

# Integrated Report **2018**



## On the Release of Integrated Report 2018

Starting with Annual Report 2014, Sumitomo Corporation has been enhancing its report content by adding non-financial information to the conventional financial information, and attempting to link the two elements organically. In fiscal 2017, the report included information on our “Six Material Issues to Achieve Sustainable Growth with Society.” These material issues—a set of priority tasks to be addressed through our business activities leveraging our corporate strengths—were identified with reference to Sumitomo’s Business Philosophy and the Sumitomo Corporation Group’s Management Principles, and also the Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly. This new approach was reflected in a change in the report’s name to Integrated Report, and was accompanied by further measures to enhance its content.

In this Integrated Report 2018, we wanted to clarify what we mean by “integrated trading company,” as many of our stakeholders have told us that they are unsure about this. The Report therefore outlines the value creation model which makes possible the sustainable growth of our Group. The Report also presents “Medium-Term Management Plan 2020,” which we launched in May 2018 under the theme of “unceasing challenge for new value creation,” giving a detailed explanation of its main pillars and the framework we have put in place to drive growth.

In creating the Report, we referred to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation formulated by Japan’s Ministry of Economy, Trade and Industry. We also sought to reflect the comments and questions sent to us on a daily basis by stakeholders. In this way, we have made an earnest effort to produce an accessible report that presents our Group’s past, present, and future from a long-term and embracing perspective, working together with the various corporate organizations to come to a shared Groupwide approach.

Going forward, we will continue working to enrich the content of the Integrated Report, listening to stakeholders’ opinions in this process. At the same time, by using the Integrated Report as a tool for constructive dialogue, we aim to continue realizing sustainable growth in our corporate value.

October 2018

Kuniharu Nakamura  
Director, Chairman  
Chairman of the Board of Directors

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**Masayuki Hyodo**  
Representative Director  
President and Chief Executive Officer



# Using Sumitomo's business philosophy as a starting point to steer business towards the future and create new value.

## What I value most as a president

### Managing the business and aiming for sustainable growth with a view to the future

Since I took over as the President of Sumitomo Corporation in April 2018, I have often been asked, "What is your mindset as you approach this role?" My answer has three points.

First, I intend to look at business results in the short, medium and long term. By establishing a cycle of strengthening the company's financial base, increasing management efficiency and carrying on new investment while maintaining the trust and understanding of the financial market, we will be able to improve on current results. That is the natural course of business for a listed company, and I intend to pursue it with utmost dedication. However, in this day and age where companies are expected to build good relationships with all stakeholders while growing constantly, a business cannot survive by pursuing only short-term profits without considering future risks. We therefore have to strengthen our base and manage the company with an eye on the future so that we can share the joy of sustainable growth with all our stakeholders. Implementing that kind of management is essential.

At the same time, a new business approach known as ESG (Environment, Social and Governance) has received a lot of attention in financial markets. There is a clear shift over time away from a focus on short-term growth to a focus on sustained medium-to-long-term growth.

Additionally, a shift in values from a disproportionate focus on economic value to a focus on social, environmental and other multifaceted issues is also taking place. As we pursue long-term growth opportunities from a long-term, multifaceted viewpoint, we need to maintain the discipline necessary so we are not unduly shaken by immediate results and that at the same time we do not focus exclusively on the overall picture to the extent that we ignore present conditions and issues and manage the business irresponsibly.

Moreover, in 2017 we identified "Six Material Issues to Achieve Sustainable Growth with Society" and publicized them within and outside the company to show the link between our business activities and the society at large. Starting with "Developing Human Resources and Promoting Diversity" and "Enhancing Governance" as a prerequisite, we are pursuing the material issues of "Achieving Harmony with the Global Environment," "Contributing to the Development of Local Communities and Industries," "Establishing a Foundation for Comfortable and Enriching Lifestyles" and "Providing Diverse 'Accessibility'" as our means of achieving sustainable growth as only the Sumitomo Corporation Group can.

### Ask ourselves why we exist and transform ourselves

Secondly, I believe we need the courage to change ourselves. Integrated trading companies like ours have always supported development in society through the changing years by extending our networks throughout the world, sensing changes in economics, industry and society ahead of everyone else and creating new businesses. As a result, we

have developed a variety of business functions, expanded our range of businesses into all kinds of fields and industries and built fulfilling relationships with an extensive range of clients and business partners. The source of the total strength of the Sumitomo Corporation Group lies in its networks and business functions that extend beyond business boundaries and in the relationships of trust that form its management base. I consider it our duty to evolve in response to occasional challenges while continuing to create new value.

Integrated trading companies like ours have weathered difficult storms. At one point there was a theory that trading companies were obsolete. We went through the trading company “ice age.” Most recently we experienced large-scale impairment losses due to falling natural resource prices. Each time we encounter a crisis, we survive by changing the contents or conditions of our business and succeeded in evolving into an even more profitable corporate body. Only those who can quickly realize the changes that come with time and create value under constantly changing business conditions can continue to succeed. Since we live in a world where only the fittest survive, where change is normal, we will build up the courage to always question our own value to society, to redefine ourselves and to constantly reinvent ourselves.

### **Sharing passions, dreams and ambitions**

My third point is this: I want us to share our dreams, ambitions and passions with each other.

Whenever anyone asks me what is unique about Sumitomo Corporation, I immediately answer, “Sound Management and an Enterprising Spirit.” We

are a group of people always bursting with energy, earnestly pursuing new things and persevering through thick and thin until we achieve our goals. In other words, “sound management” means an approach to work that is full of dreams and passion and “an enterprising spirit” talks about our desire to continually tackle new challenges without fear of failure.

It is one thing to merely talk about “creating new value.” It is quite another to act according to one’s principles. And if you cannot achieve it then the phrase is just an empty expression, a superficial promise, something said on the spur of the moment. That is why when a leader utters those words, he or she must do it with seriousness and engrave those words into the organization and its business with passion. In this modern age, it is not too difficult to get ideas because there are many approaches to value creation such as innovative business concepts and setting up new ecosystems. And it is precisely because we live in such times that I want all company employees, myself included, to share our dreams passionately with those around us in order to expand the circle of employees who truly share and sympathize with our ambitions as widely as possible. That will be the true driving force that will enable us to achieve the goal of “creating new value.”

*“People without dreams are people without ideals. People without ideals are people without plans. People without plans are people without actions. People without actions are people without success. Therefore people with no dreams are people with no success.”* Those are the words of Shoin Yoshida, my favorite patriot at the end of the Edo era. It takes more than ordinary effort to invent something that does not exist in this world, to create something no one has ever seen. What you need is

the dynamism to keep working hard with conviction. That is what makes it so important to share dreams, ambitions and passions with one another.

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### **The state of the Sumitomo Corporation Group**

#### **Becoming a corporate group that treasures the Honor is Equal principle**

The smartphone is often touted as an example of how the dreams and passions of many people can change the world. Behind this monumental invention was a huge cast of individuals thinking about and working hard on the technology needed to make the idea a reality, the strategies needed to commercialize it and the communication methods needed to convey its value to the rest of the world.

The heartfelt desire to be of use to society and the dreams and passion that want to make that desire a reality are what give rise to new value. Some might say the word “dream” has no place in business, but in corporate management it is the same thing as a “vision.” How many people are able to talk sincerely about their visions? How many partners are willing to work with them to make those visions a reality? Human capital may not appear on a financial report, but I am convinced that its existence is what constitutes the intrinsic value that determines the strength and worth of the organization known as a company. Naturally there may be many failures. When failure occurs, you need a dream or an ambition to help you answer the question, “Why am I even doing this job?” Any



hurdle can be overcome as long as that answer is there. Everyone must confront that failure squarely in the face, discuss how to avoid repeating it and then put the plan into action. And when we succeed, I hope we will be a team where we can all be happy for each other. In rugby there is a saying that goes, “Honor is Equal.” I want to treasure the idea behind that saying, that everyone gets equal honor even if they have different roles. A company that appreciates everyone who takes part in a project and that broadcasts that appreciation throughout the company is a truly strong one, and the Sumitomo Corporation Group must always strive to remain that way.

As always, at the heart of our corporate culture that speaks of its dreams and ambitions and continues to strive to achieve them is the Sumitomo’s business philosophy (►P12). “Place prime importance on integrity and sound management without pursuing easy gains,” “Benefit for self and others, private and public interests are one and the

same,” “Planning imbued with a farsighted perspective,” “An Enterprising Spirit.” The principles that have been handed down over the course of Sumitomo’s 400-year history underpin all of the Sumitomo Corporation Group’s business activities as a set of unchanging universal values.

### **Working constantly on the basis of 400 years of trust**

Striving to create new value while sharing the Sumitomo’s business philosophy with like-minded colleagues who share the same dreams and ambitions – These values of mine grew out of my experiences with many colleagues, clients and forebears. Let me use this opportunity to tell you a little about myself and my experiences.

After joining Sumitomo Corporation in 1984, I focused exclusively on infrastructure- related projects, working mainly in Asia and in the Near and Middle East. I felt a great sense of accomplishment from living in emerging nations experiencing sudden economic growth and working to support their lives and their social and industrial development. Infrastructure projects are very long-term commitments. At a minimum they take several years from the planning stage to completion and can last over 10 years in some cases. Thus it is not unusual for national unrest or changes in the country’s economic circumstances to seriously affect the progress of a project. In some cases, circumstances became so difficult that there was no choice but to temporarily suspend the project. Despite the difficulties, however, all of the members involved in the project remained committed to our shared objective of making history by supporting the

development of the country and of the regional society at large. We persevered undeterred and faced up to all the obstacles confronting us until we succeeded in overcoming them.

The enthusiasm of the members fueled the success of several projects. Having said that, however, there was one incident that made a deep impression on me and shaped my management philosophy. We spent five years working out a contract for a certain infrastructure project, but the nation’s government changed rapidly during that period. The success or failure of a large-scale project depends heavily on cooperation with the Japanese government as well as the partner country – in other words it depends on the existence of a public-private partnership (PPP). We were prepared to restart negotiations from scratch every time the government changed, but somehow there were always people in the new government who were familiar with Sumitomo. And they all said the same thing: “Sumitomo? I know them. If you’re from Sumitomo, we’re happy to talk.” The tens of



Mr. Masayuki Hyodo then, in his role as president & CEO of PT. Sumitomo Indonesia and General Manager of the Surabaya office (appointed in 2010). A group photograph taken with local project members while dressed in traditional Indonesian batik attire (front row, 5th from right).



thousands of employees across the entire Sumitomo Corporation Group have built up trust not only in the past 100 years but across the 400 years of Sumitomo's history. That is an irreplaceable asset created through the efforts of colleagues and forebears who have personified Sumitomo's business philosophy around the world. With that Sumitomo's business philosophy as our foundation, we have to pass on the can-do spirit of the Sumitomo Corporation Group, which transcends financial relationships, economic gains and losses and interests, to the next generation. That is my great mission as President.

### Challenge for New Value Creation

#### **Seizing major opportunities in an age of accelerating change**

Sumitomo Corporation was founded in 1919 and will celebrate its 100th anniversary next year. What will the Sumitomo Corporation Group look like 50 or 100 years from now? Many stakeholders have asked me that question. It may very well become a completely different corporate entity. However one thing that will never change is our attitude of reinventing ourselves while responding flexibly to the changing times and constantly striving to create new value.

Integrated trading companies recorded massive impairment losses between 2014 and 2016 due to a drop in natural resource prices. Now a new turning point has arrived and every company is searching for ways to build both, earning structures and

management bases that are not affected by resource markets and secondly, investment strategies focused on establishing pillars of medium-to-long-term growth. At the same time a transformation some call the Fourth Industrial Revolution is progressing around the world thanks to technological advances in artificial intelligence (AI) and the Internet of Things (IoT). It is an age when new value is being created by connecting, blending and fusing everything together seamlessly. Along with those changes will come an inevitable diversification of the value chain. Managing a business will become more difficult, but this change also presents major opportunities for integrated trading companies, whose calling is to build flexible schemes for providing the seller, the buyer, and society with satisfying value.

It is precisely because we are in such rapidly-changing times that it is important to have an axis to return to, to cling firmly to our policies and apply them to our business. This means that the Sumitomo Corporation Group will continue to stand firmly on its defining attitude of constantly striving to create new value that I mentioned before.

#### **Looking back on the previous medium-term management plan: “Be the Best, Be the One 2017”**

The great goal of the previous medium-term management plan was to overcome Sumitomo Corporation's business challenges triggered by the massive impairment losses of the 2014 fiscal year and set the company back on a track to growth. Under the leadership of former president Nakamura, the whole company worked together as one to uncover issues and tackle them head on. At the

same time we continued making the investments necessary for the future while also seeking to create synergy through cross-organizational collaboration. Moreover, as a result of our efforts to generate cash, our net income for 2017, the final fiscal year of the medium-term management plan, stood at ¥308.5 billion, the highest ever recorded. We successfully pulled off a V-shaped recovery. We also made steady progress with our growth strategies and reinforcing our management base.

Although recovery in resource prices and a sustained upward trend in the course of the world economy are the main reasons why we were able to stage this come back, focusing only on those factors would mean missing the substantial changes we have made as a company. Based on our belief that a company needs earning power to achieve stable and sustainable growth, during the three years of “Be the Best, Be the One 2017 (BBBO2017),” while we placed the greatest priority on the maintenance and enhancement of our financial soundness, we never went on the defensive but instead persevered with strategies to increase our earning power. That is precisely why we were able to use the momentum of our favorable business circumstances to improve our results. The steady building of this earning power over the past three years will be a crucially important factor for our management from now on. It produced results in the form of our highest recorded income ever in the last fiscal year, and in the future we expect to see even more results from the management base we have strengthened through long years of accumulated policies and strategies. The first chapter of the plan that will lead us further and more powerfully down this growth trajectory is our newly formulated “Medium-Term Management Plan 2020.”



### **“Medium-Term Management Plan 2020” — Redefining our future selves, societies and industries**

The main theme of “Medium-Term Management Plan 2020” is “Unceasing Challenge for New Value Creation.” In the 2018 fiscal year, the first year of this plan, we plan to rewrite the current record by making a highest-ever profit of ¥320 billion. And we will continue to grow those profits as we head towards 2020, the final year. At the core of “Medium-Term Management Plan 2020” is the implementation of growth strategies supported by an enhancement of our management base. As a key measure that will characterize the implementation of our growth strategy in particular, we have earmarked a total of ¥300 billion to lend and invest in the creation of new, next-generation businesses in order to drive medium-to-long-term growth and value creation. We will strive to create new value focusing on three emerging fields where the Sumitomo Corporation Group can demonstrate its strengths: Technology × Innovation, Healthcare and Social Infrastructure. To

undertake these measures, we will also need to catch the wave of the Fourth Industrial Revolution, throwing away prejudices and preconceived notions and redefining our existing businesses.

For example, when it comes to social infrastructure, one of our planned emerging fields, conventional wisdom tends to think of utilities like water, sewage, electricity and gas as well as transportation infrastructure like roads and railways. However we need to understand that today's infrastructure is a more far-reaching infrastructure that supports everyday life. For example, internet shopping and web services are now an indispensable part of the infrastructure of the daily lives of consumers all over the world. This is a good example of how redefining existing notions of infrastructure can lead to new business opportunities. In the same vein, if the auto lease businesses that this company runs in various regions can effectively adopt new trends in the auto industry such as connectedness, electric vehicles (EVs) and ride-sharing, they hold great potential for growth in next-generation mobility infrastructure. And they are just one example out of many. Integrated trading companies work in a variety of industries all around the world, so if they can coordinate their internal and external management resources organically, they can become a platform for redefining existing businesses, industries and societies. If we liken a trading company to a smartphone, then we can compare business models involving cooperating with multiple stakeholders to a countless number of installed apps. In reality, the Sumitomo Corporation Group has several hundred business models. By combining the management resources that group companies have, we will be able to create completely new business models.

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## Promises for the Future

### **Living up to our principles while pursuing further growth**

Business circumstances today are changing at a dizzying pace and competition grows fiercer by the day. Under these circumstances, the Sumitomo Corporation Group must either create new value faster than anyone or be fast enough to overtake others. To do that, we will need to quickly grasp the changes that come with time and transform ourselves. By combining our strengths, we want to make our own lives and the lives of everyone else a more fulfilling one. Through our business, we want to make the changing society a more attractive place.

“Living up to our principles.” — One should set lofty goals and follow one's beliefs and convictions while acting quickly. I will lead the whole group and fulfill my duties under the guidance of that motto. “Unceasing Challenge for New Value Creation for the future” — We will build a company full of dreams and ambitions where we can share the growth of the Sumitomo Corporation Group with all our stakeholders.

We greatly appreciate the support and continued understanding of all our stakeholders in our efforts.

October 2018

**Masayuki Hyodo**

Representative Director  
President and Chief Executive Officer

## Chapter 1 Sumitomo Corporation, an Integrated Trading Company

# Bringing Businesses into Being

Combining multiple management resources with diverse business functions to create businesses that bring prosperity to society in the spirit of Sumitomo's Business Philosophy—Sumitomo Corporation, an Integrated Trading Company.

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## The timeless Sumitomo's Business Philosophy, passed down over the generations for more than 400 years, is the origin of all our business.

### Sumitomo's Business Philosophy

Sumitomo's Business Philosophy has been refined through many generations based on the Founder's Precepts "Monjuin Shiigaki," which Masatomo Sumitomo (1585-1652), the founder of the Sumitomo family, wrote and handed on to describe how a merchant should conduct business. The basic points of Sumitomo's Business Philosophy have been passed on in the form of the two articles of the Business Principles.

Article 1 emphasizes the utmost importance of integrity, while Article 2 advocates the importance of having an enterprising spirit to generate profits quickly and faithfully while adapting to a changing society, and renovating business operations while avoiding the pursuit of easy gains or acting carelessly.

Sumitomo's Business Philosophy, which has been passed on since the Founder's Precepts was written, still serves as the timeless principles Sumitomo Group companies follow in their activities.

There are also several other credos that are contained in Sumitomo's Business Philosophy.

One example is: "Benefit for self and others, private and public interests are one and the same." To put it another way, Sumitomo's business, while benefiting Sumitomo, must also

benefit the nation and benefit society. This represents the corporate vision that the Sumitomo Corporation Group as a whole must pursue at all times.

