li> <li>A wealth of knowledge and expertise, stretching from business development to project management</li> <li>Wide-ranging industry network maintained and developed by specialists stationed worldwide</li> <li>Market presence with communication channel and capabilities developed through decades of business</li> </ul>		<ul style="list-style-type: none"> <li>Knowledge and track record in the global distribution of a variety of products</li> <li>Insurance risk management capabilities</li> <li>Extensive experience in developing and operating industrial parks, and support capabilities for tenant companies</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Aiming to optimize utilization and deployment of personnel on a global basis to develop businesses globally, cultivate markets and capture demand, and secure cost competitiveness</li> <li>Increasing the value of existing businesses and seeking to create new businesses through the aggressive use of new technologies such as AI and IoT</li> </ul>		
Opportunities	<ul style="list-style-type: none"> <li>Increase in demand for eco-friendly infrastructure due to growing environmental awareness and economic development of emerging countries, and the increase in business opportunities resulting from the opening up of public infrastructure to the private sector</li> </ul>		<ul style="list-style-type: none"> <li>Rising demand for logistics and insurance brought about by changes in the trade environment</li> <li>The increased need for logistics insurance services and overseas industrial parks as a result of the global business expansion of Japanese companies</li> </ul>
Risks	<ul style="list-style-type: none"> <li>Drastic changes in industries, such as M&amp;A activities among major manufacturers in power generation industry in Japan, the United States, and Europe and the emergence of China</li> <li>Changes in conditions or regulatory strengthening for coal-fired power plants and changes to respective countries' incentive schemes for renewable energy power generation businesses</li> </ul>		

## Business Portfolio



# Infrastructure Business Unit

## Fiscal 2017 Results

In the Infrastructure Business Unit, overseas power generation businesses showed stable performance, while development and construction of large-scale projects in power infrastructure business made progress. This resulted in an increase in profit of ¥8.3 billion year on year, to ¥37.3 billion.

In developed countries, having positioned environment-friendly infrastructure as a focus industry, we promoted renewable energy power generation businesses. In the United Kingdom, we made progress in the construction of two offshore wind farms, and in Japan, operations began at a biomass power plant in Handa, Aichi Prefecture, and at solar power plants in Minamisoma, Fukushima Prefecture.

In emerging countries, we steadily executed a variety of initiatives to deal with growing demand for infrastructure. In addition to taking a capital stake in Brazil's largest water and sewerage private-sector utility, we began construction of a gas-fired combined cycle power plant in Tunisia, and of an ultra-supercritical coal-fired power plant in Bangladesh\*. We

also began sales of an industrial park located in Chennai, India.

\* This power plant generates high-pressure and high-temperature steam resulting in the improved control of fuel consumption and CO2 emissions, thereby contributing to reducing environmental impact.

### Performance Highlights (Billions of yen)

	FY2016	FY2017	FY2018 Forecast
<b>Global basis*1</b>		*3	*3
Profit*2	29.1	<b>37.3</b>	53.0
<b>Segment basis</b>			
Gross profit	55.0	<b>71.1</b>	
Share of profit of investments accounted for using the equity method	9.2	<b>12.9</b>	
Profit*2	23.0	<b>28.4</b>	
Basic profit	15.4	<b>29.9</b>	
Total assets	666.3	<b>717.3</b>	

\*1 "Global basis" consists of results including operations in the Overseas Subsidiaries and Branches segment.

\*2 Profit for the year attributable to owners of the parent

\*3 Global basis profit for fiscal 2017 (right-hand column) is shown based on the new organizational structure introduced in fiscal 2018.

## "Medium-Term Management Plan 2020"

	Social Infrastructure	Global Power Infrastructure	Logistics Infrastructure
<b>Increase Value of Existing Business</b>	<ul style="list-style-type: none"> <li>Expand the electricity retail business in Japan and the machinery and electric trades making use of the Group's network</li> <li>Further accumulate assets in water infrastructure businesses</li> <li>Scrutinize the focus markets for railway EPC and take on the best projects after thorough deliberation</li> </ul>	<ul style="list-style-type: none"> <li>Further accumulate high-quality power generation assets</li> <li>Shift emphasis in the power generation asset portfolio to gas and renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Promote global development and expand logistics and insurance functions to contribute to increases in Groupwide corporate value</li> <li>Extend existing projects in the area of overseas industrial parks, and develop new projects</li> </ul>
<b>Create Next-generation Business</b>	<ul style="list-style-type: none"> <li>Participate in new social infrastructure fields utilizing public-private partnership (PPP)/private finance initiative (PFI) opportunities</li> <li>Penetrate in operator businesses based on our knowledge of railway EPC</li> <li>Create new smart energy/energy management businesses to deal with decentralized societies</li> </ul>	<ul style="list-style-type: none"> <li>Create next-generation power generation business models, such as energy management businesses using storage batteries, that will succeed EPC and independent power producers (IPPs)</li> </ul>	<ul style="list-style-type: none"> <li>Develop new projects in new focus areas, such as retail logistics</li> <li>Implement initiatives aimed at new logistics service and business models that make use of digital technologies</li> </ul>
<b>Leverage Business Platforms</b>	<ul style="list-style-type: none"> <li>With the view that the "smart city" urban planning trend will offer a variety of opportunities for business development, the Company will use smart cities such as the one in northern Hanoi as platforms to promote the development of new social infrastructure businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Make further contributions to development of local communities and to the Company's presence in the market by enabling other business units to make use of the connections and relationships of trust established with foreign governments in the course of sales and implementing activities for power generation EPC projects</li> </ul>	<ul style="list-style-type: none"> <li>Pave the way for further expansion of the revenue base for the business of this division and other Sumitomo Corporation Group businesses by utilizing automated logistics warehouses and new technologies such as robotic process automation (RPA), and by working to enhance our globe-spanning logistics network</li> </ul>

## Focus on Fiscal 2017

**Offshore wind power projects contribute  
to the creation of a carbon-free society**

The development of renewable energy is advancing worldwide with a view to the creation of a carbon-free society. Making particularly rapid progress in Europe is the introduction of offshore wind power projects. Offshore locations, free of wind-impeding topographical features, make efficient and plan-based power generation possible, and offer the additional advantage of smooth transport of equipment.

Recognizing these advantages and the related potential, we have taken part in three offshore wind power projects in Belgium since 2014. Our unique strengths include the stable funding necessary to facilitate the construction and operation of huge wind turbine farms and the management and operational capabilities to see projects successfully through to completion. We have drawn on these abilities to accumulate a store of experience and expertise. More recently, we have been involved in two projects currently under construction in

the United Kingdom—the world's largest offshore wind power market—while moving forward we are looking to further business expansion in Asia.

Playing an important role in the development and implementation of projects of this kind is our wholly owned subsidiary Summit Renewable Power Europe GmbH (SRP). Established as a base for the development of our offshore wind power business, SRP boasts a comprehensive staff of experts with intimate knowledge of local markets, thereby positioning it as the driver of our business expansion.

Working closely with SRP, we intend to step up our initiatives in offshore wind power to promote business development through a rebalancing of our power generation portfolio toward a chief emphasis on gas and renewable energy. In this way, we will continue our contribution to protecting the global environment.