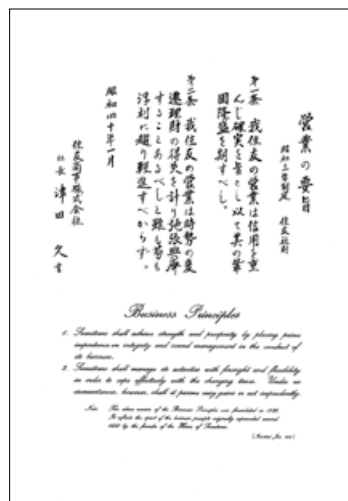
The second credo is "Grand Design." This derives from copper mine management, Sumitomo's core business in its early days, which required long-term vision and continuous effort. This attitude of viewing business from a broad and long-term perspective and working for the benefit of the entire nation and society based on foresight of the future has been inherited from preceding Company operators.

The third credo is "People are our most important asset." The cultivation and development of human resources has always been our most important concern regardless of the times.

Sumitomo's Business Philosophy thus stresses the need for an enterprising spirit to stay a step ahead in dealing with change, while ascribing importance to maintaining integrity and sound management, avoiding easy gains, and working for the public interest, without being misled by short-term immediate changes. This philosophy has continuously formed the basis of Sumitomo Corporation Group's business for more than 400 years.



Founder's Precepts of Sumitomo (Source: Sumitomo Historical Archives)



Business Principles

## Corporate Mission Statement

Sumitomo Corporation Group's Management Principles are a contemporary translation of Sumitomo's Business Philosophy, which was devised 400 years ago, using simplified language and a clear structure, and rewritten from a more global perspective. The Activity Guidelines provide guidance on how each company as well as their executives and employees should behave as they conduct daily business activities to realize the Management Principles.

As declared in the Management Principles, our corporate mission is to support our shareholders, clients, local communities, employees, and everyone else around the world in their endeavors to achieve economic and spiritual prosperity and realize their dreams through our sound business activities. We also maintain—throughout our

business practices—a unique management style that respects the personality of each individual and places prime importance on integrity and sound management, which represent the essence of Sumitomo's Business Philosophy, while cherishing a corporate culture that allows each employee to take the initiative and demonstrate creativity that is conducive to continuous reform and innovation.

By sharing the values presented in the Management Principles and the Activity Guidelines across the Group to materialize them in specific business activities, we aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.

### Sumitomo Corporation Group's Corporate Mission Statement

#### Corporate Vision

We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.

#### Management Principles

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

#### Activity Guidelines

- To act with honesty and sincerity on the basis of Sumitomo's business philosophy and in keeping with the Management Principles
- To comply with laws and regulations while maintaining the highest ethical standards
- To set high value on transparency and openness
- To attach great importance to protecting the global environment
- To contribute to society as a good corporate citizen
- To achieve teamwork and integrated corporate strength through active communication
- To set clear objectives and achieve them with enthusiasm

## Sumitomo Corporation Group's Material Issues

Over the years, we have conducted our business activities guided by Sumitomo's Business Philosophy and Corporate Mission Statement. It is important to reconsider how we should address social issues through our business activities. To achieve sustainable growth together with society into the future, we have identified "Six Material Issues to Achieve Sustainable Growth with Society" that we should address

with priority by leveraging our strengths in line with Sumitomo's Business Philosophy and Sumitomo Corporation Group's Corporate Mission Statement. We defined the material issues as an important factor in the development of business strategies and in the decision-making process for individual businesses.

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



### Achieving Harmony with the Global Environment

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



### Contributing to the Development of Local Communities and Industries

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



### Establishing a Foundation for Comfortable and Enriching Lifestyles

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



### Providing Diverse "Accessibility"

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

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



### Developing Human Resources and Promoting Diversity

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



### Enhancing Governance

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

**The economy, industry, and society all move constantly with the changing times. The Sumitomo Corporation Group has grown by continuously supporting their development and evolution.**

## Sumitomo Corporation Group Milestones

**Around 1600**

**Starts copper mining**



Copper beating pictorial record in the Kodo Zuroku (Source: Sumitomo Historical Archives)

**1919**

**The Osaka North Harbour Company Limited is founded (the predecessor to today's Sumitomo Corporation)**



Head Office of The Osaka North Harbour (Sumitomo Sohonten Annex, former Teikokuza Theater) (Source: Sumitomo Historical Archives)



**1945**

**Renamed to Nippon Engineering Co., Ltd. Enters the trading business**

Sumitomo Building Annex, where Nippon Engineering's Head Office was located

**1950**

**Steadily expands our presence overseas**

Posted an employee to Bombay (now Mumbai), India, for the first time in 1950, and subsequently established a U.S. subsidiary in New York in 1952.

**1962**

**Adopts a product division structure**

This move involved consolidating the Osaka and Tokyo sales offices and creating nine product divisions: Iron & Steel, Nonferrous Metals, Electric, Machinery, Agriculture & Fishery, Chemicals, Textiles, General Products & Fuel, and Real Estate.

**1952**

**Renamed to Sumitomo Shoji Kaisha, Ltd.**

Usage restrictions on the "Sumitomo" trade name and trademark, resulting from a 1945 order issued by the General Headquarters of the Allied Powers in Japan for the dissolution of zaibatsu financial conglomerates, were abolished following the signing of the Japan-US Security Treaty in 1952.

**Early period—Establishment of management foundation**

**Reorganization for expansion**

**1600s**

**1910s**

**1920s**

**1930s**

**1940s**

**1950s**

**1960s**

**Economic and Social Trends**

**1945**

- End of World War II
- General Headquarters of the Allied Powers in Japan issues an order calling for the dissolution of zaibatsu

**1950**

- Special demand for supplying the United States in the wake of the Korean War
- Japanese economy makes strides toward recovery

**1955**

- Japanese post-war economic miracle
- Exports stimulated and trade deregulated

**1964**

- Summer Olympic and Paralympic Games in Tokyo



**1977****Launches the  
“Big Three & The  
Best” slogan**

Set a goal of becoming one of the top three companies in terms of total trading transactions and the overall best company in the industry from an all-encompassing standpoint by improving profitability and efficiency.

**1979****Introduces a sales  
division system**

Following the expansion of the Company's business scope, four new sales divisions were established: Iron & Steel; Machinery & Electric; Nonferrous Metals, Chemical & Fuel; and Consumer Products. As a result of promoting the empowerment of these sales divisions, the flexibility of sales was significantly improved.

**1988****Introduces the  
“Integrated  
Business  
Enterprise”  
corporate vision**

Based on existing trading activities, promoted (1) acceleration of business activities, (2) expansion into downstream fields, and (3) reinforcement of integrated corporate strength, with the aim of forming two major revenue sources for the Company from trading activities and business activities.

**1996****The copper incident**

It came to light that the general manager of a sales department was conducting unlawful copper trading unbeknownst to the Company. This incident led to the recording of losses to the extent of ¥285.0 billion, and roughly a decade was required to resolve the issue. Learning from this experience, the Company implemented a strict internal control system to prevent the recurrence of similar acts.

**1998****Establishes the Group's Corporate Mission  
Statement**

**Introduces the risk-adjusted return ratio**  
The Sumitomo Corporation Management Charter was revised, and a new Corporate Mission Statement was established. The risk-adjusted return ratio was introduced as a new management indicator to serve as a common benchmark for judging the profitability of projects based on the amount of returns generated compared with inherent risks.

**2000–****Formulates and  
implements  
medium-term  
management plan****2001****Consolidates head  
offices into the  
Tokyo Head Office****2015****Records overall  
loss due to  
substantial  
impairment losses****2018****Records  
highest-ever profit,  
and introduces new  
“Medium-Term  
Management Plan  
2020”**

Head Office to relocate to Otemachi, Tokyo, in September 2018

Establishment of  
management  
foundation as an  
integrated trading  
company

Pursuit of “Integrated  
Business Enterprise”  
corporate vision

Reinforcement of  
global consolidated  
management  
Establishment of  
Corporate Mission  
Statement

Implementation of  
the Reform Package  
—Heading for a new  
stage of growth

Toward  
the Centennial

*1970s**1980s**1990s**2000s**2010s***1970**

- Expo '70 in Osaka

**1971**

- Nixon Shock

**1973**

- First oil crisis
- Transition to floating exchange rate system

**1979**

- Second oil crisis

**1980**

- Iran–Iraq War

**1985**

- Plaza Accord
- Rapid yen appreciation
- Monetary easing policies instituted by the Bank of Japan

**1986**

- Sharp rise in stock real estate prices contributes to creation of the Japanese asset price bubble

**1989**

- Consumption tax is introduced in Japan
- Nikkei 225 reaches record high of ¥38,915.87 in December
- End of Cold War and collapse of the Berlin Wall

**1991**

- Collapse of asset price bubble in Japan, start of recession

**1996**

- Launch of large-scale financial system reform (“Japanese Big Bang”)

**1997**

- Asian financial crisis

**1999**

- Creation of Economic and Monetary Union
- Dot-com bubble

**2001**

- Birth of Japan's big three megabanks
- September 11 attacks

**2003**

- Start of Iraq War
- Severe acute respiratory syndrome (SARS) outbreak, mad cow disease pandemic in the United States

**2008**

- Lehman Brothers bankruptcy

**2010**

- Greek government debt crisis
- China's GDP becomes No. 2 in the world

**2011**

- Great East Japan Earthquake

**2013**

- “Abenomics” economic reforms
- Tokyo chosen to host 2020 Summer Olympic and Paralympic Games

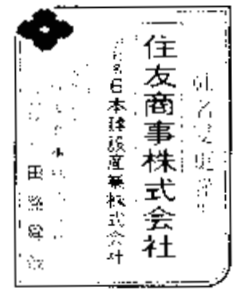
## While staying closely in tune with the changing times, we continuously work to evolve our business model and expand our business fields.

### Early period—Establishment of management foundation

1950s

The most significant challenge during the early period was the need to establish a management foundation. Shunya Toji, who was at the time the president of Nippon Engineering, the predecessor to Sumitomo Corporation, and who later became the first president of Sumitomo Corporation, encouraged his “amateur” employees, who were not well versed in the trading business, by repeatedly telling them that “enthusiastic amateurs outperform professionals,” and strove to establish sound management through strict credit control and other means. The Company steadily expanded its presence overseas, posting

an employee to Bombay (now Mumbai), India, for the first time in 1950, and subsequently establishing a U.S. subsidiary in New York in 1952. Then, in 1952, the Company was renamed to Sumitomo Shoji Kaisha. In 1955, the Company listed its shares on the Fukuoka Stock Exchange.



Newspaper advertisement regarding the Company name change

### Reorganization for expansion

1960s

The Company set itself the goal of becoming the third-largest trading company measured by sales, under the slogan of “Big Three,” while at the same time aiming to increase its sales per employee. In 1962, the Osaka and Tokyo sales offices were consolidated and a product division structure was adopted to establish nine product divisions: Iron & Steel, Nonferrous Metals, Electric, Machinery, Agriculture & Fishery, Chemicals, Textiles, General Products & Fuel, and Real Estate. Furthermore, in 1967 a project team was formed to reinforce initiatives involving large-scale projects, resource development, and cultivation of new industries from a cross-divisional, medium- to long-term perspective.



### Establishment of management foundation as an integrated trading company, and the “Integrated Business Enterprise” vision

1970s–1980s

In 1970, a new Sumitomo Shoji Building was completed in Takebashi to house the Tokyo Head Office, and as well as introducing a dual structure with head offices in both Osaka and Tokyo, a merger with Sogo Boeki Co., Ltd., was conducted. In 1977, the Company set the goal of becoming the No. 1 company in terms of overall evaluation against financial and business criteria, as well as winning public support, under the slogan of “Big Three & The Best.” In the mid-1970s, the number of overseas offices exceeded 100, and in 1978 the English company name was changed from Sumitomo Shoji Kaisha to Sumitomo Corporation. A year later, in 1979, a sales division system was introduced. Four sales divisions—Iron & Steel; Machinery & Electric; Nonferrous Metals, Chemical & Fuel; and Consumer

Products—were established and the empowerment of each was promoted. To celebrate the 60th anniversary of the Company’s founding, measures such as the strengthening of overseas business activities and the cultivation of new areas, among others, were promoted under the new slogan of “Open Eyes on All.” In 1988, the Company set out its vision of becoming an “Integrated Business Enterprise,” aimed at promoting business activities in addition to the existing trading activities in order to expand its earnings base by having two major revenue sources. In the same year, a new slogan, “Seeing Tomorrow, Innovating Today,” was adopted. Consolidated financial results were published for the first time in the fiscal 1989 financial report.

## Reinforcement of global consolidated management —Establishment of Corporate Mission Statement

1990s

In 1991, the medium-term management plan “Strategy 95” was formulated with the aim of realizing the “Integrated Business Enterprise” vision. In 1994, the development of a new earnings structure designed to respond to globalization was promoted under the slogan “Global Mind, Global Reach.” In addition, based on lessons learned from

an unlawful copper trading incident that came to light in 1996, a strict internal control system was put in place to prevent the recurrence of similar acts. In 1998, the Corporate Mission Statement was established, and the risk-adjusted return ratio was introduced as a new management indicator.

## Implementation of the Reform Package—Heading for a new stage of growth

2000s

After the Reform Package was adopted in 1999, the Company focused on strengthening its financial standing through the prioritization of businesses and the improvement of profitability, as well as on reinforcing its business foundation by adding and enhancing the quality of prime assets. This was accomplished under a series of

two-year medium-term management plans (Step Up Plan, AA Plan, AG Plan, GG Plan, FOCUS '10, and  $f(x)$ ). In 2001, the Head Office was moved to Harumi, Tokyo. In 2003, the Sumitomo Corporation Corporate Governance Principles were established.

## Toward the Centennial

2010s

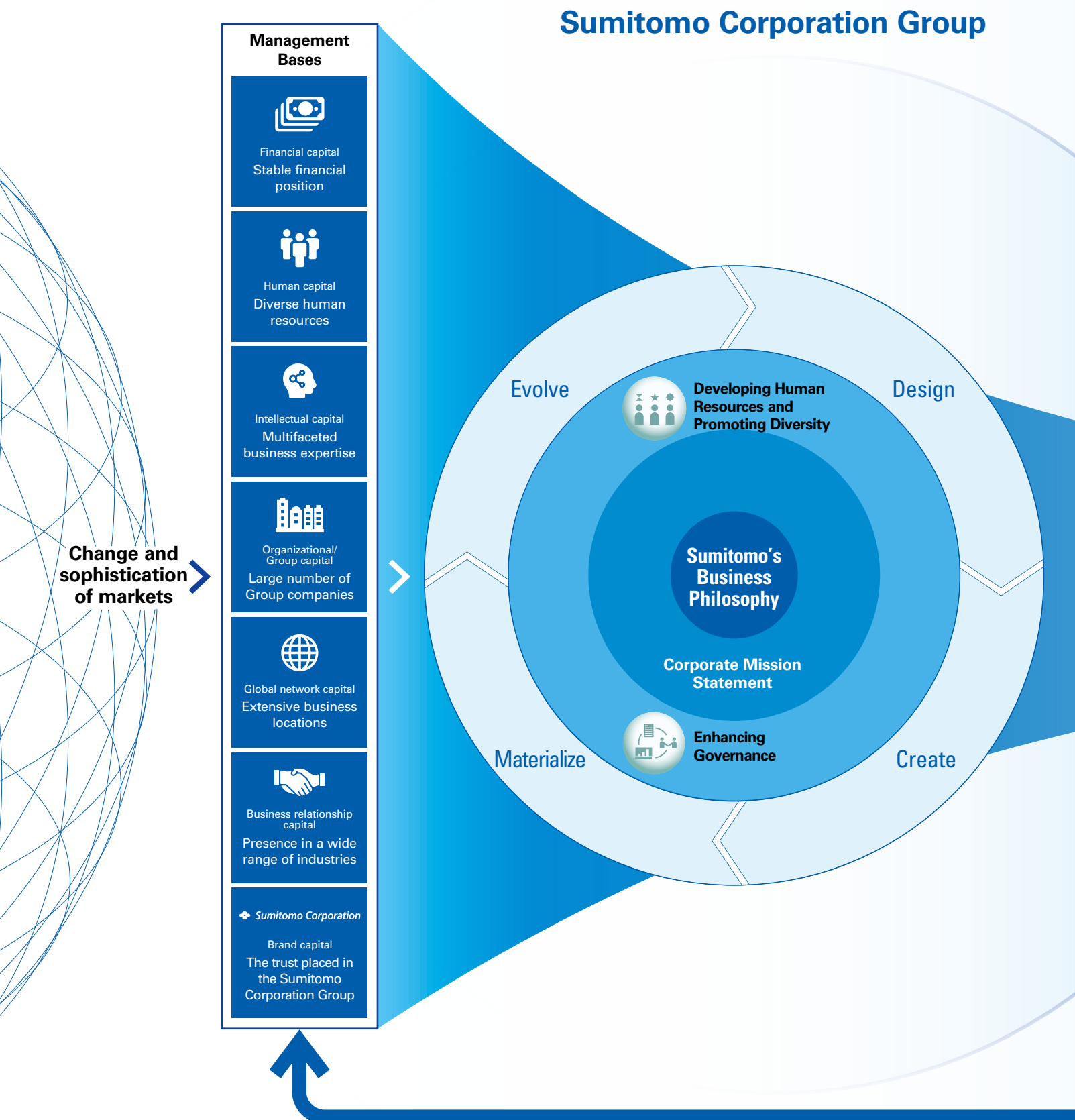
In 2012, the Company set forth “What We Aim to Be in 2019, Our Centennial Year” and adopted “Be the Best, Be the One” as its new slogan.

However, in fiscal 2014 the Company recognized substantial impairment losses on several large-scale projects, forcing it to record an overall loss. It was with the aim of recovering from these events that the medium-term management plan “Be the Best, Be the One 2017 (BBBO2017)” was formulated. The Company has worked its way back to a growth path by promoting managerial reforms and growth strategies, as well as focusing on securing financial soundness. In April 2017, “Six Material Issues to Achieve Sustainable Growth with Society” were identified to both promote the growth of our Group and resolve social issues. Furthermore, in May 2018 “Medium-Term Management Plan 2020” was introduced, and this plan will run for three years from fiscal 2018. With “promotion of growth strategies” and its supporting partner “management base enhancement” at the core, the theme of the new plan is “Unceasing Challenge for New Value Creation.” In addition, the Head Office was relocated to Otemachi, Tokyo, in September 2018.



The new Head Office building (representational image)

# Value Creation Model

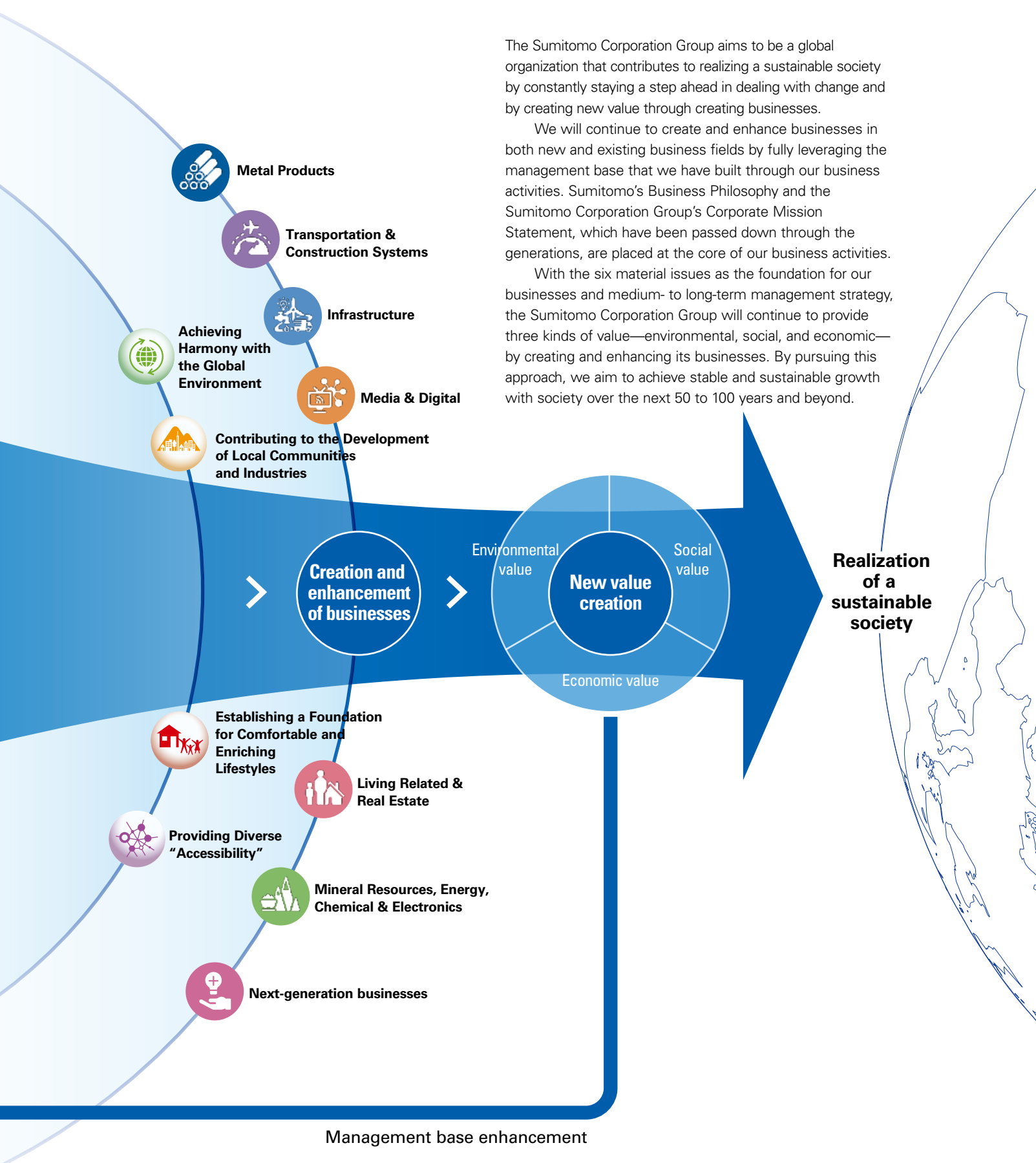




The Sumitomo Corporation Group aims to be a global organization that contributes to realizing a sustainable society by constantly staying a step ahead in dealing with change and by creating new value through creating businesses.

We will continue to create and enhance businesses in both new and existing business fields by fully leveraging the management base that we have built through our business activities. Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement, which have been passed down through the generations, are placed at the core of our business activities.

With the six material issues as the foundation for our businesses and medium- to long-term management strategy, the Sumitomo Corporation Group will continue to provide three kinds of value—environmental, social, and economic—by creating and enhancing its businesses. By pursuing this approach, we aim to achieve stable and sustainable growth with society over the next 50 to 100 years and beyond.



## Sumitomo Corporation Group's Management Bases

### Financial capital

Stable financial position



Total assets

¥7.8 trillion

Shareholders' equity

¥2.6 trillion

### Human capital

Diverse human resources



Number of employees (Consolidated basis)

73,016

### Intellectual capital

Multifaceted business expertise



Business development  
Business investment/  
management

### Organizational/Group capital

Large number of Group companies



Number of consolidated companies

947

### Global network capital

Extensive business locations



Number of offices

129 locations /  
66 countries and regions

### Business relationship capital

Presence in a wide range of industries



Number of clients

Approx. 100,000

### Brand capital

The trust placed in the Sumitomo Corporation Group



History of the Sumitomo Corporation

99 years

Change and sophistication of markets



# Sumitomo Corporation Group

Cash flows generated are used for investments and returns to shareholders, and we are working to reduce interest-bearing liabilities. In addition, we ensure the stability of management by maintaining balance between the Core Risk Buffer and Risk-adjusted Assets.

Our employees are an important management resource. We recruit human resources with diverse backgrounds, develop them as professionals with extensive knowledge and expertise, and allocate them on a global basis throughout the Group.

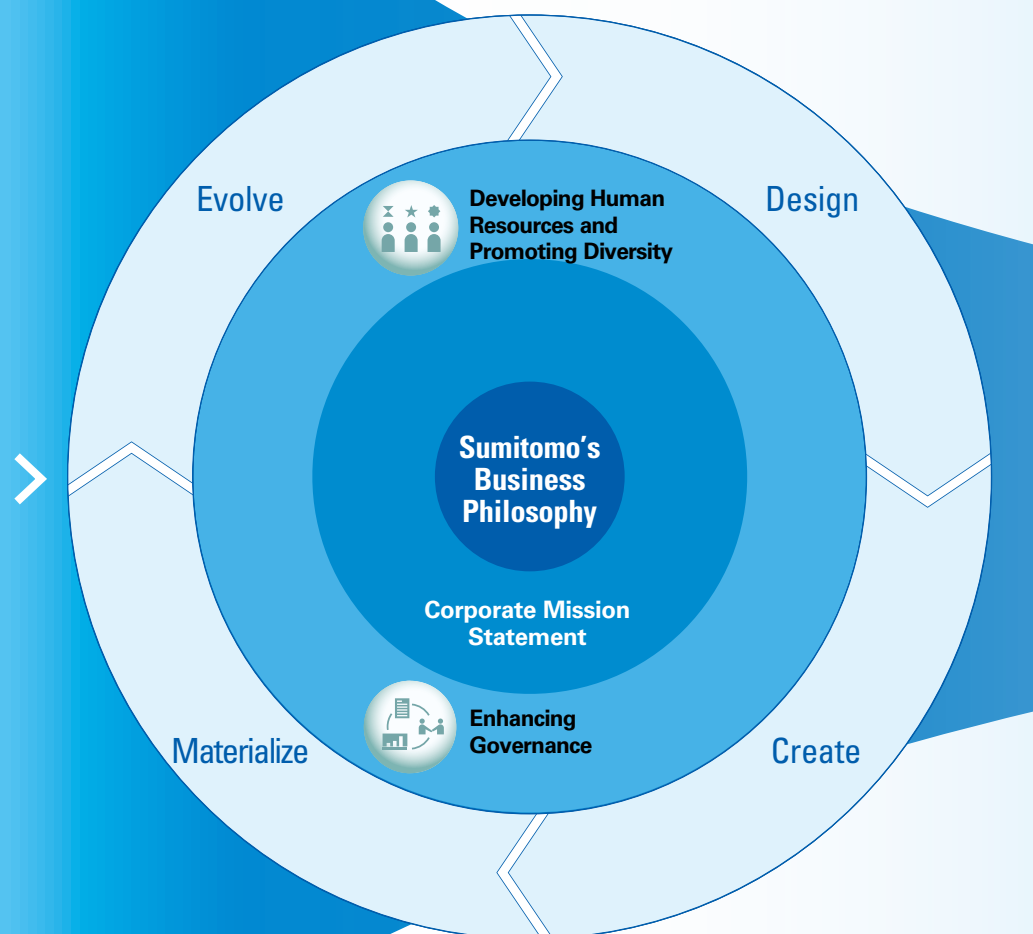
We leverage our business expertise to develop, invest in, and manage businesses. This expertise, in areas including risk management, logistics solutions, and financial services, has been built up over many years.

Owning world-class Group companies in a wide range of industries, we use our accumulated management knowledge to improve profitability and further strengthen our business foundations.

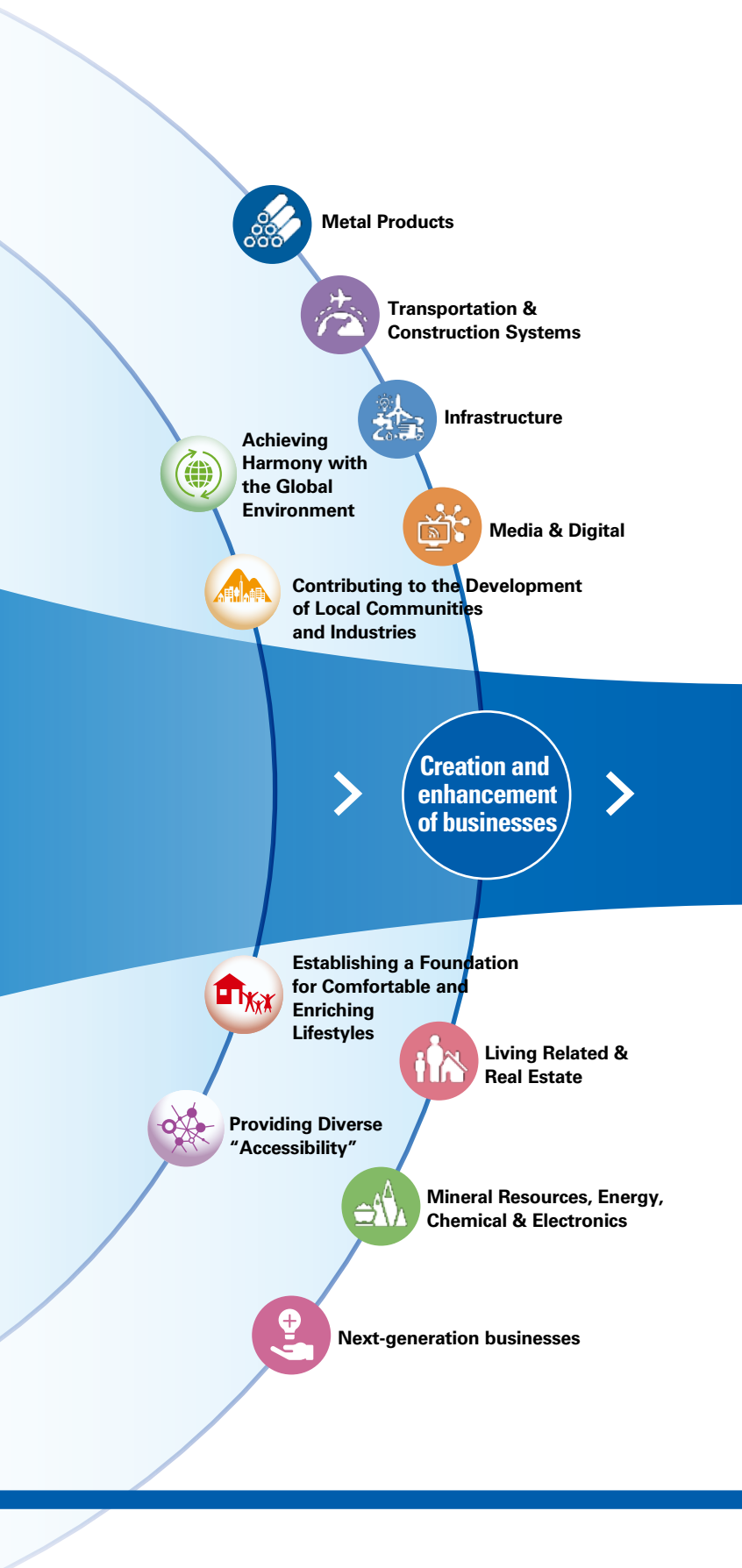
Operating from offices located worldwide, we leverage our network of ties with industry and government in each country to ensure that our businesses are swift to identify and respond to local needs.

By deepening our relationships with business partners that we have cultivated in a variety of industries, we establish our presence in each industry, and implement multifaceted development of the business.















We have lived by Sumitomo's Business Philosophy, which has been passed down for 400 years, and the Management Principles of the Sumitomo Corporation Group, which "place prime importance on integrity and sound management." This is an ideal that we have consistently embodied and will continue to honor.



(As of March 31, 2018)



## Examples of Sumitomo Corporation Group

Business units	Examples
 <b>Metal Products</b>	 <p>Steel service center business (steel sheet &amp; other steel products field)</p>
 <b>Transportation &amp; Construction Systems</b>	 <p>Aircraft leasing business (lease, ship &amp; aerospace field)</p>
 <b>Infrastructure</b>	 <p>Urban railway transit (social infrastructure field)</p>
 <b>Media &amp; Digital</b>	 <p>Cable TV business (media field)</p>
 <b>Living Related &amp; Real Estate</b>	 <p>Supermarket business (lifestyle &amp; retail field)</p>
 <b>Mineral Resources, Energy, Chemical &amp; Electronics</b>	 <p>Silver, zinc, and lead mining business (mineral resources field)</p>
 <b>Next-generation businesses</b>	 <p>Technology x Innovation field</p>

# Group Businesses



Energy equipment & services  
business (tubular products field)



Aluminum smelting business (non-  
ferrous products & metals field)



Mobility services business  
(automotive field)



Construction equipment sales and  
rental businesses (construction  
& mining equipment field)



Power generation business  
(global power infrastructure field)



Overseas industrial park business  
(logistics infrastructure field)



Corporate venture capital  
business (digital business field)



Telecommunication business (smart  
communications platform field)



Fruit and vegetable wholesaling  
business (food & agriculture field)



Real estate business (materials,  
supplies & real estate field)



FPSO owning and chartering  
business (energy field)



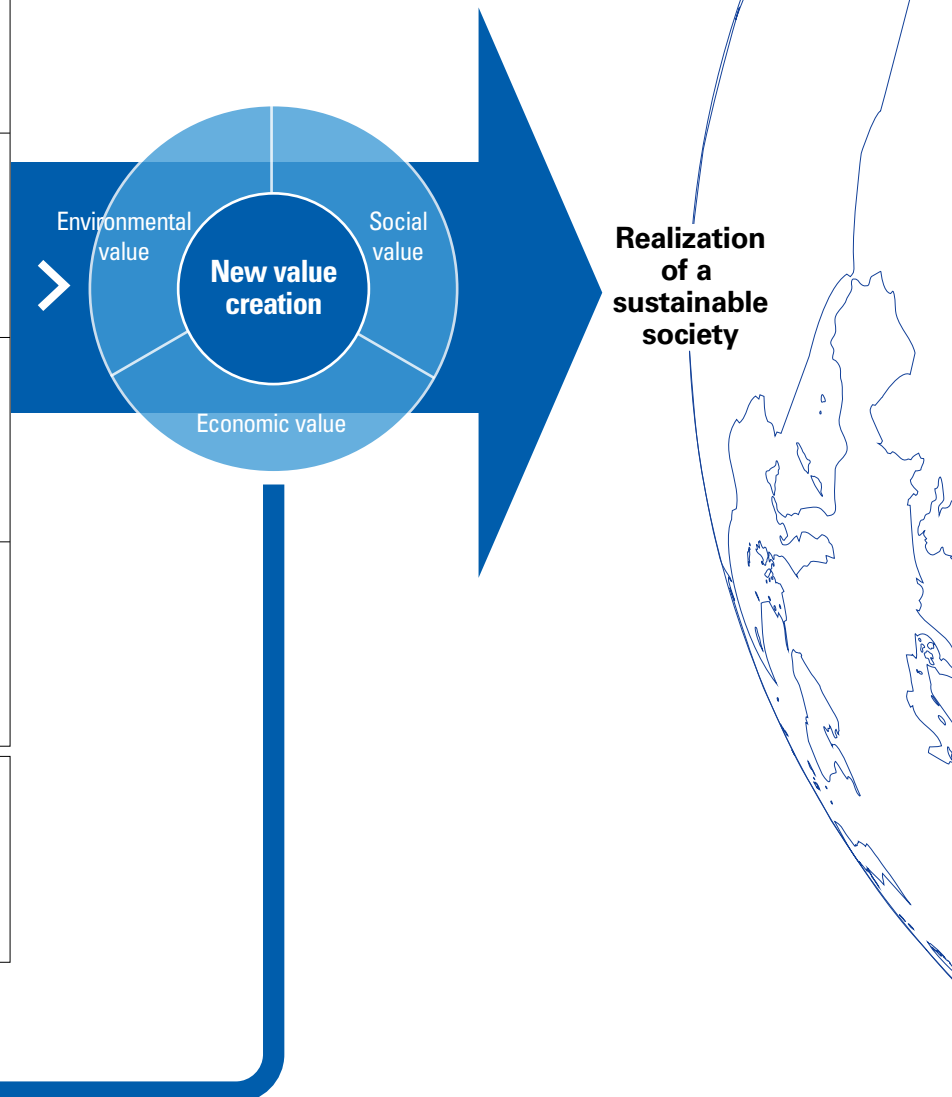
Veterinary medicine business  
(chemicals field)



Healthcare field



Social infrastructure field



Management base enhancement



## Chapter 2 Vision and Strategy

# Growing as a New Integrated Trading Company for a New Era

The Sumitomo Corporation Group's new growth strategy to create new value for the age of the Fourth Industrial Revolution—"Medium-Term Management Plan 2020."

Summary of Medium-Term Management Plan "Be the Best, Be the One 2017 (BBBO2017)"	27
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## Having achieved business recovery through Medium-Term Management Plan “BBBO2017,” the focus now is on promotion of growth strategies in our new “Medium-Term Management Plan 2020.”

Following the Reform Package of 1999, Sumitomo Corporation formulated and implemented a series of two-year medium-term management plans—among them the Step Up Plan, AA Plan, AG Plan, GG Plan, FOCUS '10,  $f(x)$ , and BBBO2014—aimed chiefly at strengthening our revenue base.