## COMMENT

**Growing business opportunities by  
expanding into overseas markets**

I have been impressed by Sumitomo Corporation's strong commitment to the renewable energy business. We are one of very few investors who have the human resources equipped with both the technical and commercial skills to participate in offshore wind power projects from the outset. Now that offshore wind power has become our main pillar in the European energy market, I believe there will be more new business opportunities for us to uncover. I'm also confident that we can apply our approach and strategies so far to markets in other countries. I look forward to rolling out our skills and ideas across many regions and to supporting economic growth as we do so.



**Christoph Mertens,** CEO, Summit Renewable Power Europe GmbH



# Media & Digital Business Unit

- Media Division
- Digital Business Division
- Smart Communications Platform Business Division



**Toshikazu Nambu**  
General Manager

## Contributing to Sumitomo Corporation Group's digital transformation (DX) and materialization of a smart society with enabler functions for innovation

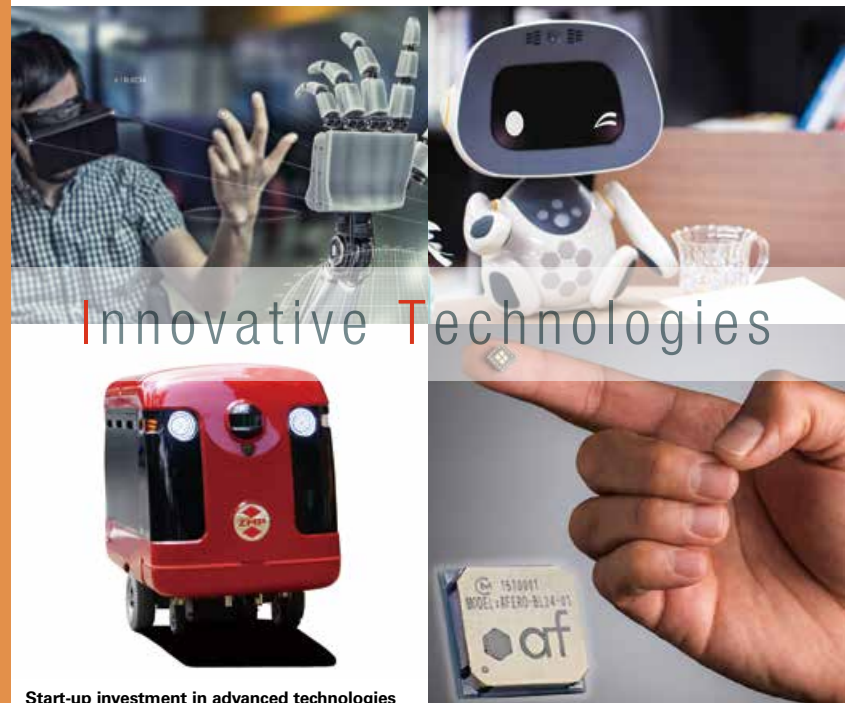
In the media field, we will reinforce our revenue base by ensuring the continued growth of J:COM, Japan's largest cableTV operator, and Jupiter Shop Channel Co., Ltd., a TV shopping company, and by focusing on promising digital media-related businesses.

In the digital business field, to accelerate our DX we will enhance our ICT platform functions to be shared among the entire Sumitomo Corporation Group by leveraging our IT services company, SCSK. We will also promote innovation throughout the Group by adopting advanced technologies through investments in start-ups.

In the smart communications platform field, we will work on globally expanding our businesses through T-Gaia Corporation, the Group's mobile phone distribution company; the telecommunication business in Myanmar; and value-added services. In addition, we will promote to build the basis of a smart society.