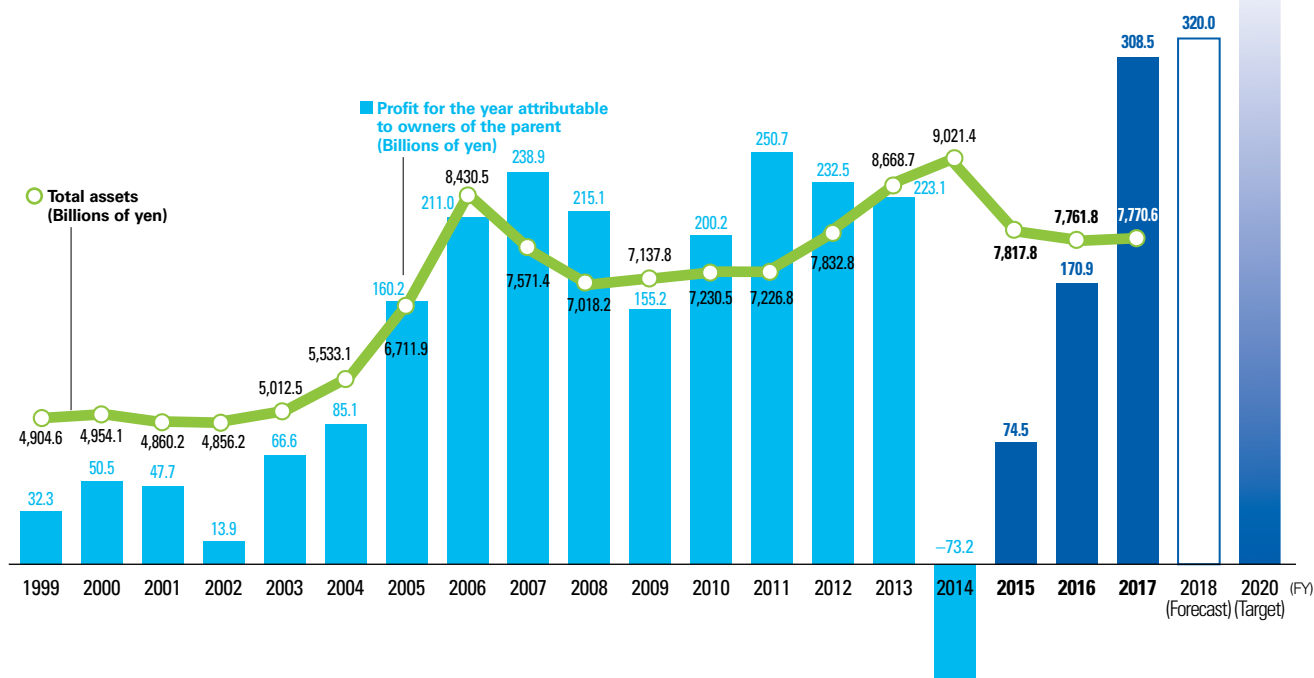
In fiscal 2014 we recorded an overall loss as a result of substantial impairment losses on a number of large-scale projects. From the following fiscal year, however, we launched a three-year medium-term management “plan—Be the Best, Be the One 2017 (BBBO2017)” —which aimed to overcome issues and return to a growth track by making Groupwide efforts in response to changing business environments as well as managerial issues, including those highlighted by the loss. As a result, in fiscal 2017, the final year of the plan, we achieved a record high of ¥308.5 billion in profit for the year attributable to owners of the parent.

For more information please see ▶ [Page 27](#) Summary of Medium-Term Management Plan “Be the Best, Be the One 2017 (BBBO2017).”

Now, in fiscal 2018, we have formulated “Medium-Term Management Plan 2020” to cover the three-year period up to fiscal 2020. The plan is designed in response to a business environment in which the structure of industry is undergoing major change, with the rapid advance of the IoT, AI, and other technologies resulting in the acceleration of the integration and globalization of all industries. The plan calls for ongoing initiatives to enhance the management bases, while placing the main focus on promotion of growth strategies, as we continue with “unceasing challenge for new value creation.”

For more information please see ▶ [Page 33](#) Special Feature: Message from the CxO about “Medium-Term Management Plan 2020.”

### Profit or Loss for the Year Attributable to Owners of the Parent / Total Assets (Consolidated)



# Record-high profit of ¥308.5 billion was achieved in the plan’s final year of fiscal 2017. We are closing in on our path to a new stage of growth.

## Basic Principles of Medium-Term Management Plan “BBBO2017”

In our medium-term management plan “Be the Best, Be the One 2017 (BBBO2017),” which began in fiscal 2015, Sumitomo Corporation set the following three points in light of changes in its business environments and the managerial issues that became apparent with the large-scale impairment losses of fiscal 2014.

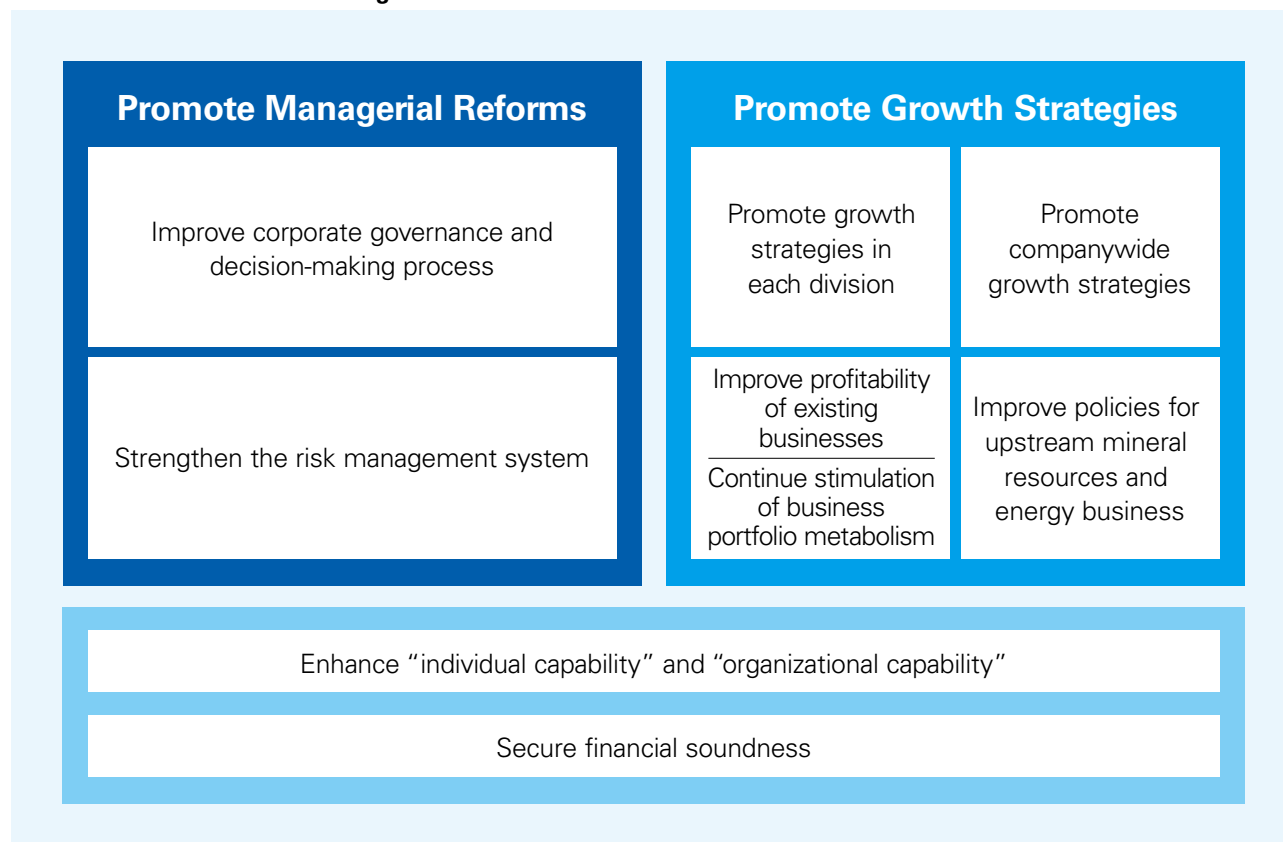
- Overcome issues and execute managerial reforms
- Strengthen our earnings power to realize “What We Aim to Be”
- Regain balance between the Core Risk Buffer and Risk-adjusted Assets / Achieve positive free cash flow (post-dividend, three-year total)

In terms of specific initiatives, we designated the securing of financial soundness and the enhancement of

“individual capability” and “organizational capability” as the basis for our efforts, and made Groupwide efforts to promote the combination of growth strategies and managerial reforms, with the aim of improving our earnings power and reinforcing management bases.

With regard to promoting growth strategies, we pursued and implemented growth strategies based on the strengths identified by the business units themselves. In addition, we also promoted initiatives for industries in which high rates of growth are expected over the medium to long term as a companywide strategy. As for promoting managerial reforms, we implemented a variety of measures to improve corporate governance and decision-making process, and to strengthen the risk management system.

## Overview of Medium-Term Management Plan “BBBO2017”



## Summary of Medium-Term Management Plan "BBBO2017" (Quantitative aspects)

### Quantitative Targets/Results

		Fiscal year / period	Initial plan	Revised plan* <sup>1</sup> (May 2016)	Actual results
Profit targets	Consolidated net income	Fiscal 2015	¥230.0 billion	—	¥74.5 billion
		Fiscal 2016	—	—	¥170.9 billion
		Fiscal 2017	¥300.0 billion or more	¥220.0 billion* <sup>2</sup> or more	¥308.5 billion
	ROA	Fiscal 2017	3.0% or more	2.5% or more	4.0%
	Risk-adjusted Return Ratio	Fiscal 2017	10.0% or more	9.0% or more	13.4%
	ROE	Fiscal 2017	Around 10.0%	Around 9.0%	12.5%
Financial targets	Balance between the Core Risk Buffer* <sup>3</sup> and Risk-adjusted Assets	By the end of fiscal 2017	Regain balance	Regain balance	Regain balance
	Free cash flow	3-year total	¥200.0 billion	¥700.0 billion	¥818.9 billion
	Post-dividend free cash flow	3-year total	Positive	¥500.0 billion	¥627.9 billion
Investment plan		3-year total	¥1.2 trillion	¥1.0 trillion	Around ¥890.0 billion

\*1 The quantitative targets were revised in May 2016 in light of changes in the business environment.

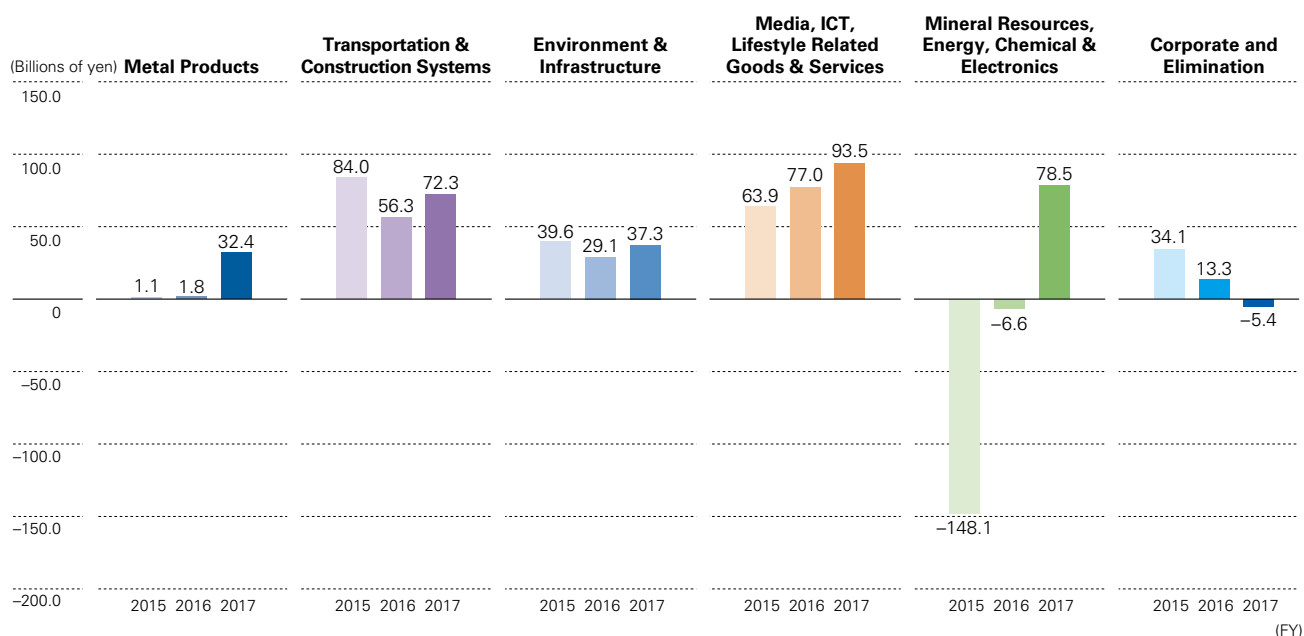
\*2 Revised to ¥230.0 billion in May 2017.

\*3 Core Risk Buffer represents the sum of common stock, retained earnings and foreign currency translation adjustments minus treasury stock, at cost.

### Profit Targets and Performance

In "BBBO2017," we aimed to return to a growth path, with an initial target of achieving ¥300.0 billion or more in both Basic Profit and Profit for the year attributable to owners of the parent in fiscal 2017. In fiscal 2015, a downturn in the business environment led to a slump in performance, but our earning power has grown steadily since, and in fiscal 2017 we posted a new record high for Profit for the year attributable to owners of the parent of ¥308.5 billion.

### Profit or Loss\*<sup>1</sup> by Segment



\*1 Attributable to owners of the parent

\*2 Figures are based on the organizational structure in place prior to the organizational changes of April 2018.

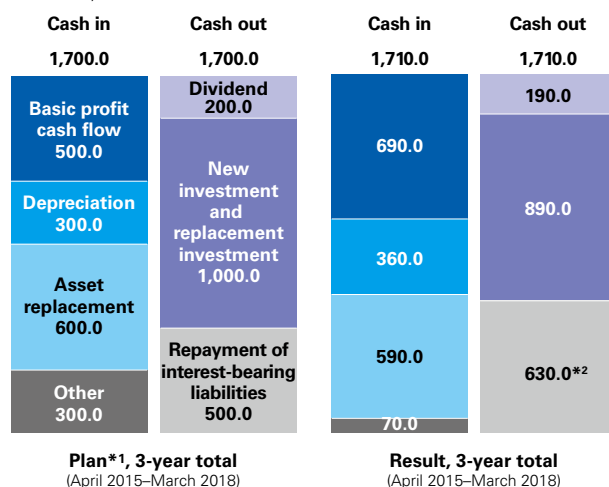
## Cash Flow Targets and Financial Position

As for cash flows, to secure financial soundness, we limited investments and dividends to the amount of cash generated by the Company. As a result, three-year total post-dividend free cash flow exceeded our plan and came to ¥630 billion, which we allocated to repayment of interest-bearing liabilities. Regarding our financial position, while net interest-bearing liabilities decreased approximately ¥1 trillion, shareholders' equity increased ¥80 billion over the three-year period due to increased retained earnings and other factors. As a result, net debt-equity ratio (DER) improved by 0.4 points, to 1.0 times.

	Initial plan	Revised plan (May 2016)	Results
Three-year total post-dividend free cash flow	Positive	¥500.0 billion	¥630.0 billion

## Cash Flow Targets and Results

(Billions of yen)



\*1 Announced in May 2016.

\*2 Cumulative total of post-dividend free cash flow (+/- reversal)

\*3 Basic profit cash flow = Basic profit – Share of profit (loss) of investments accounted for using the equity method + Dividend from investments accounted for using the equity method

## Summary

### Basic profit cash flow\*3

- Core businesses generated steady cash flow

Fiscal 2015	Fiscal 2016	Fiscal 2017
¥204.3 billion	¥210.6 billion	¥273.9 billion

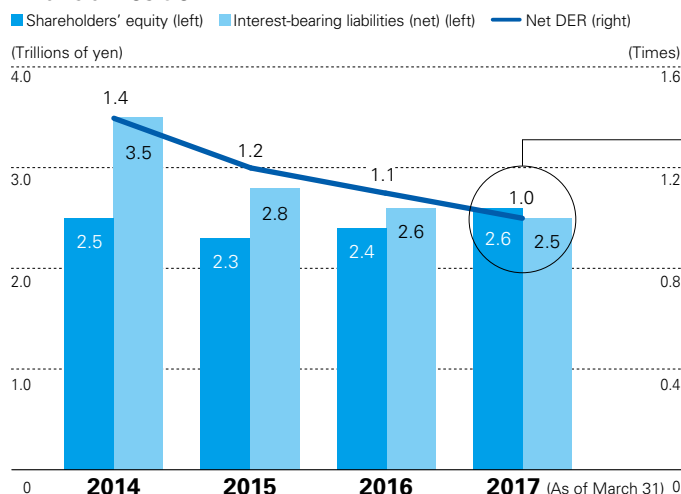
### Asset replacement

- Value realization in renewable energy generation
- Value realization in real estate business in Japan and overseas
- Sale of whole interest in Batu Hijau copper/gold mine in Indonesia

### New investment and replacement investment

- Fresh produce production and wholesale business in Ireland (Fyffes plc)
- Real estate businesses in Japan and overseas
- Nickel project in Madagascar

## Financial Position



As of Mar. 31, 2018

### Shareholders' equity: ¥2,558.2 billion

Change in three years: Increase of approximately ¥80 billion

### Interest-bearing debt (net): ¥2,521.5 billion

Change in three years: Decrease of approximately ¥1 trillion

### Net DER: 1.0 times

Change in three years: Improvement of 0.4 points

## Investments by Segment

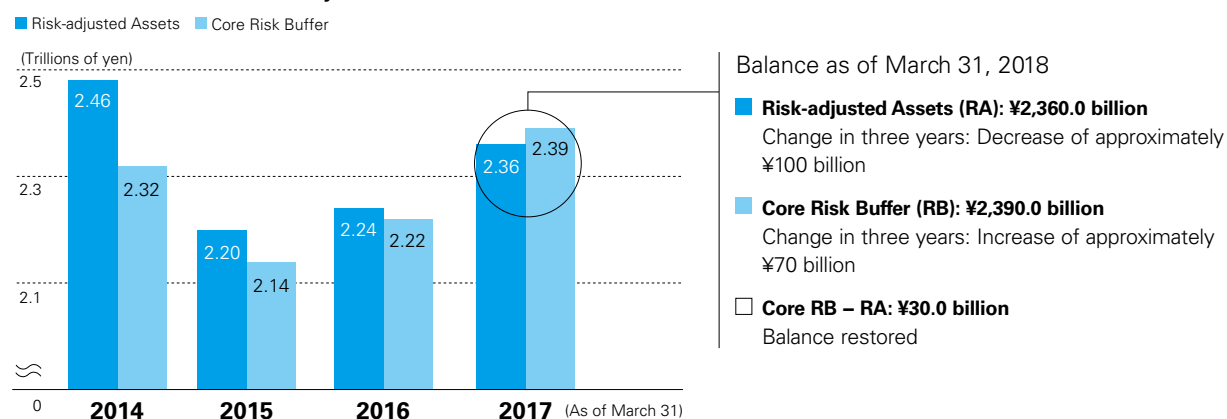
	Investment (Billions of yen)		Major investments
	3-year plan*	Results	
Metal Products	120.0	<b>60.0</b>	<ul style="list-style-type: none"> <li>Railcar axle machining business in the United States</li> <li>Automotive forged parts manufacturing business in Europe</li> </ul>
Transportation & Construction Systems	280.0	<b>210.0</b>	<ul style="list-style-type: none"> <li>Acquisition of 100% ownership of construction equipment rental subsidiary in the United States</li> <li>Manufacturing and sales business of forged parts for wind power generation in Brazil</li> </ul>
Environment & Infrastructure	140.0	<b>140.0</b>	<ul style="list-style-type: none"> <li>Water concession business in Brazil</li> <li>Offshore wind power generation business in Europe</li> </ul>
Media, ICT, Lifestyle Related Goods & Services	280.0	<b>290.0</b>	<ul style="list-style-type: none"> <li>Fresh produce production and wholesale business in Ireland (Fyffes)</li> <li>Real estate businesses in Japan and overseas</li> </ul>
Mineral Resources, Energy, Chemical & Electronics	180.0	<b>180.0</b>	<ul style="list-style-type: none"> <li>Nickel business in Madagascar</li> <li>U.S. generic pharmaceutical business</li> </ul>
(Of which, upstream interests (replacement investment))	(140.0)	<b>(140.0)</b>	
<b>Total</b>	<b>1,000.0</b>	<b>890.0</b>	

Note: Figures shown here were announced in May 2017.

## Balance between the Core Risk Buffer and Risk-adjusted Assets

As for the balance between the Core Risk Buffer and Risk-adjusted Assets, Risk-adjusted Assets had exceeded the Core Risk Buffer by ¥140.0 billion as of March 31, 2015, the balance was restored at the end of fiscal 2017 through the reduction of Risk-adjusted Assets and the increase in profits.

## Core Risk Buffer and Risk-adjusted Assets



## Core RB – RA (Billions of yen)

Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
(140.0)	(60.0)	(20.0)	30.0



## Major Efforts of Medium-Term Management Plan “BBB02017”

Major efforts		
Promote managerial reforms	Improve corporate governance and decision-making process	<p>Upgrade decision-making process for the execution of business management</p> <p>Strengthen the supervisory functions of the Board of Directors</p> <p>Response to Japan's Corporate Governance Code</p>
	Strengthen the risk management system	<p>Upgrade decision-making process for investments</p> <p>Review methodology of investment assessment and framework of investment implementation</p>
	Promote growth strategies in each division	Each business unit implementing growth strategies based on the strengths identified by the business units themselves
	Promote companywide growth strategies	Cross-organizational collaboration based on industry, function, and region
Promote growth strategies	Improve profitability of existing businesses	
	Continue stimulation of business portfolio metabolism	
	Improve policies for upstream mineral resources and energy business	<p>Basic policy: Improve the quality of the upstream mineral resources and energy portfolio</p> <p>Rebuild system of initiatives for upstream mineral resources and energy business</p>
	Enhance “individual capability” and “organizational capability”	
Secure financial soundness		

**Specific measures and achievements**

- Changed the Management Council to the highest executive-level decision-making body
- Increased the number of Outside Directors from two to three
- Established the Nomination and Remuneration Advisory Committee
- Began third-party analysis and evaluation of the effectiveness of the Board of Directors
- Revised the Sumitomo Corporation Corporate Governance Principles (defining terms of office for President and Chief Executive Officer, etc.)
- Formulated the Corporate Disclosure Policy
- Established the Business Unit Investment Committee
- Put in place rules for a system of two-stage deliberation when moving ahead and executing major projects
- Split Planning & Administration Department into Planning & Coordination Department responsible for departmental staff functions and Risk Management Department responsible for risk management functions, and strengthened each function
- Revision of investment evaluation standards
- Systematized the 100-day plan implementation
- Fiscal 2017: Record-high profit of ¥308.5 billion
- Enhanced structure for advancing projects as companywide efforts in fields and regions with high growth potential
- Fiscal 2017: ROA of 4.0%, and ROE of 12.5%
- Asset replacement: ¥590.0 billion.
- Maintained focus on enhancing profitability in nickel project in Madagascar and copper and molybdenum mining project in Chile
- Bolstered the earnings power of existing businesses through continuous cost reductions
- Sold assets suffering from relative decreases in competitiveness (Portfolio optimization)
- Implemented measures for increasing capabilities and improving the quality of strategy-building and decision-making
- Strengthened and fostered human resource development
- Promoted optimal allocation of human resources on a global scale
- Achieved post-dividend free cash flow of ¥630 billion and regained balance between the Core Risk Buffer and Risk-adjusted Assets

**Special Feature: Message from the CxO  
about “Medium-Term Management Plan 2020”**

# Unceasing Challenge for New Value Creation

## **Message from the CSO: Promotion of Growth Strategies**

**Hideki Yamano**

Representative Director, Managing Executive Officer, Corporate Group  
Chief Strategy Officer and Chief Information Officer



## **Message from the CFO: Enhancement of Financial Soundness**

**Koichi Takahata**

Representative Director, Senior Managing Executive Officer, Corporate Group  
Chief Financial Officer



## **Message from the CAO: Enhancement of Corporate Governance and Our Human Resources Strategy**

**Hideki Iwasawa**

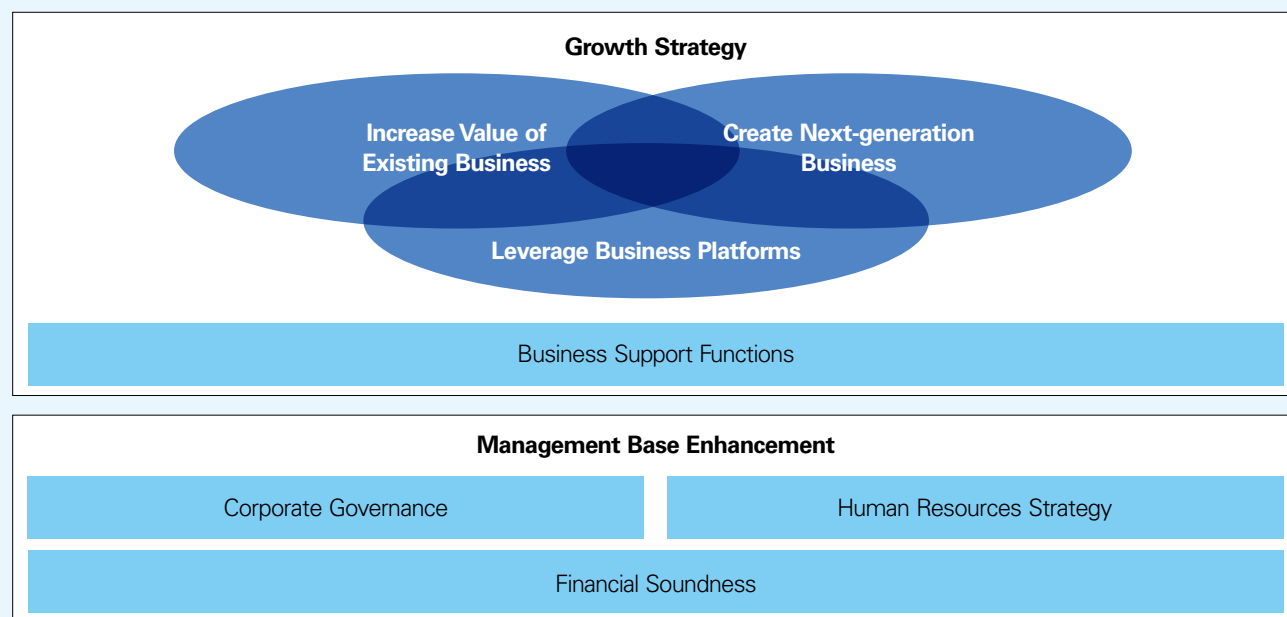
Representative Director, Executive Vice President,  
Corporate Group  
Chief Administration Officer and Chief Compliance Officer



## Overview of “Medium-Term Management Plan 2020”

In a changing business environment, industries are becoming increasingly borderless and complex due to the rapid technological innovation driven by AI and IoT. In our new

“Medium-Term Management Plan 2020,” we will create new value by promoting three core growth strategies: “Increase Value of Existing Business,” “Create Next-generation Business” and “Leverage Business Platforms.” At the same time we will make continuous efforts to enhance our management bases.



### Major Initiatives

1. Growth Strategies
  - (1) Increase Value of Existing Business
  - (2) Create Next-generation Business
    - Prioritized allocation of management resources to three emerging fields
      - (i) Technology x Innovation (Fourth Industrial Revolution fields)
      - (ii) Healthcare
      - (iii) Social infrastructure
  - (3) Leverage Business Platforms
    - Enhancement of relevant business support functions
2. Management Base Enhancement
  - Corporate Governance
  - Human Resources Strategy
  - Financial Soundness

### Quantitative Targets

1. Profit Targets
  - Consolidated net income: FY2018 ¥320.0 billion
  - Basic profit: FY2018 ¥340.0 billion
  - ROA: 4% or more
  - ROE: 10% or more
2. Financial Policies
  - Maintain a balance of [Core Risk Buffer] ≥ [Risk-adjusted Assets]
  - Post-dividend free cash flow
    - Three-year total ¥200 billion or more, to be allocated to repayment of interest-bearing liabilities

### Dividend Policy

We aim to increase dividends by achieving medium- and long-term earnings growth while adhering to our fundamental policy of paying shareholders a stable dividend over the long term.

During “Medium-Term Management Plan 2020,” we will decide the dividend amount in view of the situation regarding basic profit and cash flow, with a consolidated payout ratio of 30% as our guideline.

The annual dividend forecast for fiscal 2018 is projected to be ¥75 per share as we forecast profit for fiscal 2018 of ¥320.0 billion.



## Message from the CSO: Promotion of Growth Strategies

# Steady implementation of growth strategies with a core approach of creating next-generation businesses

Hideki Yamano

Representative Director, Managing Executive Officer, Corporate Group  
Chief Strategy Officer and Chief Information Officer

### Growth Strategy 1: Increase Value of Existing Business

#### Pursue the maximum potential of each business and respond promptly to changes in the business environment

In our approach to the growth strategies of the Sumitomo Corporation Group, we first need to focus on increasing the value of the existing businesses that make up our current earnings pillar. As part of this approach, in April 2018 we reorganized the business units dealing with our various business fields into six units to be able to vigorously implement our growth strategies. As well as reinforcing the earnings pillar of each business unit, we will seek to realize the full potential of our businesses and to respond swiftly to changes in the business environment.

In existing businesses where we have an established

industry presence, such as the tubular products, leasing and finance, and media businesses, we will leverage their respective networks and business foundations to further increase their value and profitability rather than relying on the "status quo" of existing earnings models. Meanwhile, for projects which have not yet achieved their expected earnings level, such as upstream resources and the food business, we will introduce measures to maximize untapped potential.

We also need to respond quickly to changes in our existing business environments. For example, we will work to create new business to respond to the movement toward a next-generation mobility society. Furthermore, as society's engagement with low-carbon solutions and other issues related to climate change increases, we are taking steps in our infrastructure business to shift to gas-fired and renewable energy in the medium to long term.

### Increase Value of Existing Business

<b>Metal Products</b> <ul style="list-style-type: none"> <li>Expand tubular products into adjacent businesses by utilizing customer network of the oil country tubular goods (OCTG) business</li> <li>Provide unique/integrated services in the railway materials and equipment business</li> <li>Expand value chain in Aluminum segment from our smelting business—our core business in this segment</li> </ul>	<b>Transportation &amp; Construction Systems</b> <ul style="list-style-type: none"> <li>Enhance leasing and financing businesses, and pursue synergies with other businesses</li> <li>Promote various next-generation businesses in anticipation of the coming mobility society</li> <li>Take up challenges in new fields in the manufacturing business</li> </ul>	<b>Infrastructure</b> <ul style="list-style-type: none"> <li>Expand business foundations in global power, logistics, and social infrastructure</li> <li>Shift to gas-fired power generation/renewable energy over the medium to long term               <ul style="list-style-type: none"> <li>Create power generation portfolio by around 2035, as follows:                   <ul style="list-style-type: none"> <li>Share of coal from 50% → 30% (Generation capacity basis)</li> <li>Renewable energy ratio from current 20% → 30%</li> </ul> </li> </ul> </li> </ul>
<b>Media &amp; Digital</b> <ul style="list-style-type: none"> <li>Reinforce business foundations and enhance services in media and digital businesses</li> <li>Expand telecommunication infrastructure and value-added businesses in emerging countries</li> </ul>	<b>Living Related &amp; Real Estate</b> <ul style="list-style-type: none"> <li>Promote the growth of retail businesses, centered around Summit, Inc. and TOMOD'S INC.</li> <li>Improve earnings in the food and agriculture business by focusing on fruits and vegetables and on high-value-added foods</li> <li>Develop high-value-added real estate business</li> </ul>	<b>Mineral Resources, Energy, Chemical &amp; Electronics</b> <ul style="list-style-type: none"> <li>Early achievement of profitability for upstream resources projects and reinforcing of cost competitiveness</li> <li>Expand trading in natural gas and LNG</li> <li>Enhance mineral resources/chemical-related value chain</li> <li>Make EMS businesses and companies with chemical businesses, such as distributors business for agrochemical related products, more robust</li> </ul>

**Growth Strategy 2: Create Next-generation Business****Identify emerging fields in anticipation of social changes and issues and create systems for the development of value-creating businesses**

The business environment of our Group is rapidly changing in these days. Taking into account megatrends, social issues, and our Group capabilities, we have identified three emerging fields for medium- to long-term initiatives, in which we will invest capital of around ¥300 billion over three years.

**Emerging Field 1: Technology x Innovation**

All industries are shifting to ICT and progressing with globalization and worldwide integration. The Sumitomo Corporation Group equally faces an essential need to adapt to the increasing pace of technological advance and the innovative business models that are changing the structure of industry. Accordingly, we have identified “Technology x Innovation” as one of our emerging fields, which spans all industry sectors.

As priorities, we will work on upgrading existing businesses and creating innovative and new business models by accelerating digital transformation (DX). To provide the organizational structure to support this, we have established the “DX Center” as a base for promoting DX and will be collaborating with our Group company SCSK Corporation to accelerate the utilization of external professionals.

Moreover, to promote business development for the next generation, we have reinforced systems for business development at Silicon Valley in the United States as well as in Europe, Asia, and other regions. We will also move forward

with collaborations with venture enterprises that possess innovative technologies and business models as well as collaborations between business units and overseas offices that go beyond the existing framework.

To this end, we will create an organization that enables us to delegate decision making on investment and realize agile and flexible business development. Of the abovementioned ¥300 billion, ¥20 billion will be allocated as an investment fund for next-generation businesses in the “Technology x Innovation” field as part of overall research and development activities aimed at realizing next-generation businesses.

**Emerging Field 2: Healthcare**

Nowadays, escalating medical expenditure due to the aging of the population is becoming a global social issue. In parallel, rapid expansion of the healthcare market is expected.

The Sumitomo Corporation Group is leveraging its existing business foundations and functions, including the TOMOD'S chain of drugstores with an integrated dispensing pharmacy and its U.S. generic pharmaceutical business. At the same time, we are also strengthening initiatives to develop new business models that will promote more efficient use of medical expenditure, expanding and upgrading digital health businesses that utilize technological innovations such as the IoT and AI, and installing medical infrastructure in emerging countries. To promote these projects, in April 2018 we set up the Health Care Business Department and additionally established a companywide cross-business working group (WG) to engage widely in the healthcare field.

**Three Emerging Fields**

Emerging Field	Megatrends/Social Issues	Priorities
<b>Technology x Innovation</b>	<ul style="list-style-type: none"> <li>• Revolution in industry structure and business models due to the shift to ICT and the disappearance of borders for all industries</li> </ul>	<ul style="list-style-type: none"> <li>• Revolution in business models and upgrading of business by the acceleration of DX</li> <li>• Promoting R&amp;D activities as strategic move to build next-generation revenue stream (Set investment fund of ¥20 billion for next-generation businesses)</li> </ul>
<b>Healthcare</b>	<ul style="list-style-type: none"> <li>• Aging of society/Inflation of medical expenses</li> <li>• Technology innovation, such as IoT and AI</li> <li>• Changes in industry structure</li> </ul>	<ul style="list-style-type: none"> <li>• Development of new businesses that lead to greater efficiency in medical expenses</li> <li>• Expansion of digital health business utilizing cutting-edge technology</li> <li>• Entering market for medical infrastructure installations in emerging countries</li> </ul>
<b>Social infrastructure</b>	<ul style="list-style-type: none"> <li>• Population growth/Advance of urbanization</li> <li>• Shift to private-sector outsourcing</li> <li>• Climate change issues</li> </ul>	<ul style="list-style-type: none"> <li>• Entering market for infrastructure installations, and urban development/Smart City project</li> <li>• Reinforcing eco-friendly businesses utilizing new technology (Next-generation energy management business, storage batteries, hydrogen business, etc.)</li> </ul>



**Emerging Field 3: Social Infrastructure**

As the population grows and urbanization progresses worldwide, especially in emerging countries, the Sumitomo Corporation Group is stepping up its participation in urban development, Smart City projects, and infrastructure installations. As a team to support this, we have established a PFI Business Department, and in April 2018 additionally set up a “Smart City WG” to drive business development more strongly on a companywide basis.