J:COM Wonder Studio in Tokyo Skytree Town®



## Innovative Technologies

Start-up investment in advanced technologies

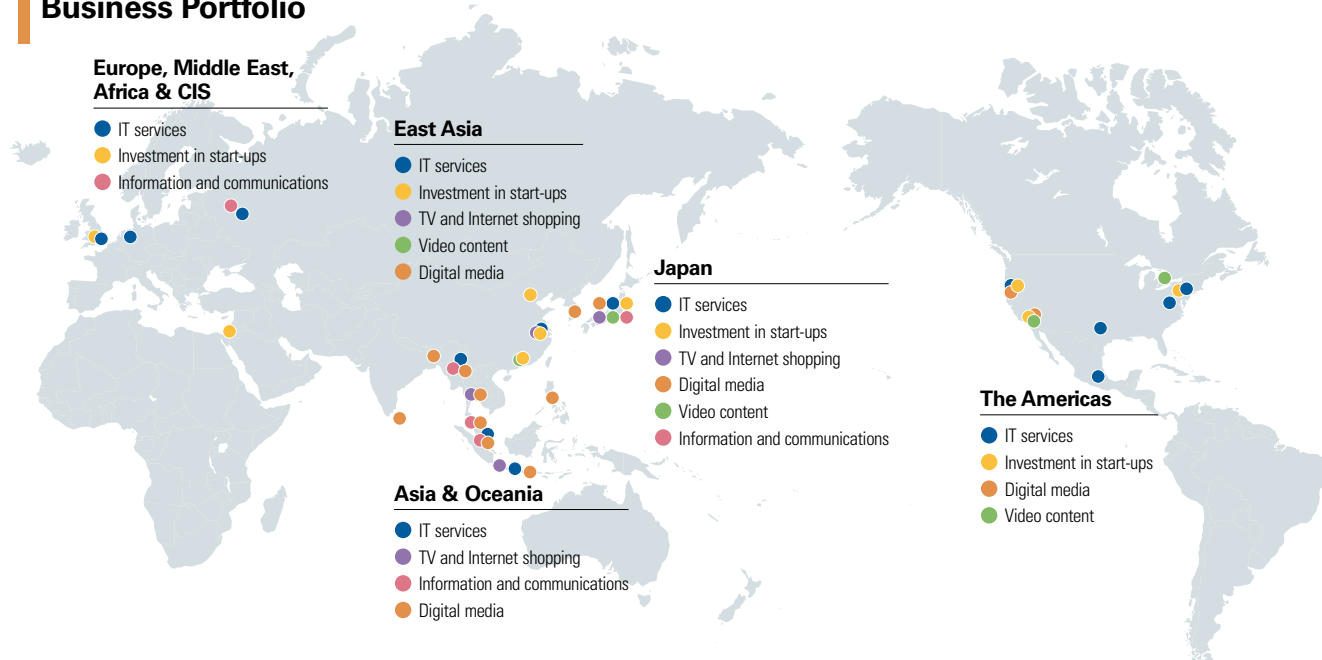


Telecommunication business in Myanmar

## Overview and Analysis of Each Field

Field	Media Business	Digital Business	Smart Communications Platform Business
Overview	<ul style="list-style-type: none"> <li>CableTV, multichannel programming distribution, movies, and other media businesses</li> <li>Digital media-related businesses and video content-related businesses</li> <li>TV shopping business</li> </ul>	<ul style="list-style-type: none"> <li>Digital solution business and ICT platform business</li> <li>Corporate venture capital</li> </ul>	<ul style="list-style-type: none"> <li>Smart communications infrastructure businesses and value-added service businesses</li> </ul>
Strengths	<ul style="list-style-type: none"> <li>J:COM, with the No. 1 share of the cable TV market</li> <li>Jupiter Shop Channel, live broadcast 24 hours a day, 365 days a year</li> </ul>	<ul style="list-style-type: none"> <li>SCSK, a leading IT solutions provider</li> <li>Access to advanced technologies on a global basis</li> </ul>	<ul style="list-style-type: none"> <li>T-Gaia, No.1 mobile phone distributor in Japan</li> <li>Myanma Posts and Telecommunications (MPT), No. 1 telecom operator in Myanmar</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Accelerating the deployment of digital media-related businesses and globally developing video content-related businesses</li> <li>Enhancing J:COM's comprehensive lifestyle concierge functions</li> </ul>	<ul style="list-style-type: none"> <li>Acceleration of SCSK's shift to service-oriented businesses</li> <li>Promotion of Sumitomo Corporation Group's digital transformation utilizing advanced technologies</li> </ul>	<ul style="list-style-type: none"> <li>Further improvement of customer satisfaction for the telecommunication business and expansion of the value-added businesses in Myanmar</li> <li>Horizontal expansion of telecommunication infrastructure and related services</li> <li>Building the basis of a smart society</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Deregulation of electricity and gas retailing</li> <li>Changes in the way that young people consume media</li> </ul>	<ul style="list-style-type: none"> <li>Acceleration of innovation, such as upgrading of businesses and creation of new businesses through digital revolution</li> </ul>	<ul style="list-style-type: none"> <li>Changes in lifestyle with the development of a smart society</li> <li>New business opportunities with 5G mobile technologies</li> </ul>
Risks	<ul style="list-style-type: none"> <li>Changes in the competitive environment caused by an acceleration of the fusion between broadcasting and telecommunications</li> </ul>	<ul style="list-style-type: none"> <li>Changes in the industry structure due to digital disruption</li> </ul>	<ul style="list-style-type: none"> <li>Structural changes in the global telecom market</li> </ul>

## Business Portfolio



## Media & Digital Business Unit

### Fiscal 2017 Results

In the Media & Digital Business Unit, mainstay operating companies in Japan, such as J:COM and SCSK, and the telecommunication business in Myanmar all recorded strong performances. In addition, a one-off profit from asset replacements was posted, resulting in profit of ¥59.0 billion.

In the media, digital and smart communications platform fields, by providing high-quality products and services we worked on implementing initiatives aimed at Establishing a Foundation for Comfortable and Enriching Lifestyles and at Providing Diverse "Accessibility." In the media field, Jupiter Shop Channel, as well as J:COM, remained strong. In addition, by making an entry into digital media-related businesses, where future growth is expected, we made further progress in the construction of a new revenue base. In the digital business field, we promoted the best use of AI and IoT with SCSK, while we worked on digital healthcare. In the smart communications platform field we expanded the revenue base of T-Gaia mobile phone distributor business and

the telecommunication business in Myanmar. We also focused on expansion of value-added service businesses.

#### Performance Highlights (Billions of yen)

	FY2016	FY2017	FY2018 Forecast
Global basis*1		*3	*3
Profit*2	77.0	<b>93.5</b>	<b>93.5</b>
(Media & Digital)	—	—	<b>59.0</b>
(Living Related & Real Estate)	—	—	<b>34.5</b>
Segment basis			
Gross profit	257.0	<b>276.5</b>	
Share of profit of investments accounted for using the equity method	58.7	<b>51.0</b>	
Profit*2	77.6	<b>86.6</b>	
Basic profit	88.1	<b>84.7</b>	
Total assets	1,909.3	<b>1,888.8</b>	

\*1 "Global basis" consists of results including operations in the Overseas Subsidiaries and Branches segment.

\*2 Profit for the year attributable to owners of the parent

\*3 Global basis profit for fiscal 2017 (right-hand column) is shown based on the new organizational structure introduced in fiscal 2018.

### "Medium-Term Management Plan 2020"

	Media Business	Digital Business	Smart Communications Platform Business
<b>Increase Value of Existing Business</b>	<ul style="list-style-type: none"> <li>J-COM: Enhance its three main services and upgrade services by strengthening its infrastructure</li> <li>Jupiter Shop Channel: Strengthen its foundation through continuous capital expenditure and expand its customer base by enhancing marketing practices</li> </ul>	<ul style="list-style-type: none"> <li>Transform SCSK's revenue model by expanding its own product line-up and by shifting to service-oriented businesses</li> </ul>	<ul style="list-style-type: none"> <li>Increase the value of T-Gaia and Myanmar Posts and Telecommunications (MPT)'s existing businesses and provide new services by making most of their No.1 positions in the market</li> </ul>
<b>Create Next-generation Business</b>	<ul style="list-style-type: none"> <li>Accelerate the deployment of digital media-related businesses and globally expand video content-related businesses</li> </ul>	<ul style="list-style-type: none"> <li>Promote Sumitomo Corporation Group's digital transformation with utilizing advanced technologies</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the development of local societies and industries by expanding telecommunication infrastructure and extending various services in emerging countries focused on South-East Asia</li> </ul>
<b>Leverage Business Platforms</b>	<ul style="list-style-type: none"> <li>Develop various new services using the customer bases of J:COM and Myanmar Posts and Telecommunications (MPT) as well as information and communications infrastructure as a platform</li> <li>Upgrade our group's businesses and create new values by integrating "Enabler functions" such as finance and logistics with SCSK's IT technology</li> </ul>		



## Focus on Fiscal 2017

**AlphaBoat—a digital media business  
for the next generation**

Recently, there has been a rapid growth in popularity, especially among the young, of online video distribution services, social networking services, and other digital media. Meanwhile, the Japanese Internet advertising market is forecast to expand from roughly ¥1.2 trillion in 2015 to around ¥1.7 trillion in 2020, with future growth expected in the digital advertising field, including digital video advertising and data marketing.

Staying abreast of this trend, in December 2017 Sumitomo Corporation established SC Digital Media K.K. as its core vehicle of the digital media business. In order to launch its first service, SC Digital Media set up AlphaBoat LLC as a new joint venture with FULLSCREEN, Inc., which boasts one of the largest video content creator networks in the United States, and TOHO Co., Ltd.

Adopting the advanced business model of FULLSCREEN,



Video for Internet distribution "Soda After School"

AlphaBoat has set up its own creative studio, scouted and nurtured YouTubers and other video content creators and provided them with support for video production, thus positioning itself to create high-quality videos that maintain the brand image of the advertiser. Meanwhile, through collaboration with TOHO, content creators will be offered opportunities to receive advice and guidance from TOHO producers and to participate in video creation process.

AlphaBoat marks the launch of wide-ranging initiatives in the digital media business and Sumitomo Corporation aims at creating new value in the Japanese digital media industry, including a view to global expansion.



Video for Internet distribution  
"ASAB Suzuki"

## COMMENT

**Creating new value in the Japanese  
digital media market**

With FULLSCREEN as a partner, which is developing an advanced business model in the United States, we are working to set up novel businesses that create new value in the Japanese digital media market. With specialists in the advertising and video content fields, we are working day in and day out trying out new ideas in this potential field, and some of which will go on to attract large number of viewers.