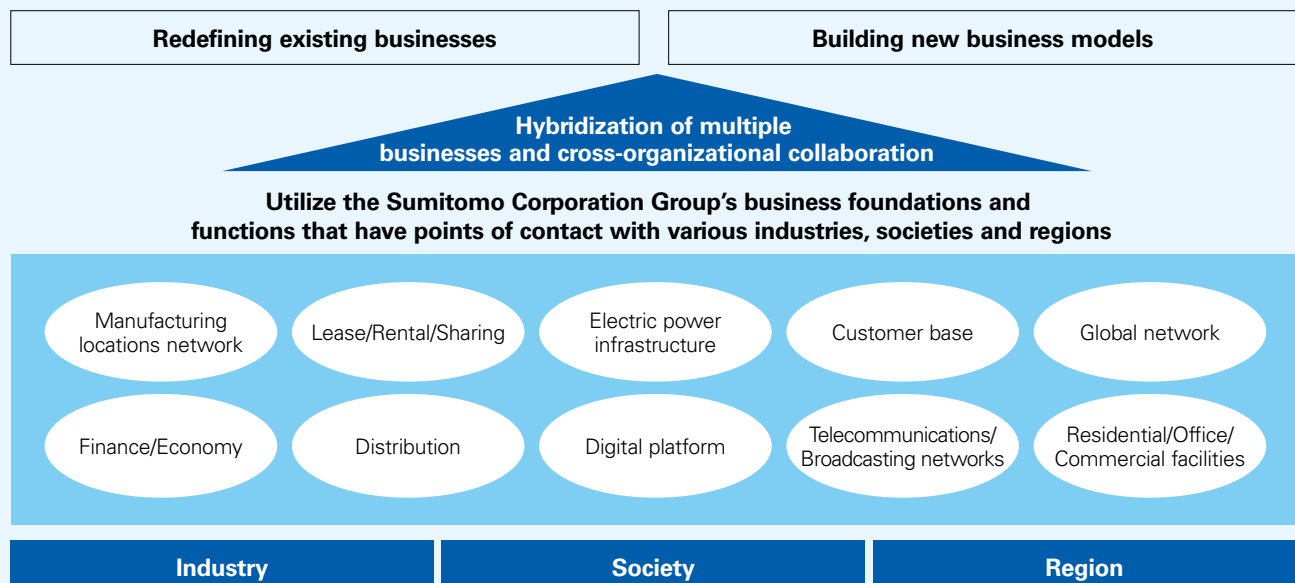
Meanwhile, in response to climate change issues, the Sumitomo Corporation Group has identified “Achieving Harmony with the Global Environment” as one of its material issues. As an initial step toward resolving this social issue, we will be working on eco-friendly businesses that make use of new technologies, such as next-generation energy management, storage batteries, and hydrogen.

**Growth Strategy 3: Leverage Business Platforms**

**Aim for organic and multilevel collaboration between our businesses on the strength of our rich variety of contacts with different industries, societies, and regions**

The third pillar of our growth strategies is leveraging business platforms. As an integrated trading company, the Sumitomo Corporation Group has created businesses around the world in a wide range of business fields using a variety of business models. This means that each business unit has contacts with a diverse range of industries, societies, and regions in its operations. These multiple contacts act as drivers for the creation of new value. Among these business drivers for our Group are its customer bases, its telecommunications and broadcasting networks, its business foundations in lease, rental, and sharing, and its digital platforms.

We believe that using these management resources to hybridize multiple businesses and stimulate cross-organizational collaboration will make it possible to redefine existing businesses and build new business models, allowing us to establish platforms that lead to new value creation. From an overview of the Sumitomo Corporation Group’s business fields, it can best be described as an entity with a very widely distributed range of businesses. If these were to become interlinked organically on multiple levels, that would open up a vast potential. We are confident that this will give us a keen ability to pick up on changes in our fast-moving world, resolve social issues at a more sophisticated level, and achieve sustainable growth.

**Leverage Business Platforms for New Value Creation**

## Promotion of Growth Strategies: Expanding Business Support Functions

### Accelerate growth strategies by supporting business development in each business unit through four functions

#### Business Support Function 1: Biz-Dev Support

Using our strengths in the form of our worldwide business foundations and networks, we will promote new business development through collaboration among our organizations. Additionally, we will structure a system and allocate management resources in order to incubate next-generation businesses on a companywide basis transcending the boundaries of business units.

#### Business Support Function 2: Full Potential Plan

With the aim of maximizing the value of our investment portfolio, we will carry out monitoring of each Group company. To realize this initiative, we will allocate companywide resources to upgrade businesses that still have growth potential.

#### Business Support Function 3: Asset Cycle Management

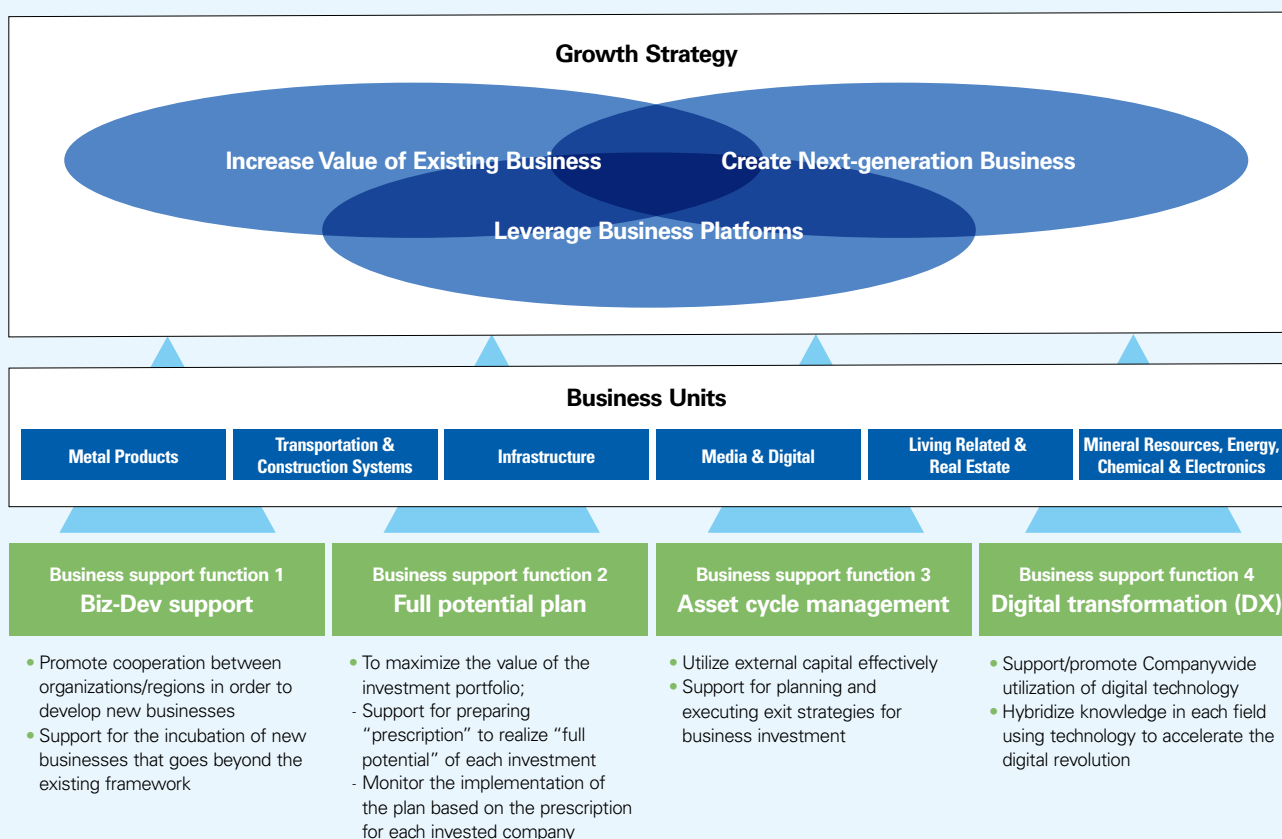
By utilizing external capital, we will support to increase asset efficiency in each business. We will also provide support to plan and execute exit strategies for business investment as required.

#### Business Support Function 4: Digital Transformation (DX)

To upgrade existing business models through digitization and to create new business models, the Sumitomo Corporation Group will promote reinforcement of ICT functions companywide. We will promote DX by combining technology with the business knowledge and business foundations of each business.

To realize the sustainable growth of the Sumitomo Corporation Group, it is essential to create new next-generation businesses and grow them into earnings pillars of the Group. By leveraging fully the knowledge and expertise accumulated through the management of our existing businesses and using the effective business support functions provided by the Corporate Group, we will steadily implement each of the growth strategies.

## Expand Business Support Functions



## Message from the CFO: Enhancement of Financial Soundness

**To achieve sustainable growth, we will increase our cash-generating capability while maintaining financial soundness.**

Koichi Takahata

Representative Director, Senior Managing Executive Officer, Corporate Group  
Chief Financial Officer**Enhancement of Financial Soundness 1:  
Financial Soundness and Cash Flow Plan****Aiming for future growth by investing management resources in emerging fields from a medium- to long-term perspective**

For an enterprise to achieve stable and sustainable growth, it is important for it to boost its earnings capacity and increase its own cash-generating capability while maintaining financial soundness. In terms of financial soundness, Sumitomo Corporation emphasizes the importance of ensuring stability by keeping Risk-adjusted Assets (total risk) within the range of the Core Risk Buffer (shareholders' equity) and establishing a financial footing that avoids overreliance on interest-bearing liabilities.

Under the previous medium-term management plan, "BBBO2017," priority was given to securing financial soundness and the balance between Risk-adjusted Assets and the Core Risk Buffer was restored through growth in

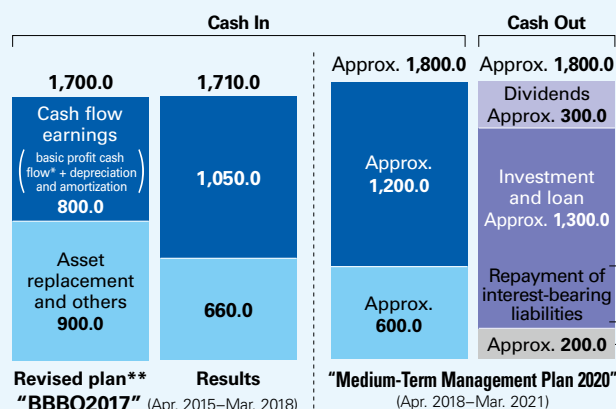
shareholders' equity from increased retained earnings, and asset replacement. As for cash flows, investments and dividends were conducted within the range of cash generated and interest-bearing liabilities were reduced by ¥630 billion.

Under "Medium-Term Management Plan 2020," in addition to continuing with the cash flow management exercised so far, we will devote increased management resources to the strengthening of earnings capacity. This is because we need to raise our own earnings capacity in order to secure operating capital for business expansion and an investment fund for future growth, as well as avoid overdependence on interest-bearing liabilities.

Sumitomo Corporation has already begun efforts to reinforce its cash-generating capability and these are producing steady results. The previous medium-term management plan called for a positive balance of ¥800 billion in cash flow earnings (basic profit cash flow\* + depreciation and amortization) over the three years (revised plan of May 2016), while the amount actually achieved was ¥1,050 billion.

**Enhancement of Financial Soundness****Continue to focus on cash flow management****Securing an incremental ¥200 billion or more in three-year total post-dividends FCF, and allocating to repayment of interest-bearing liabilities**

- Expand cash flow earnings power
- Recover funds through continuous regeneration of business
- Execute investments in preparation for future

**Maintaining a balance of [Core Risk Buffer] ≥ [Risk-adjusted Assets]****Projection of Cash Allocation during  
"Medium-Term Management Plan 2020"**(Three years)  
(Billions of yen)

\* Basic profit cash flow = Basic profit – Share of profit (loss) of investments accounted for using the equity method + Dividend from investments accounted for using the equity method

Basic profit = (Gross profit + Selling, general and administrative expenses [excluding provision for doubtful receivables] + Interest expense, net of interest income + Dividends) × (1 – Tax rate) + Share of profit (loss) of investments accounted for using the equity method

\*\* Revised plan announced in May 2016

During the next three years, we forecast a further increase in cash flow earnings to approximately ¥1,200 billion. In parallel, the new plan calls for cash generation of ¥600 billion through asset replacement and other means to give a total cash inflow of ¥1,800 billion. On the cash outflow side, we will take steps to strengthen investment and enhance shareholder returns while continuing to keep a vigilant eye on cash generated.

Investment of ¥1,300 billion is planned, of which ¥300 billion will be earmarked for a Companywide investment fund not linked to any individual business unit. Sumitomo Corporation will allocate this to investment in fields where it is targeting medium- to long-term business development. A dividend fund of ¥300 billion will be set aside, ¥200 billion of interest-bearing liabilities will be repaid, and improvement of leverage will continue.

### Enhancement of Financial Soundness 2: Profit Targets

#### Continue strengthening business structures to boost earning power and realize steady profit growth

Sumitomo Corporation has in the past faced a range of managerial issues, but has always carefully reviewed business conditions and worked to reform its business structure in order to secure profit even in challenging environments. In fiscal 2017, solid performance was achieved from the leasing business, the construction equipment business, and the media, ICT, and lifestyle related goods & services business operated by the main domestic Group companies, as well as from the real estate business and other sectors. Power

generation engineering, procurement, and construction (EPC) projects also contributed to profit, and the tubular products business posted improved earnings. With the added impact of rises in resource prices, profit for the year attributable to owners of the parent reached a new record high, at ¥308.5 billion.

In fiscal 2018, we again expect increased profits in sectors including the tubular products business, power generation EPC projects, the real estate business, and the fresh produce business, which should allow us to exceed our fiscal 2017 results targeting ¥320 billion. In view of the uncertainty in the business environment surrounding Sumitomo Corporation, we have not published profit targets for the three years of “Medium-Term Management Plan 2020,” but we look forward to steady profit growth from factors including expansion of the revenue base in the non-mineral resources businesses, which is one of our strengths, improved earnings in the tubular products business, and a move to profitability in major resource-related projects.

### Enhancement of Financial Soundness 3: Efficiency Indicators

#### Pay close management attention to asset and capital efficiency with the aim of achieving ROE exceeding shareholders' equity cost

In order to expand earnings without inflating interest-bearing liabilities, we will need to continuously improve capital efficiency. Sumitomo Corporation previously made it a medium- to long-term management target that the risk-adjusted return ratio—the ratio of return to Risk-adjusted Assets—should exceed shareholders' equity cost on a companywide basis. As stated above, we have followed the

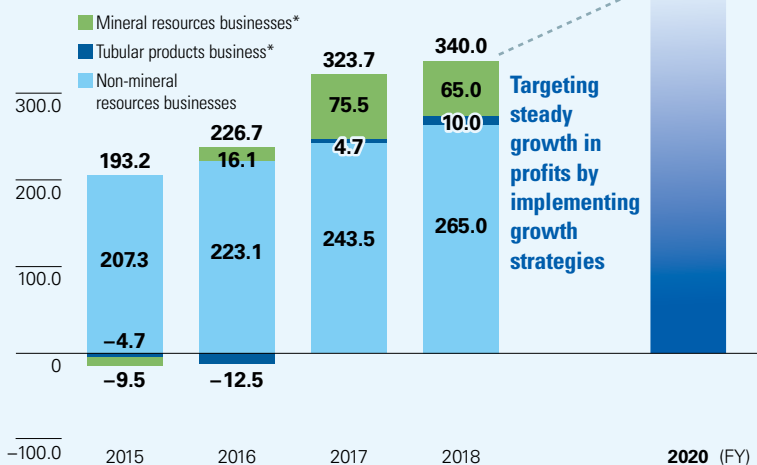
### Quantitative Targets for “Medium-Term Management Plan 2020”

(Billions of yen)

	FY2017 Results	FY2018 Targets
<b>Profit for the year attributable to owners of the parent</b>	<b>308.5</b>	<b>320.0</b>
<b>Basic profit (excluding impairment losses)</b>	<b>323.7</b>	<b>340.0</b>

### Basic Profit (excluding impairment losses)

(Billions of yen)



\* Figures consist of results including operations in the Overseas Subsidiaries and Branches segment. (reference)

principle of keeping Risk-adjusted Assets (total risk) within the range of the Core Risk Buffer. Close management attention to the risk-adjusted return ratio means aiming for an ROE level that exceeds shareholders' equity cost, which has been set at a level of 7.5%, the upper limit of its envisaged range.

As efficiency indicators for "Medium-Term Management Plan 2020," we have set an ROE target of 10% or higher and exceeding shareholders' equity cost, and an ROA target of 4% or higher. We will continue to keep a close watch on asset and capital efficiency in management operations.

#### Enhancement of Financial Soundness 4: Shareholder Returns

#### Enhance shareholder returns in line with improved performance and raise the consolidated payout ratio to 30% as a guideline

The Sumitomo Corporation's basic policy on shareholder returns is to increase dividends by achieving mid-long term earnings growth while adhering to the Company's fundamental policy of paying shareholders a stable dividend over the long term.

#### Efficiency Indicators for "Medium-Term Management Plan 2020"

ROA	4% or higher
ROE	10% or higher

#### Shareholder Returns Policy

Basic policy	Our basic policy is to increase dividends by achieving mid-long term earnings growth while adhering to the Company's fundamental policy of paying shareholders a stable dividend over the long term.
"Medium-Term Management Plan 2020" dividend policy	We will decide the dividend amount in view of the situations regarding basic profit and cash flow, with a consolidated payout ratio of 30% as a guideline.
Fiscal 2018 dividends	¥75/share (plan) (interim ¥37/share, year-end ¥38/share)

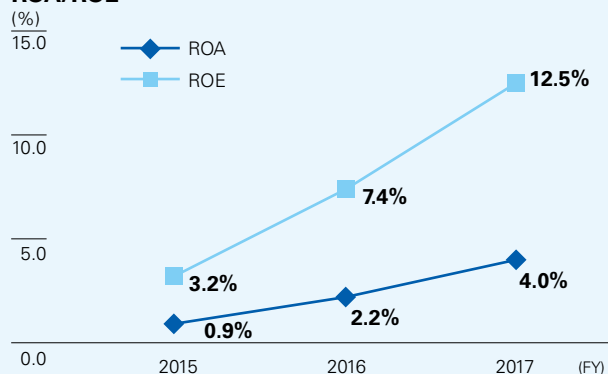
Under the previous medium-term management plan, despite having incurred major impairment losses, we set a lower limit of ¥50 per share in light of our potential cash-generating capability. In the final year of the plan, we achieved a record level of profit and set the dividend per share at ¥62.

Under "Medium-Term Management Plan 2020," we have raised the guideline for the consolidated payout ratio from the previous 25% or higher to around 30%. This decision was made from a commitment to enhancing shareholder returns in line with improved corporate performance, while also taking into account the capital demand from investment plans and other sources over the next three years.

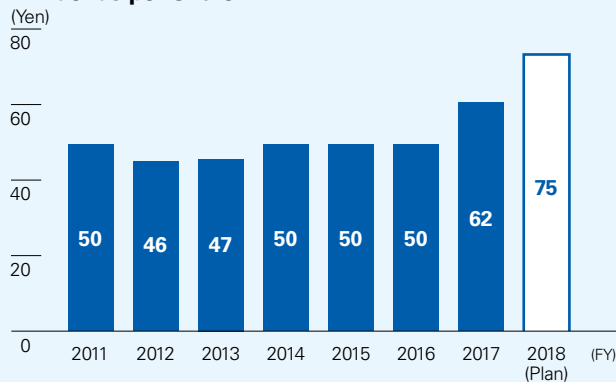
The planned annual dividend for fiscal 2018 is ¥75 per share based on a forecast consolidated profit for the year attributable to owners of the parent of ¥320 billion.

Looking ahead, I will support the growth strategies of "Medium-Term Management Plan 2020" as CFO through enhanced financial soundness and improved asset efficiency based on optimization of the portfolio, aiming in this way to achieve medium- to long-term profit growth and stable dividend payments.

#### ROA/ROE



#### Dividends per Share



## Stock Overview

(As of March 31, 2018)

**Number of Issued Shares:** 1,250,602,867 (including 2,070,753 treasury stock)

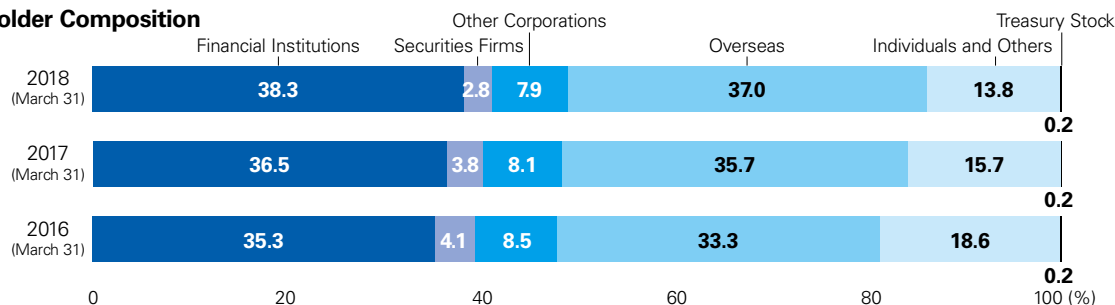
**Number of Shareholders:** 138,017

### Major Shareholders

Name	Number of Shares (Thousands of shares)	Shareholding Ratio (%)*
The Master Trust Bank of Japan, Ltd. (trust account)	85,207	6.82
Japan Trustee Services Bank, Ltd. (trust account)	65,651	5.26
Liberty Programming Japan, LLC	45,652	3.66
Japan Trustee Services Bank, Ltd. (trust account 9)	35,793	2.87
JP Morgan Chase Bank 385632	33,474	2.68
Sumitomo Life Insurance Company	30,855	2.47
Japan Trustee Services Bank, Ltd. (trust account 5)	23,740	1.90
State Street Bank West Client-Treaty 505234	21,874	1.75
Mitsui Sumitomo Insurance Company, Limited	20,000	1.60
Japan Trustee Services Bank, Ltd. (trust account 1)	17,617	1.41

\* The shareholding ratio is calculated by dividing the number of shares held by the number of shares outstanding—which is derived by deducting treasury stock (2,070,753 shares) from the total number of issued shares—and rounding to the nearest hundredth of a percent.

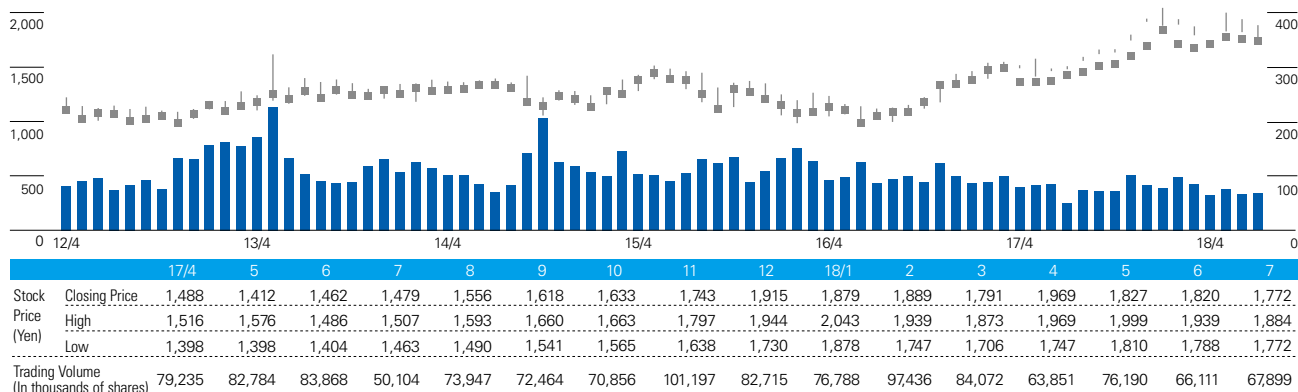
### Shareholder Composition



### Stock Price and Trading Volume\*

— High and Low (left) ■ Closing Price (left)  
(Yen)

■ Trading Volume (right)  
(Millions of shares)



\* The above stock prices and trading volume are based on Tokyo Stock Exchange data.



**Message from the CAO:****Enhancement of Corporate Governance and Our Human Resources Strategy****Steadily implementing measures to reinforce the management bases****Hideki Iwasawa**

Representative Director, Executive Vice President, Corporate Group  
Chief Administration Officer and Chief Compliance Officer

**"BBB02017": Promotion of Managerial Reform****Improvement of the decision-making process and implementation of measures to reinforce supervisory functions under the previous medium-term management plan**

The essence of corporate governance at Sumitomo Corporation consists of "improving management efficiency" and "maintaining sound management," as well as "ensuring management transparency" to secure the first two. Based on this view, we work to continuously strengthen and enhance corporate governance in order to establish the most appropriate managerial system for the Company. By doing so, we aim to realize management that serves the interests of our shareholders and all other stakeholders, and to achieve sustainable growth and a medium- to long-term increase in corporate value.

Under the previous medium-term management plan "Be the Best, Be the One 2017 (BBBO2017)," we reviewed our corporate governance and the decision-making process through promotion of managerial reforms and implemented the measures set out below.

**(1) Improving decision-making process for the execution of business management**

In July 2015, the role of the Management Council was changed from that of an advisory body to the President and CEO to a top executive decision-making body, thereby establishing a system to incorporate multilateral discussions into the process for making decisions on important matters. This has enabled management to engage in more frank exchange of opinions on matters relating to management policy and matters with potential companywide impact and allowed a wide range of opinions to be considered.

**(2) Amendment of standards for matters to be discussed by the Board of Directors**

The standards for matters to be discussed at Board of Directors' meetings have been revised so that the Board of Directors can discuss and monitor important matters relating

to companywide management, such as business policy and the management plan in a more focused way.

**(3) Change in the composition of the Board of Directors to reinforce the supervisory functions over management execution**

At the launch of the previous medium-term management plan, the Sumitomo Corporation Board of Directors was made up of two Outside Directors and 10 Internal Directors. In fiscal 2017, the final year of the previous medium-term management plan, the number of Outside Directors and Internal Directors was changed to three and six, respectively. With this increase in the ratio of Outside Directors, the system enables enhanced utilization of the insights of the Outside Directors and reinforces the Board's supervisory functions over the execution of management.

In fiscal 2018, the number of Outside Directors was increased by a further two, thereby giving the Board a composition of five Outside Directors and six Internal Directors.

**(4) Establishment of the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors**

In fiscal 2015, with the aim of increasing objectivity and transparency in the nomination and remuneration of Directors, etc., we established the Nomination and Remuneration Advisory Committee consisting of five members in total: the President and Chief Executive Officer, the Chairman of the Board of Directors, and three Outside Directors, one of whom is Chair.

The Committee played an important role in the process of deciding the successor to the President and Chief Executive Officer. The Committee also discussed ideas for a remuneration system and a set of performance evaluation standards for directors and officers taking into account incentives for medium- to long-term increase in corporate value and sustained growth. The Committee reported the results of its discussions to the Board of Directors.

For more information, please go to ► **Page 89** Special Feature: Message from an Independent Director.

## “Medium-Term Management Plan 2020”: Enhancement of Corporate Governance

### Reinforcement of supervisory functions through expanded scope of monitoring and reinforcement of Group governance through internal control

Corporate governance was reinforced under the previous medium-term management plan, and we seek to further enhance it under “Medium-Term Management Plan 2020.” Our focus will be on “reinforcement of the monitoring functions of the Board of Directors” and “reinforcement of Group governance.”

#### (1) Reinforcement of the monitoring functions of the Board of Directors

We will expand the scope of monitoring by the Board of Directors to reinforce the supervisory functions over management execution.

The Board will, for instance, undertake periodic monitoring of the progress of the medium-term management plan and the portfolio strategy. This monitoring will not only confirm the plan's progress but also provide checks on aspects including the status of investment in the three emerging fields we have identified (Technology x Innovation, Healthcare, and Social infrastructure).

As well, we will take measures to further strengthen the monitoring of concentration risks against exposure of the upstream resources business and the tubular products business, which are susceptible to fluctuations in market conditions, through analysis of various scenarios resulting from these fluctuations. Additionally, the important social issue of climate change will be monitored continuously and appropriate response measures will be taken.

#### (2) Reinforcement of Group governance

We consider the internal control system to be the foundation upon which to promote our growth strategies. Accordingly, we have launched a project that aims to enhance operational quality and increase corporate value through use of the internal control system, thereby reinforcing Group governance.

This project will identify the basic risks that should be controlled as part of the operation of the business. With regard to the significance of the risks and their countermeasures, while maintaining dialogues with Group companies, the Company will create an autonomous cycle of plan-do-check-act (PDCA) for the improvement of internal control. The Group will standardize this process, and actively promote the use of PDCA cycles in workplaces to lead the way in enhancing operational quality for the Group as a whole.

### Initiatives to Date to Enhance Corporate Governance

		Up to FY2014	FY2015	FY2016	FY2017	FY2018 and after
Board of Directors		April 2003: • Limitation of the term of office for Chairman of the Board of Directors and President and Chief Executive Officer (six years, in principle) • Establishment and announcement of Corporate Governance Principles June 2003: • Reduction of number of Directors (24→12)				
	Directors	June 2005: • Shortening of the term of office for Directors (2 years→1 year)				
				Evaluation of the effectiveness of the Board of Directors (Note: Implemented from fiscal 2015)		
	Outside Directors	June 2013: 2 Directors appointed	Increase to 3 (including 1 female)	Increase to 4 (including 1 female)	3 Outside Directors (including 1 female) Note: Decrease due to death, etc.	Increase to 5 (including 2 females)
Nomination and Remuneration Advisory Committee		April 2007: Establishment of Remuneration Committee	November 2015: Establishment of Nomination and Remuneration Advisory Committee (Note: Majority are Outside Directors, chaired by an Outside Director)			
Other				Implementation of all principles of Japan's Corporate Governance Code (Full compliance)		

For more information, please go to ► **Page 93** Corporate Governance.

**“Medium-Term Management Plan 2020”: Enhancement of Human Resources Management****Creating a corporate culture able to benefit from the strengths and individuality of diverse human resources to make invisible diversities a source of growth**

The business environment surrounding the Sumitomo Corporation Group is changing at a hectic pace and the local communities and business fields in which we operate, and even our business models, are becoming increasingly diverse. In an era hailed as the Fourth Industrial Revolution, it is essential for the Group to promote diversity as a management strategy in order to adapt to change and continue achieving sustainable development. As overseas markets expand, the development of managerial human resources able to take charge of business growth at a global level has become a pressing issue.

Under “Medium-Term Management Plan 2020,” we declared the basic concept of our human resources strategy to be “Diversity & Inclusion: Make diversity a source of competitiveness.” There are four elements to this basic concept: “Encourage individuals to challenges,” “Expand the strengths of individuals,” “Capitalize on the strengths of individuals,” and “Value, respect, and accept individual differences.”

It is essential to utilize the rich mix of “knowledge” of diverse humans as a source of competitiveness in order to survive and stay competitive in complex business fields. We will focus on the diversity of our human resources on a global basis, particularly on their individual strengths, and bring these strengths together in combination. By doing so, we will drive the progress of our growth strategies.

As an absolute precondition, we need to develop and apply a mindset that acknowledges, respects, and accepts individual differences and then utilize them as a source of competitiveness. In other words, we need to practice inclusion.

Before setting out the concrete measures of our human resources strategy, we will explain the level of diversity that the Sumitomo Corporation Group aspires to.

It would not be enough if we focused on “visible” diversity such as gender, nationality, ethnicity, and age. Our focus, rather, is on “invisible” diversity in the form of differing opinions, perspectives, ideas, values, capabilities, skills, and experiences. Respecting these differences while at the same time progressing in a united direction as an organization, we aim to reap their benefit as a source of competitiveness, stimulating added value and growth.

To encourage the promotion of growth strategies at the level of the individual Group employee, in addition to giving consideration to invisible diversity, we also need to allocate the right person in the right place at the right time on a global basis, strategically carry out the appointment and development of human resources as well as build organizational structures, and ensure the necessary organizational culture and awareness to support these. To realize this strategy, as well as top-down measures from management, the bottom-up approach is also important. One of these bottom-up initiatives was the launch in fiscal 2017 of the Diversity & Inclusion Promotion Project as an advisory body under the direct control of the President. I myself as a project leader attend almost all of the project meetings, where project members from a wide range of backgrounds engage in frank discussion of issues and ideas rooted in their workplace experiences.

The opinions and suggestions flowing from the Project have been fed into the human resources strategy of “Medium-Term Management Plan 2020.” We have initiated similar projects in our overseas organizations and will continue to pursue diversity across Group global operations while also seeking to forge cooperative links.

In promoting Diversity & Inclusion, two very important elements are commitment as a company from a long-term perspective and creation of a corporate culture able to benefit from diversity. To ensure these elements, we are moving forward with and enhancing the range of measures constituting our human resources strategy. The measures presented in “Medium-Term Management Plan 2020” are divided into three categories, as follows.

**Basic Concept of Human Resources Strategy**

### (1) Strategic human resources management on a global basis

We established the SC Group Talent Management Meeting in fiscal 2017 to function as a mechanism to promote strategic human resources allocation. The Meeting discusses personnel transfers from a companywide perspective transcending divisional considerations to implement strategic allocation of personnel as a management resource.

We are also moving ahead with initiatives to establish an environment conducive to the utilization and development of the managerial human resources of overseas offices and Group companies as well as the human resources of Sumitomo Corporation. In concrete terms, we will initially introduce a unitary global human resources management system and prepare Global HR Database, based on which we will enhance succession planning for key positions. In addition, we will formulate and implement a Global Mobility Policy (a set of common rules on employment conditions and benefits) as an infrastructural measure to facilitate job rotation of national staff between overseas regions and the hosting of Group human resources at the Head Office.

As a measure to develop the executive management candidates of the future, we will use a system of job rotation that transcends divisional considerations. By allowing candidates to experience working in a number of different fields instead of being limited to a single area, thus broadening their outlook, we will develop managerial human resources equipped with a diverse range of experiences.

### (2) Growing as an organization unceasingly challenging for new value creation

As a program to address “Medium-Term Management Plan 2020” in a united and comprehensive way, we have introduced the Medium-Term Management Plan Challenge and Evaluation System. This system encourages employees to engage in renewed discussion as to what their particular organization needs to do in order to realize the plan’s growth strategies and to reflect this in ambitious individual goals.

Meanwhile, as a project separate from initiatives at the level of the organizational unit, we have also introduced the

Challenge Award System, a system open to individual participation. The individual challenge need not be linked to the goals of the organization the individual belongs to. These systems will provide backup to employees and organizations who fearlessly take on highly difficult challenges with potentially great impacts on the future of the organization or which depart from the conventional trajectory.

### (3) Creating an environment in which diverse individuals can develop their capabilities to the fullest

We will further promote health and productivity management based on the concept that a healthy mind and body are essential for each employee to perform at his or her highest level and are the foundation for the continuous creation of new value. So that each individual employee can work in good health with positive motivation, we will enhance initiatives on improving health and preventing illness. In addition, we will take steps to realize and promote output-oriented workstyles that help generate higher added value. These will include the creation of environments that encourage self-sustaining and flexible work that is free of conventional restrictions and the allocation of time for personal development. As concrete measures, in fall 2018 we will begin introducing full-scale teleworking and “super-flexible” work hours, starting with the Head Office.

In addition, with the aim of benefiting from the strengths and unique attributes of individuals, we will start building a human resources system that incentivizes not only generalists and management candidates but also professional human resources with a high degree of specialty who make significant contributions to the organization.

Through the enhancement of our governance and human resources strategy outlined above, we will accelerate the promotion of growth strategies set out in “Medium-Term Management Plan 2020” and at the same time progress with management base enhancement to support the sustainable growth of the Sumitomo Corporation Group and a medium- to long-term increase in corporate value.