**Emi Shinkai,** Media & Entertainment Business Department  
On secondment to AlphaBoat LLC



At the office of the AlphaBoat business partner  
FULLSCREEN (Author fourth from left)

# Living Related & Real Estate Business Unit

- Lifestyle & Retail Business Division
- Food & Agriculture Business Division
- Materials, Supplies & Real Estate Division



**Nobuki Ando**  
General Manager

## Creating new and distinctive value and lifestyles through our consumer related products and services

The Living Related & Real Estate Business Unit operates three segments: lifestyle & retail, food & agriculture, and materials, supplies and real estate.

In the lifestyle & retail field, we will further extend the scope of our businesses to respond to diverse consumer needs, through retail businesses such as supermarket chains, healthcare-related businesses such as drugstore chains, and textile businesses.

In the food & agriculture field, we aim to expand our fresh & processed food business, which focuses mainly on fruits, vegetables, and meat, and to develop stable business foundations for grains and other foodstuffs.

In the materials, supplies and real estate field, we will continue to expand environment-friendly forest products and biomass fuel businesses. Moreover, we will focus on our core businesses, including retail facilities, condominiums, logistics facilities, and the real estate fund business, while actively developing our overseas real estate businesses.



Supermarket Summit (Hagoromo Ichodori store)



Products handled by Fyffes fresh produce production and wholesale business



GINZA SIX large-scale office-retail complex

## Overview and Analysis of Each Field

Field	Lifestyle & Retail	Food & Agriculture	Materials, Supplies & Real Estate
Overview	We are developing retail businesses such as supermarket chains, healthcare-related businesses, including dispensing pharmacies and drugstore chains, and textile businesses in response to diverse consumer needs.	We are building comprehensive food business portfolio centered around our existing fruits, vegetables, meat, grains, oils, sweeteners and processed food business.	We are developing materials & supplies businesses such as building materials, cement, forest products, and biomass fuel, as well as real estate businesses which develop office buildings, retail facilities, condominiums, logistics facilities, etc.
Strengths	<ul style="list-style-type: none"> <li>Expertise in retail businesses acquired through the management of Summit, and TOMOD'S.</li> <li>Expertise in healthcare-related business and drug dispensing acquired through the management of TOMOD'S</li> <li>Store network of Summit and TOMOD'S locations primarily in Tokyo Metropolitan area</li> </ul>	<ul style="list-style-type: none"> <li>Robust global platform for distribution and sale of fresh produce</li> <li>Customer focused product development and marketing capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Extensive track record of developing and managing comprehensive portfolio of real estate projects in Japan</li> <li>Development of a top-class construction materials-related business</li> <li>Strong management capabilities of large-scale wood businesses</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>New retail adjacent business development and new overseas business development</li> <li>Creating growth opportunities and new businesses in the growing healthcare field</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening and expanding fresh &amp; processed food business value chain</li> <li>Entering growth markets, and creating new businesses such as functional foods</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of biomass fuel manufacturing businesses</li> <li>Further expansion of timberlands</li> <li>Expand share of overseas real estate businesses in our portfolio</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Expansion of overseas retail market, primarily in emerging countries with growing middle class</li> <li>Development of new businesses that lead to greater efficiency in rising medical expenses in Japan and other developed countries, as well as installations of medical infrastructure in emerging countries</li> </ul>	<ul style="list-style-type: none"> <li>Growing demand for quality food mainly in emerging countries</li> <li>Growing demand for health &amp; beauty benefits encompassing foods in developed markets</li> </ul>	<ul style="list-style-type: none"> <li>Increase in demand for real estate and construction materials due to the Tokyo 2020 Olympic and Paralympic Games</li> <li>Increase in exports of timber products to China as the result of a ban on the logging of natural forests in China</li> <li>Rising demand for biomass fuel due to the expansion of renewable energy</li> </ul>
Risks	<ul style="list-style-type: none"> <li>Decline in consumer confidence due to worsening economic conditions</li> <li>Labor shortages caused by an increasingly competitive business environment</li> </ul>	<ul style="list-style-type: none"> <li>Extreme weather patterns affecting harvest and sales price in recent years</li> <li>Changes in the global food supply</li> </ul>	<ul style="list-style-type: none"> <li>Contraction in demand for construction materials and impact on the real estate market caused by the declining population of Japan</li> <li>Rise in forest valuations</li> </ul>

## Business Portfolio





## Living Related & Real Estate Business Unit

### Fiscal 2017 Results

Domestic major group companies, such as Summit supermarket chains and Tomod's drugstore chains, and real estate businesses, delivered strong performances, recording profit of ¥34.5 billion in fiscal 2017.

In the lifestyle & retail field, Summit and Tomod's continued to open new stores throughout 2017. Furthermore, we strengthened healthcare-related businesses by investing in eWeLL Co., Ltd., which develops and operates an administrative and operational support system for home-visit nursing care service providers, and in Community Healthcare Coordination Platform, Inc., which provides business support to medical care, nursing care, and livelihood support professionals. We also invested in Integrity Healthcare Co., Ltd., which develops and sells telemedicine systems. In the food & agriculture field, SC Foods Co., Ltd., achieved steady growth. We also worked on expanding our fresh & processed food business, strengthening our Fyffes business platform, fresh produce production and wholesale business operator in Europe and the Americas acquired in 2016. In the materials, supplies & real estate field, in anticipation of a global increase in demand for biomass fuel, we took an equity stake in Canadian wood pellet manufacturer Pacific BioEnergy Corporation, with the aim of securing a long-term, stable

supply of biomass fuel. In real estate businesses, in addition to developing GINZA SIX, an office-retail complex in Ginza 6-chome in Tokyo, with focus on overseas expansion, we set up a real estate fund targeting U.S. properties, and the housing business in Asia.

### Performance Highlights (Billions of yen)

	FY2016	FY2017	FY2018 Forecast
Global basis*1		*3	*3
Profit*2	77.0	93.5	93.5
(Media & Digital)	—	—	59.0
(Living Related & Real Estate)	—	—	34.5
Segment basis			
Gross profit	257.0	276.5	
Share of profit of investments accounted for using the equity method	58.7	51.0	
Profit*2	77.6	86.6	
Basic profit	88.1	84.7	
Total assets	1,909.3	1,888.8	

\*1 "Global basis" consists of results including operations in the Overseas Subsidiaries and Branches segment.

\*2 Profit for the year attributable to owners of the parent

\*3 Global basis profit for fiscal 2017 (right-hand column) is shown based on the new organizational structure introduced in fiscal 2018.

### "Medium-Term Management Plan 2020"

	Lifestyle & Retail	Food & Agriculture	Materials, Supplies & Real Estate
<b>Increase Value of Existing Business</b>	<ul style="list-style-type: none"> <li>Summit: Accelerate new store openings, develop new small store formats, and enhance ready-made dishes and delicatessen products offering</li> <li>TOMOD'S: Enhance business by leveraging new store development including M&amp;A opportunities, and by expanding at-home prescription dispense services</li> </ul>	<ul style="list-style-type: none"> <li>Fyffes: Accelerate supply source integration</li> <li>Stabilize revenue base for grain, oils and sweeteners business</li> <li>Expand fresh &amp; processed food value chain</li> </ul>	<ul style="list-style-type: none"> <li>Expand forest products businesses by acquiring higher-quality timberlands</li> <li>Expand overseas businesses and fund business in the real estate field</li> </ul>
<b>Create Next-generation Business</b>	<ul style="list-style-type: none"> <li>Expand overseas presence by leveraging expertise acquired from domestic retail business</li> <li>Create a foundation for healthcare-related businesses both in Japan and overseas</li> </ul>	<ul style="list-style-type: none"> <li>Enter highly valued food market with functional food</li> <li>Expand presence in emerging markets</li> </ul>	<ul style="list-style-type: none"> <li>Increase the procurement capacity for biomass fuel and expand existing processing facilities</li> <li>Implement initiatives for development of smart cities</li> <li>Promote overseas urban development and master development projects, supporting social infrastructure development</li> </ul>
<b>Leverage Business Platforms</b>	<ul style="list-style-type: none"> <li>Leverage our business foundation such as retail store network of Summit and TOMOD'S stores</li> </ul>	<ul style="list-style-type: none"> <li>Utilize SC Foods' sales network product planning and proposal capabilities</li> <li>Strengthen collaboration with our retail business portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Utilize real estate as a business foundation</li> <li>Leverage new mechanisms for raising funds</li> </ul>

## Focus on Fiscal 2017

## Capital partnership with Taiwan's Mercuries & Associates opens way to expansion of food retailing and drugstore businesses in Taiwan



The ¥3.7 trillion Taiwanese food retail market is forecasted to present further growth opportunities, primarily in the supermarket sector which expanded 1.5 times between 2011 and 2017.

Leveraging knowledge and expertise accumulated through our Japanese retail business—for instance through the drugstore chain Tomod's and the supermarket chain Summit—Sumitomo Corporation plans to expand into Asia and other overseas markets. Following our investment in Simple Mart, a food retailer operated by the Taiwanese conglomerate Mercuries & Associates Holding, Ltd., Sumitomo Corporation will focus on adding value through active management and know-how transfer from our Japanese businesses. This company is engaged in a diverse range of businesses, centering on the retail business and including wholesale import and export of alcoholic and non-alcoholic beverages. Simple Mart operates 635 stores (as of June 30, 2018) in highly convenient locations, such as heavily residential areas and in the vicinity of markets. As well as delivering services that meet the demand for daily necessities, it is actively promoting the development of new

retail categories, for instance by diversifying the store format. It has the second largest number of stores of any supermarket operator in Taiwan.

Since 2012, Mercuries & Associates and Sumitomo Corporation have jointly operated drugstore chain Tomod's, which now has 40 stores throughout Taiwan (as of June 30, 2018). Going forward, Sumitomo Corporation intends to continue leveraging the strengths and the partnership of our two companies to respond to Taiwan's diversifying consumer needs and contribute to comfortable and convenient lifestyles.



Tomod's store in Taiwan

## COMMENT

## Acting as a bridge between Japan and Taiwan based on relationships of trust with our partners

I have been involved in living-related businesses at Sumitomo Corporation Taiwan for many years, which also included working for two years at the Tokyo Head Office. Over the years, I have done my best to reach a comprehensive understanding of the differences in the corporate cultures and market environments between Taiwan and Japan. I have spent long years building a relationship of trust with our business partner Mercuries & Associates, which has now become an indispensable element of our Taiwan business. Going forward, I would like to continue acting as a bridge between Japan and Taiwan through the operations and activities of Tomod's and Simple Mart, and delivering to Taiwanese consumers everyday safety, reliability, and amenity.

**Chen Chan-chu (Jovi Chen),** General Manager, Living Related Department  
Sumitomo Corporation Taiwan Ltd.



Mr. Chen with team members  
(second from left)



# Mineral Resources, Energy, Chemical & Electronics Business Unit

- Mineral Resources Division No.1
- Mineral Resources Division No.2
- Energy Division
- Basic Chemicals & Electronics Division
- Life Science Division



Masahiro Fujita

General Manager

## Contributing to an enriched society through the stable supply of mineral resources & energy and chemical products

Taking into account shortages in mineral resources, energy, and food that arise from macro trends such as growth in population, income, and urbanization, in addition to changes in the supply environment and changes in industry structure such as a shift to IoT, we will continue working to Achieve Harmony with the Global Environment. We do so with the goal of Contributing to the Development of Local Communities and Industries. By developing Human Resources and Promoting Diversity among our colleagues working in every corner of the globe, we will strive to Establish a Foundation for Comfortable and Enriching Lifestyles.

In the mineral resources and energy field, we will be able to provide stable supplies to industry and contribute significantly to revenue in the medium- to long-term by building a business portfolio with diversified risk.

In the chemicals and electronics field, we provide differentiated high-value-added services and raw materials to growth industries. These are carefully differentiated and are expected to generate high revenues.



Silver, zinc, and lead mine (Bolivia)



FPSO Owning and Chartering Business for Oil and Gas Field, offshore Ghana



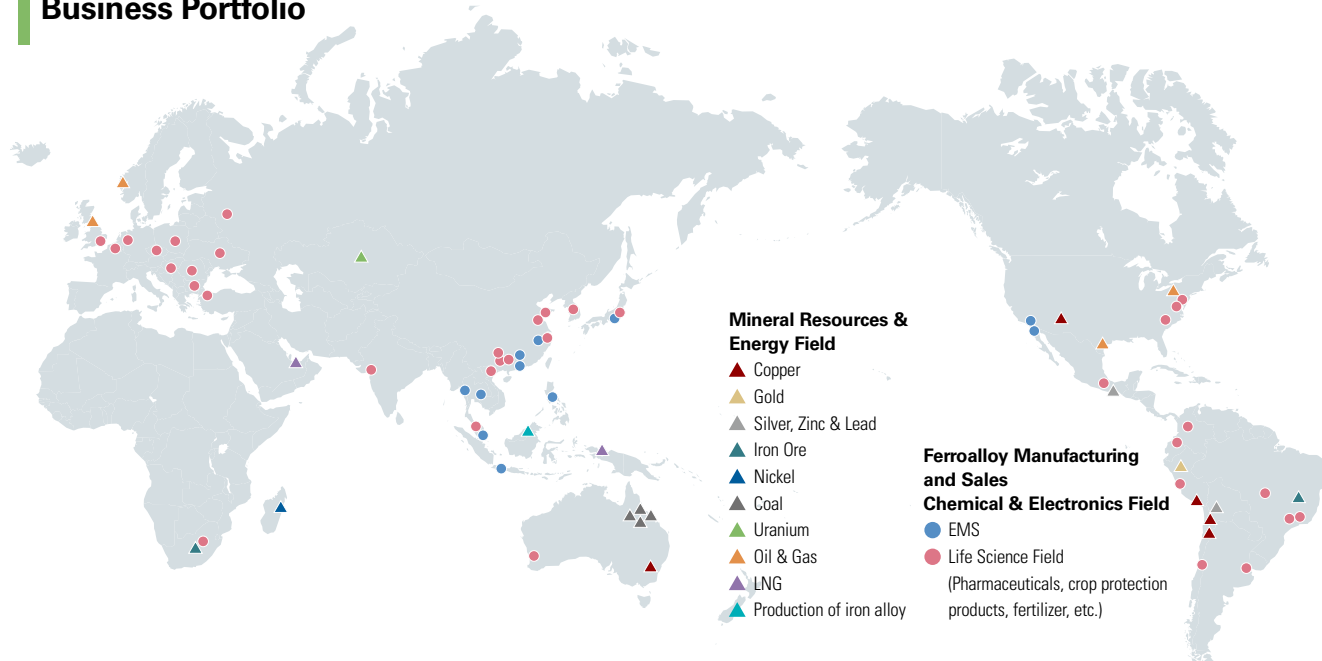
Pharmaceuticals for pets



## Overview and Analysis of Each Field

Field	Mineral Resources & Energy	Chemicals & Electronics
Overview	By developing and promoting mineral resources and energy projects, we contribute to the development of local communities. In the trading business, we are developing a variety of businesses by extending the value chain and utilizing derivative functions.	In the field of basic chemicals and electronic materials, we provide high-value-added services and raw materials through a combination of trading and manufacturing businesses. In the fields of pharmaceuticals, crop protection products, fertilizers, and veterinary medicine, we are developing businesses based on our advanced expertise to contribute to the enrichment of people's daily life.
Strengths	<ul style="list-style-type: none"> <li>Equity interests in high-quality mineral resources, oil, and natural gas projects</li> <li>Experience and expertise accumulated by participating in operation and business management of mines</li> <li>Synergies between trading business and projects and benefits of value chains</li> </ul>	<ul style="list-style-type: none"> <li>Global customer base developed over many years in trading business</li> <li>High degree of specialization, knowledge, and expertise in businesses such as electronics manufacturing services (EMS), crop protection products, and pharmaceuticals, fields in which we have a strong competitive advantage</li> <li>Sales network for crop protection products in countries worldwide</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>Achievement of stable profitability and strengthening of competitiveness through continuous cost reductions for existing major projects</li> <li>Acquisition of new, high-quality assets based on a medium- to long-term perspective</li> <li>Extending the value chain of existing businesses and developing new business models.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening the combination of trading and manufacturing, and promoting cross-organizational collaboration to expand the revenue base</li> <li>Creating new businesses based on the shift to electric vehicles (EVs), energy saving, and changes in industry structure such as IoT</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Increase in demand for mineral resources, oil, and natural gas over the medium- to long-term driven by sustainable economic growth</li> <li>Portfolio optimization through replacement of assets and acquisition of high-quality projects</li> </ul>	<ul style="list-style-type: none"> <li>Higher demand due to population growth and economic development in emerging countries</li> <li>Increase in business opportunities from technological innovations related to energy saving and resource saving</li> </ul>
Risks	<ul style="list-style-type: none"> <li>Weak demand resulting from slowing economic growth in China and emerging countries</li> <li>Increase in production among major natural resource companies and continued oversupply</li> <li>Country risks associated with projects</li> </ul>	<ul style="list-style-type: none"> <li>Slowdown of economic growth and currency depreciation among emerging countries</li> <li>Market downturns due to weather and other external factors</li> <li>Loss of advantages due to technological innovation, industry reorganization, or new entry of other companies</li> </ul>

## Business Portfolio



# Mineral Resources, Energy, Chemical & Electronics Business Unit

## Fiscal 2017 Results

In the Mineral Resources, Energy, Chemical & Electronics Business Unit, San Cristobal silver-zinc-lead mining project in Bolivia and Iron ore mining project in South Africa recorded strong performances thanks to increases in mineral resources prices. In addition, due to an impairment loss in the copper and molybdenum mining business in Chile in the previous fiscal year, profit increased by ¥85.1 billion, to ¥78.5 billion.

In the mineral resources and energy field, we continued to focus efforts on stable operation and cost reductions in existing upstream resource businesses. In addition, we came to an agreement with three Japanese companies to participate in taking a stake in an FPSO\* owning and chartering business for an oil and gas field offshore Ghana. We will work on the expansion of the oil and gas business and will contribute to resolving shortages of energy resources in the country. In the life sciences field, we entered the generic pharmaceutical business in the United States, the world's largest pharmaceutical market. Through this business, we will

contribute to the promotion of people's mental and physical well-being by widely supplying high-quality generic medications.

\* FPSO (floating production, storage, and offloading) refers to facilities used for offshore crude oil and gas production—storage of the produced crude oil in a tank and direct offloading onto a tanker.

### Performance Highlights (Billions of yen)

	FY2016	FY2017	FY2018 Forecast
<b>Global basis</b> *1		*3	*3
Profit (loss)*2	(6.6)	<b>78.5</b>	66.0
<b>Segment basis</b>			
Gross profit	1179	<b>146.7</b>	
Share of profit (loss) of investments accounted for using the equity method	(46.0)	<b>25.6</b>	
Profit (loss)*2	(17.2)	<b>62.0</b>	
Basic profit (loss)	(6.0)	<b>84.6</b>	
Total assets	1,333.6	<b>1,379.2</b>	

\*1 "Global basis" consists of results including operations in the Overseas Subsidiaries and Branches segment.

\*2 Profit for the year attributable to owners of the parent

\*3 Global basis profit for fiscal 2017 (right-hand column) is shown based on the new organizational structure introduced in fiscal 2018.

## "Medium-Term Management Plan 2020"

	Mineral Resources & Energy	Chemicals & Electronics
<b>Increase Value of Existing Business</b>	<ul style="list-style-type: none"> <li>Improve profitability for upstream resources projects and reinforce cost competitiveness (Nickel mining and refining business in Madagascar; Copper and molybdenum mining business in Chile; San Cristobal silver-zinc-lead mining business in Bolivia; and other businesses)</li> <li>Expand trading in natural gas and LNG among the United States, Europe, and Asia</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the core business in the Sumitronics Corporation Group, Sumitomo Shoji Chemicals Co., Ltd., distribution companies of crop protection products (Sumi Agro Europe Ltd, etc.)</li> <li>Increase the value of the U.S. generic pharmaceutical business (Upsher-Smith Laboratories, LLC)</li> </ul>
<b>Create Next-generation Business</b>	<ul style="list-style-type: none"> <li>In the upstream resources field, leverage our strengths to uncover and acquire new cost-competitive assets taking megatrends into account</li> <li>Develop LNG infrastructure business and FPSO owning and chartering business</li> <li>Conduct hydrogen-related business (production of CO<sub>2</sub>-free hydrogen, fuel cell batteries, etc.)</li> <li>Develop environment-friendly businesses (lithium-ion battery (LiB) business, carbon fiber composite materials business, etc.), including a shift to EVs</li> </ul>	<ul style="list-style-type: none"> <li>Promote initiatives for agricultural IoT (smart wearable devices for cattle monitoring, expansion overseas of agricultural drones, etc.)</li> <li>Move into the field of development of formulas and proposal to cosmetic companies</li> <li>Improve power consumption efficiency and expand materials businesses related to energy saving (silicon carbide wafer business, engineering resin manufacturing business, etc.)</li> </ul>
<b>Leverage Business Platforms</b>	<ul style="list-style-type: none"> <li>Leverage the customer base of Enessance Holdings Co., Ltd., an operator of the domestic LPG retail business, for the promotion of new businesses such as electricity retail and housing-related operations</li> </ul>	<ul style="list-style-type: none"> <li>Promote the horizontal expansion of the agricultural input &amp; service business (new projects in Ukraine, Brazil, etc.)</li> <li>Expand the value chain to the resin molding business by leveraging the Sumitronics Corporation Group's business foundation</li> </ul>

## Focus on Fiscal 2017

## Acquisition of shares in Upsher-Smith Laboratories secures our entry into the generic pharmaceutical business in the United States, the world's largest pharmaceutical market



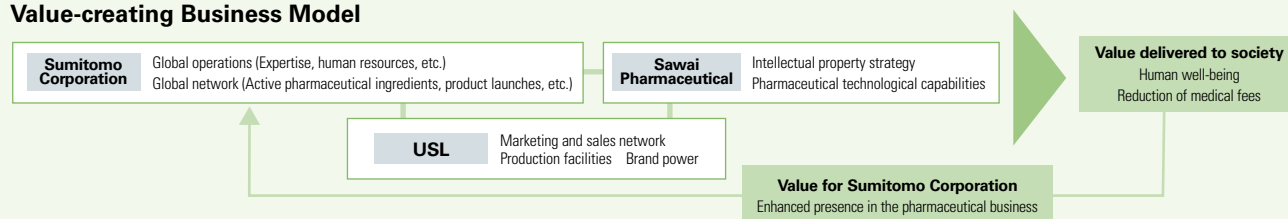
The U.S. market accounts for approximately 40% of the global pharmaceutical market, which is estimated to be ¥127 trillion. And it is expected to continue growing well into the future as the elderly population grows and the use of generic pharmaceuticals is encouraged as a means of curbing medical expenditures.

Sumitomo Corporation has currently identified the healthcare field as a focus sector and is devoting resources to expanding its pharmaceutical business. As part of this initiative, we have acquired a substantial 20% stake in the generic pharmaceutical company Upsher-Smith Laboratories (USL) through Sumitomo Corporation of Americas, thus securing full-scale entry into the U.S. generic pharmaceutical business.

In its long years of operation, USL, which deals mainly

with oral solid preparations, has built up advanced R&D capabilities, strong sales abilities, and a solid customer base. In May 2017, USL became a subsidiary of the Sawai Pharmaceutical Co., Ltd., and the two companies are now pursuing business development leveraging the advantages of both companies. Going forward, we will work to increase the corporate value of USL, using the global network and expertise of the Sumitomo Corporation Group to assist it with raw material supply and new product launches. In parallel, we will act through Sawai Pharmaceutical to support the business management of USL. Moreover, through widespread delivery of high-quality generic pharmaceuticals throughout the United States, we will contribute to enhancing people's mental and physical well-being.

### Value-creating Business Model



## COMMENT

## Resolve social issues by delivering generic pharmaceuticals

In the United States, as in Japan, the aging of the population has raised soaring medical expenditures as a major social issue. Against this background, USL's mission is to help resolve this issue by delivering to patients generic pharmaceuticals of high quality at low cost. By uniting Sawai Pharmaceutical's technological capabilities in pharmaceutical development with the Sumitomo Corporation Group's ability to source low-cost and high-quality raw materials and introduce new products through its global network and USL's brand power and firm customer base built up over many years of pharmaceutical sales activity, we are committed to expanding our business while also fulfilling our mission.

**Katsuya Okuyama**, Member of the Board of Directors, Upsher-Smith Laboratories, LLC  
(From Sumitomo Corporation of Americas)



Top managements of USL  
(Author back row right end)



# Global Strategies by Region

We are expanding and improving our ability to move management resources globally so that they focus on growth markets. To enable this move, we have consolidated overseas bases into four broad regional organizations: East Asia; Asia & Oceania; Europe, Middle East, Africa & the Commonwealth of Independent States (CIS); and the Americas. Under this operational structure, we have enhanced the ability of these regional organizations to initiate new businesses and secure and develop human resources, thereby strengthening the capabilities and foundations of each organization.

And in Japan, we aim to accelerate coordination between business units in formulating and advancing domestic market strategies that treat Japan as a single unified market. In addition, we are encouraging cross-organizational collaboration among domestic regional offices, business units, and the corporate group, thereby reinforcing consolidated group management and further exercising the Company's integrated corporate strength.

East Asia	80
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## Regional Strategy 1

## East Asia



**Fumihiko Koba**  
General Manager for East Asia

## Responding swiftly and accurately to changes in a market full of potential

The East Asia region represents a market rich in potential due to the business needs emerging in numerous fields on the back of economic growth and changes in society. The East Asia business environment has undergone rapid change particularly due to the policies of the Chinese government, including the policy of overseas expansion known as the Belt and Road Initiative (BRI), policies to promote innovation (Made in China 2025, Internet Plus), and the expansion of the consumer economy through digitization and the accompanying improvement in its quality.

The Sumitomo Corporation Group will be swift and accurate in picking up on such changes in the business environment, leveraging its global network and information acquired through its business activities in the region. Meanwhile, in our focus areas including the automotive, electronics, and next-generation technology and services sectors, we will set up taskforces and take other measures to promote cross-organizational collaboration between business

units and with other regions. To contribute to enhancing profitability, we will work to further increase the value of existing businesses. In parallel, we will undertake concentrated investment of management resources in the fields of urban transportation and development, mobility, healthcare and elderly care, and environmental protection. Our aim here will be to transform business models and create new businesses.



Consulting service business for nursing home operators

### Increase Value of Existing Business

- Expand food, animal drugs, and fertilizer businesses in China
- Expand the drugstore and supermarket businesses in Taiwan

### Create Next-generation Business

- Introduce mobility services and offer IoT-based solutions in response to urban transportation issues in China
- Offer consulting services to medical institutions and services peripheral to advanced medical treatments and procedures in response to issues in healthcare and elderly care
- Transform business models and create new businesses through collaboration with Chinese venture enterprises equipped with next-generation technology and services

## Regional Strategy 2

## Asia &amp; Oceania

**Masao Sekiuchi**

General Manager for Asia &amp; Oceania

## Working with leading partners in each country to identify and develop businesses rooted in local communities

Depending on their stage of economic development, the countries in Asia and Oceania are seeing higher consumer spending as middle classes expand as well as increases in demand for the development of infrastructure, such as power infrastructure. Consequently, the region offers a wide array of business opportunities. The Sumitomo Corporation Group aims to capture this growth potential in the regional market to boost its revenues by steadily implementing a regional strategy based on business unit and divisional strategies. This will allow the Group to maximize corporate value across the region and develop toward its aspiration as an “organization filled with creativity.”

As society and the economy in this region are in the development phase, each country has its share of social problems. As well, each differs in its stage of economic development, its culture, language, and ethnic makeup. As such, we will work with major business partners in each country to actively identify and develop businesses rooted in local communities, thereby helping these communities to

achieve prosperity and realize dreams. Particularly in emerging markets, we will work with strategic partners to develop novel businesses based on a timely approach of “starting small and growing big.”



President Hyodo meets with Chairman Nga of our Vietnamese business partner BRG Group

### Increase Value of Existing Business

- Develop peripheral businesses building on the foundations of the Myanmar telecommunication business
- Roll out automobile and motorcycle financing business to peripheral regions and businesses
- Promote retail business and related logistics businesses
- Leverage digital transformation (DX)

### Create Next-generation Business

- Launch urban development projects based on the Group's smart city initiatives
- Create business opportunities in the healthcare field



## Regional Strategy 3

# Europe, Middle East, Africa & CIS


**Masato Ishida**

General Manager for Europe, Middle East, Africa &amp; CIS

## Developing and implementing businesses that contribute to enhancing prosperity and resolving social issues in each region

The Europe, Middle East, Africa, and the Commonwealth of Independent States (CIS) region, while undergoing a variety of geopolitical issues, offers an array of business opportunities. In Europe, we are focusing on business development in innovative technological fields such as mobility services and agri food tech, while in the Middle East our business development is based on partnerships with leading local enterprises aspiring to develop multinationally. In the CIS, we focus on locally rooted businesses including automobiles, construction equipment, agricultural chemicals, and general forest products. In Africa, we are working to develop local economies by strengthening the foundations in infrastructure and mineral resource-related businesses.

Leveraging the region's diversity, we seek to maximize the integrated strengths of the Sumitomo Corporation Group in order to create new businesses that complement and strengthen our overall corporate strategy. At the same time,

we aim to help resolve social issues and support sustainable development across the region through our businesses.



The Northwind offshore wind power project in Belgium

### Increase Value of Existing Business

- Enhance systems to further strengthen project development in the offshore wind power business
- Strengthen the fruit sales business by leveraging the value chain of subsidiary Fyffes, a fresh produce production and wholesale business operator

### Create Next-generation Business

- Promote R&D investment in cutting-edge enterprises in the fields of mobility services, environment and energy, and agri food tech to promote new business development based on relevant technologies
- Step up initiatives in the life sciences field (animal drugs business: Middle East and Africa; pharmaceutical business: Middle East and CIS; and other businesses)

# The Americas



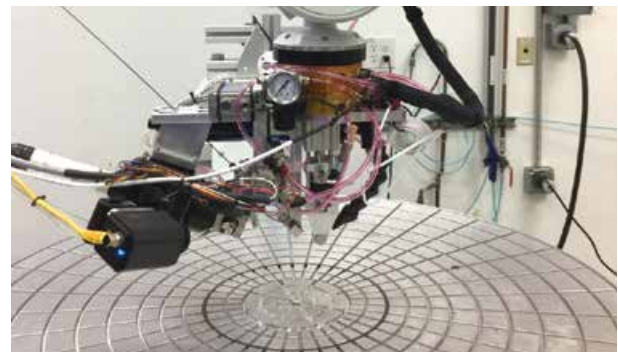
**Shingo Ueno**  
General Manager for the Americas

## Transforming Through Accelerated Business Innovation

In the Americas region, we aim to achieve sustainable growth by creating solutions to address social issues that support “Achieving Harmony with the Global Environment” and “Contributing to the Development of Local Communities and Industries.” We aim to help protect the global environment by reducing carbon dioxide emissions by promoting renewable energy and natural gas projects, as well as by adopting the latest green technologies in our businesses. In addition, we are contributing to the enrichment of communities through job creation, as well as by added economic benefits and infrastructure improvements wherever we do business.

Throughout the Americas, we are targeting our five strategic areas where we can apply our strengths and continuous growth is expected. We are doing this by increasing the value of current businesses and by accumulating high-quality assets. In South America, with a population exceeding 400 million and abundant natural resources such as foodstuffs, minerals and energy, further growth can be expected, and so we are developing new businesses there.

In the United States, where AI, Big Data, IoT and other innovations are driving change at a phenomenal pace, our Silicon Valley office will play a central role in finding and applying innovations to our current businesses. Meanwhile, by creating new businesses in a wide range of industries, we will lead innovation within the Sumitomo Corporation Group.



3D printing device at Arevo Inc., in which we have invested

### Increase Value of Existing Business

- Increase the value of current businesses and accumulate high-quality assets in our five strategic areas: Mineral Resources & Energy, Social Infrastructure, Logistics Infrastructure, Food & Agriculture, and Lifestyle.

### Create Next-generation Business

- Create new business and transform existing business models facilitated by our Silicon Valley R&D investments in new ventures in various industries
- Develop new businesses by applying next-generation technology in the automotive sector, e.g. autonomous, shared, and electric vehicles.

## Regional Strategy 5

## Japan

**Hiroki Inoue**

General Manager for Japan Region

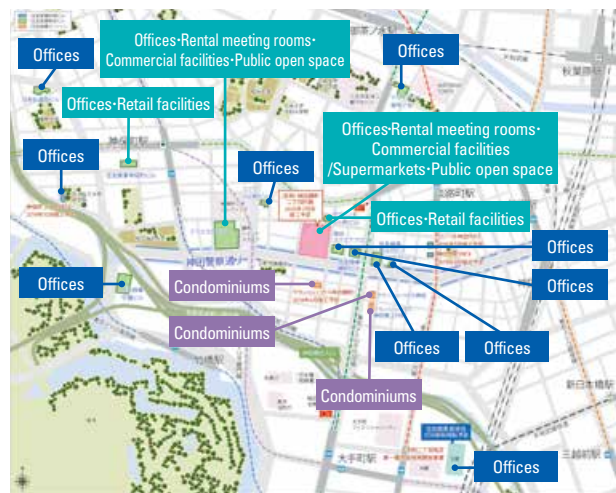
## Drawing on all of the Group's business capabilities, cutting-edge technology, and expertise

Japan is a highly mature market in many senses, as illustrated for instance by its declining and aging population, and this makes the task of achieving continuous growth challenging.

Nevertheless, there do exist a range of growth drivers, such as the Tokyo 2020 Olympic and Paralympic Games, the development of integrated resort destinations, the growth of inbound tourism and its expansion to provincial regions, and—as a benefit of this growth—regional revitalization and a surge in demand for the updating of aging infrastructure. The creation of an exciting future will also become possible if we can take advantage of Japan's unique strengths. Among these are its advanced IoT and AI based initiatives in fields such as “smart city” projects, healthcare, and the environment and energy, and its accumulation of cutting-edge technology and expertise in manufacturing and other industry sectors.

To realize such a future, we will move forward with the implementation of Japanese business strategies that bring together both internal and external human networks and draw on the business capabilities of the Sumitomo Corporation

Group to contribute to the growth of local communities and Japan as a whole.



Kanda Area Management: Smart city demonstration project involving offices, residential facilities, and mixed-use development that realizes improvement for the whole district

### Increase Value of Existing Business

- Enhance customer value and create new businesses through cross-organizational collaboration including operating companies in Japan
- Implement private finance initiatives (PFI) and concession projects that contribute to local infrastructure development

### Create Next-generation Business

- Participate in smart city initiatives, urban planning, and other infrastructure development projects
- Implement “smart agriculture” projects and other next-generation agricultural initiatives
- Create a stable electric power supply service making use of electric vehicle (EV) batteries



# Global Network

(As of October 1, 2018)

“●” indicates the cities in which our offices are located.



**Overseas:****65 Countries and Regions**

38 Subsidiaries---81 locations

2 Branches-----2 locations

1 Sub-Branch-----1 location

25 Offices-----25 locations

**Total 109 locations****Japan:**

Headquarters

3 Subsidiaries-----9 locations

6 Offices-----12 locations

**Total 22 locations****Number of Offices:****131 locations /****66 Countries and Regions****Number of Consolidated Subsidiaries  
and Associated Companies**

(As of March 31, 2018):

**947 Companies /****81 Countries and Regions**