## Measures of “Medium-Term Management Plan 2020”

Strategic human resources management on a global basis	Growing as an organization unceasingly challenging for new value creation	Creating an environment in which diverse individuals can develop their capabilities to the fullest
<ul style="list-style-type: none"> <li>• Strategic allocation of human resources</li> <li>• Active use of interdivisional job rotation</li> <li>• Building of the systems required for global human resources operations</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of “Diversity &amp; Inclusion” as an evaluation criterion</li> <li>• Introduction of the Medium-Term Management Plan Challenge and Evaluation System</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of health management</li> <li>• Pursuit of workstyles that help generate higher added value</li> <li>• Enhanced utilization of professional human resources and actively pursuing recruitment of mid-career human resources</li> <li>• Enhanced human resources development measures</li> </ul>

## 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.



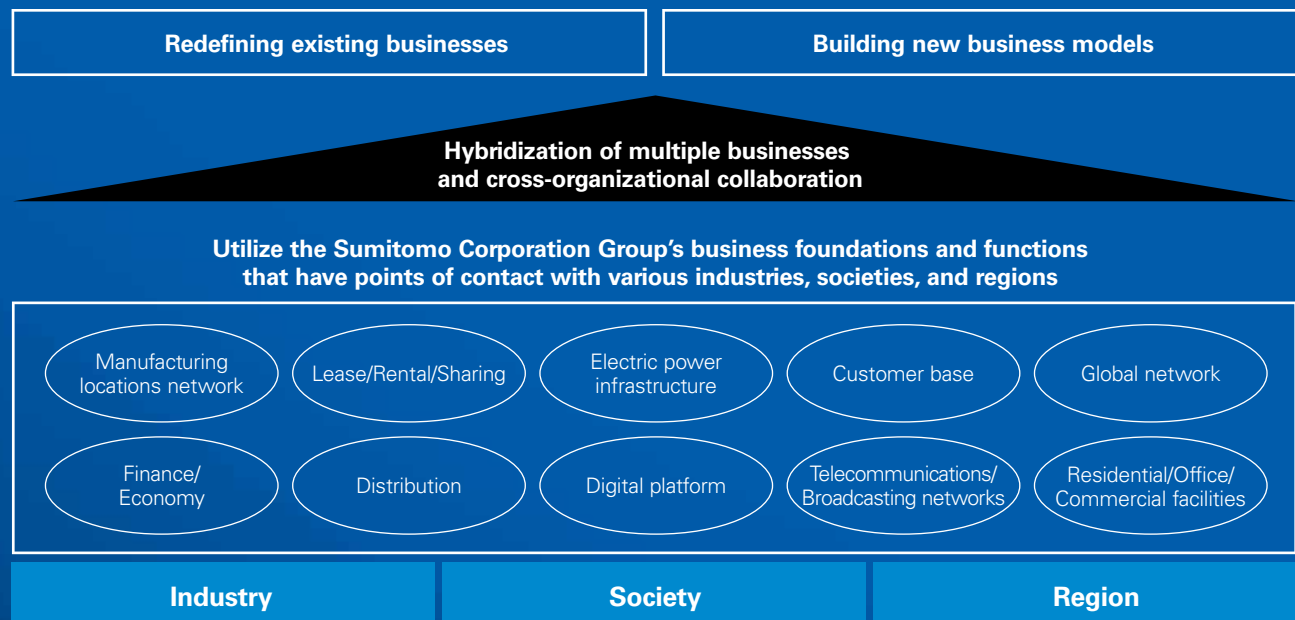
## Special Feature: A Business Approach to Create New Value

# 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

→ Page 51

**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

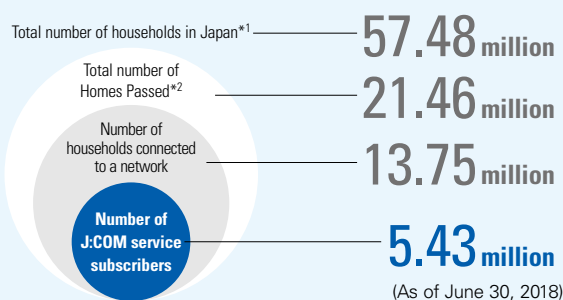
# Expanding retail sales of low-voltage electricity using the customer base of J:COM, which exceeds 5.4 million households

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

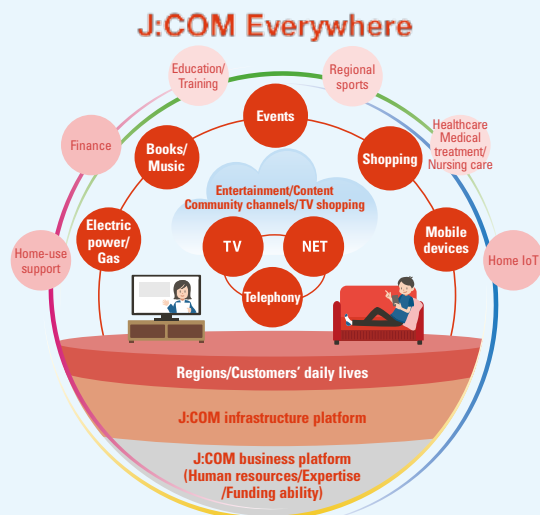
### J:COM Network Scale



\*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

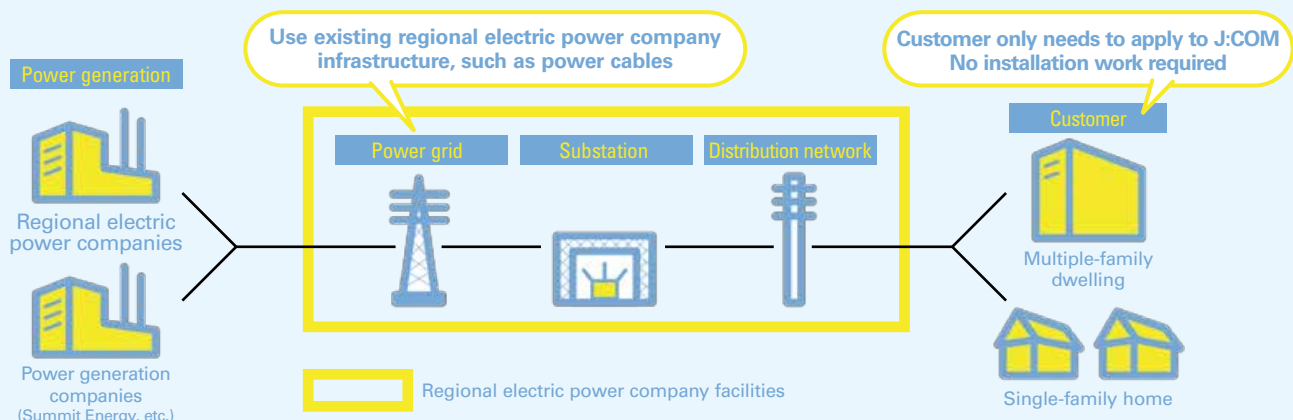
the risk of power outages, and how difficult is the process. All of this combined to result in certain hurdles to popularization.

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)

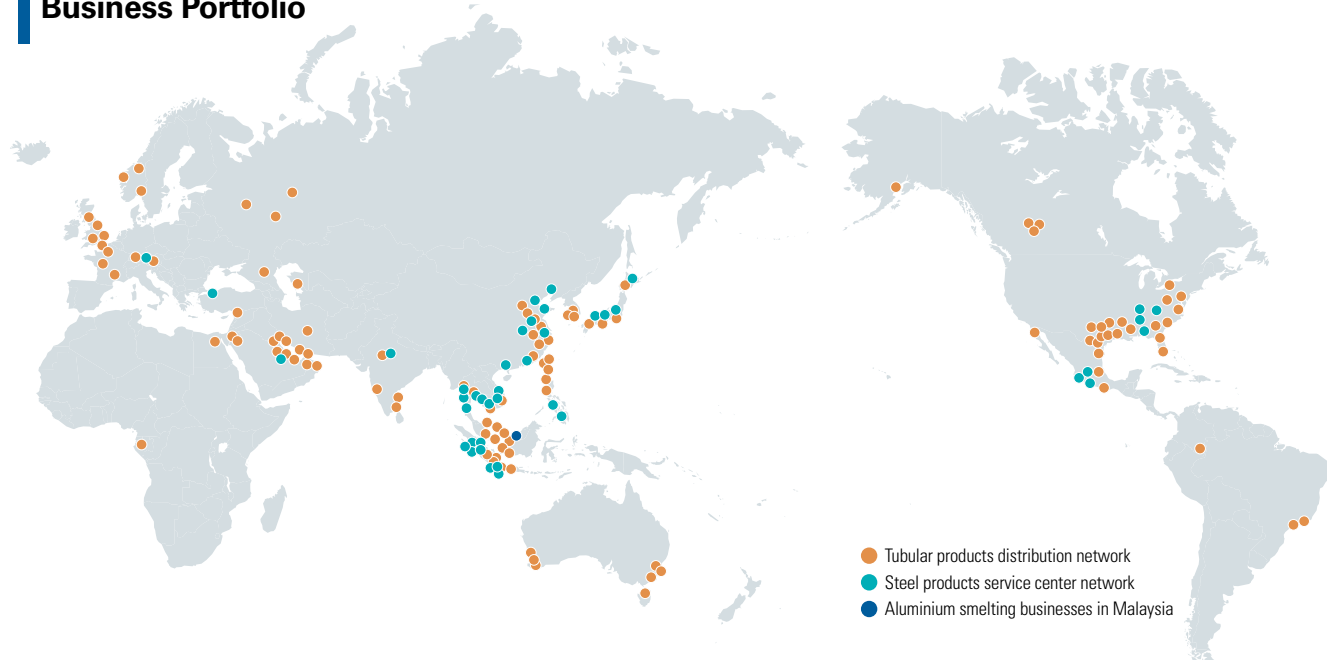


Aluminum smelting business (Malaysia)

## 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

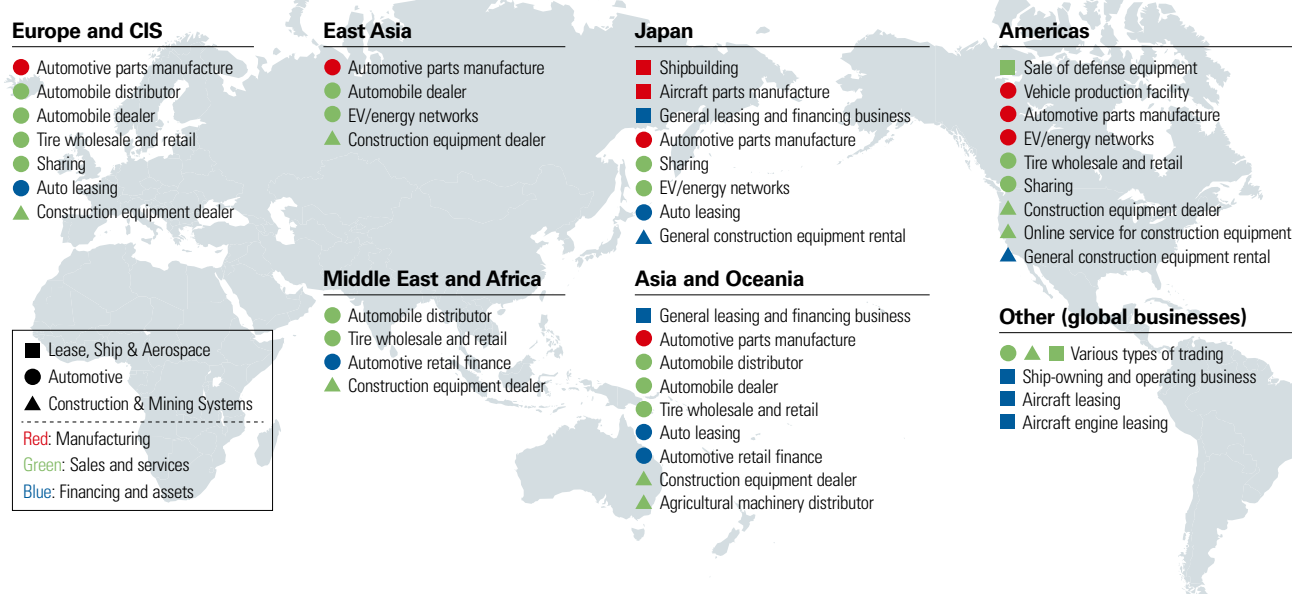


Ultra-large excavator and truck for mining

## 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



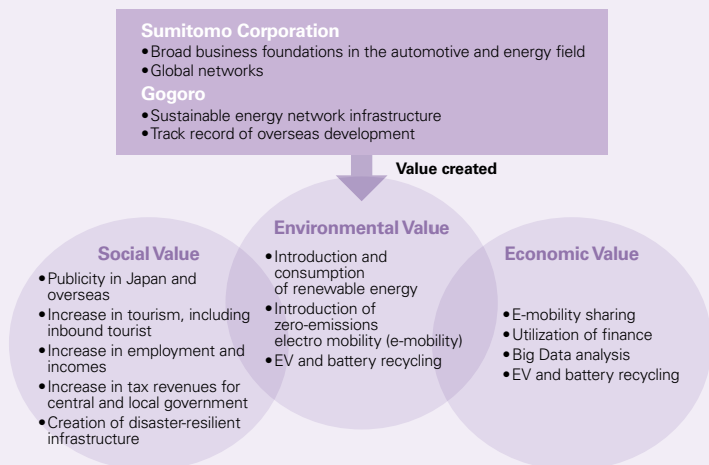
Smartscooters and swappable battery recharging stations provided by Taiwanese company Gogoro

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)

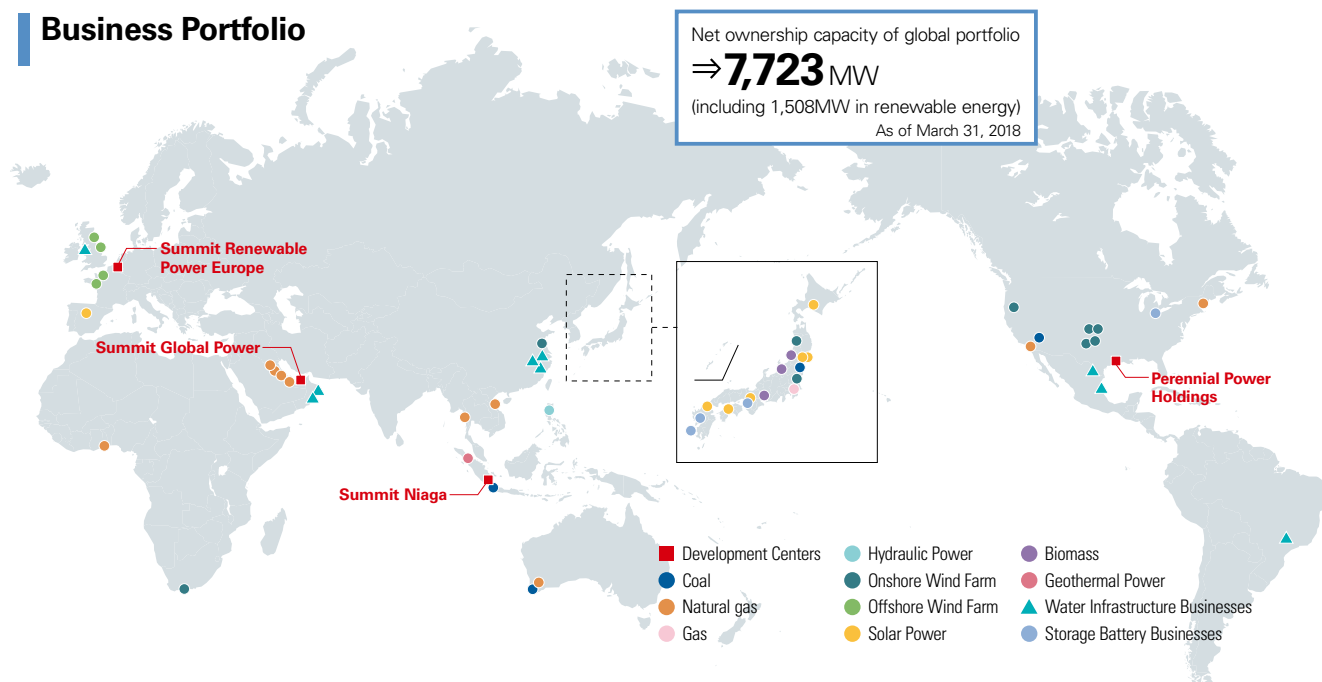


Thang Long Industrial Park (Vietnam)

## 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

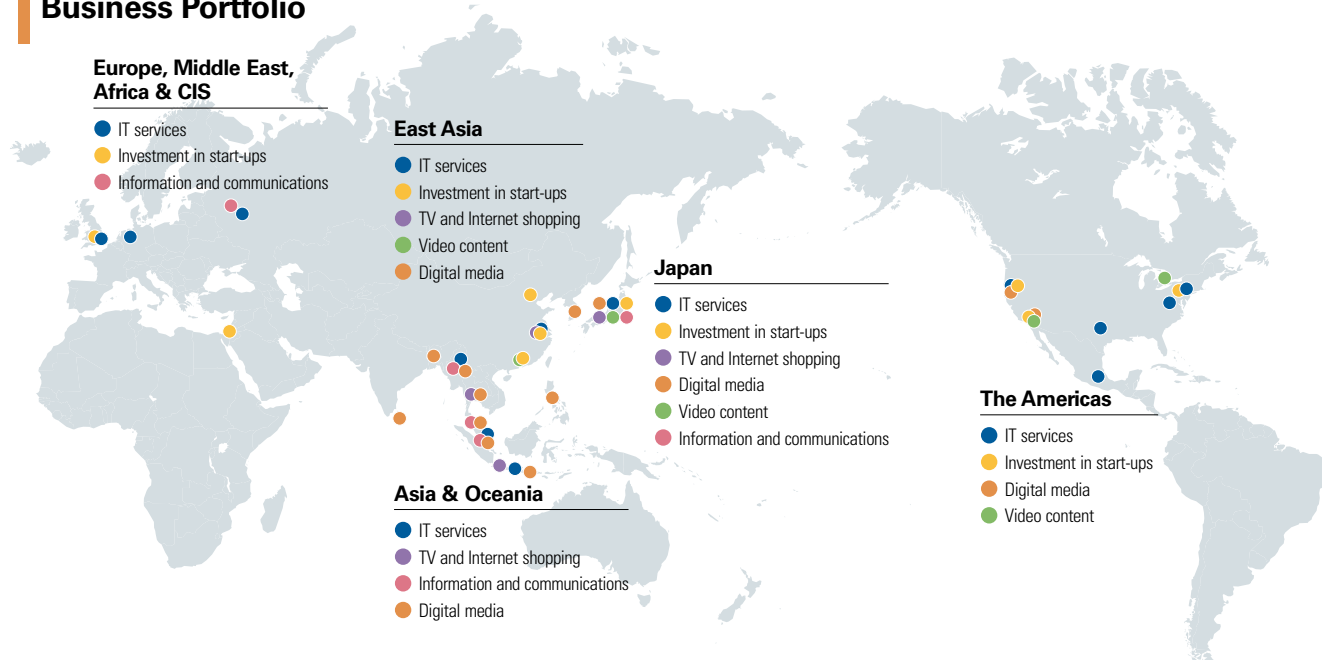


Telecommunication business in Myanmar

## 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  
“#ASAB Suzuki”



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.

## 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
<b>Global basis*1</b>		*3	*3
Profit*2	77.0	<b>93.5</b>	<b>93.5</b>
(Media & Digital)	—	—	59.0
(Living Related & Real Estate)	—	—	34.5
<b>Segment basis</b>			
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"

	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



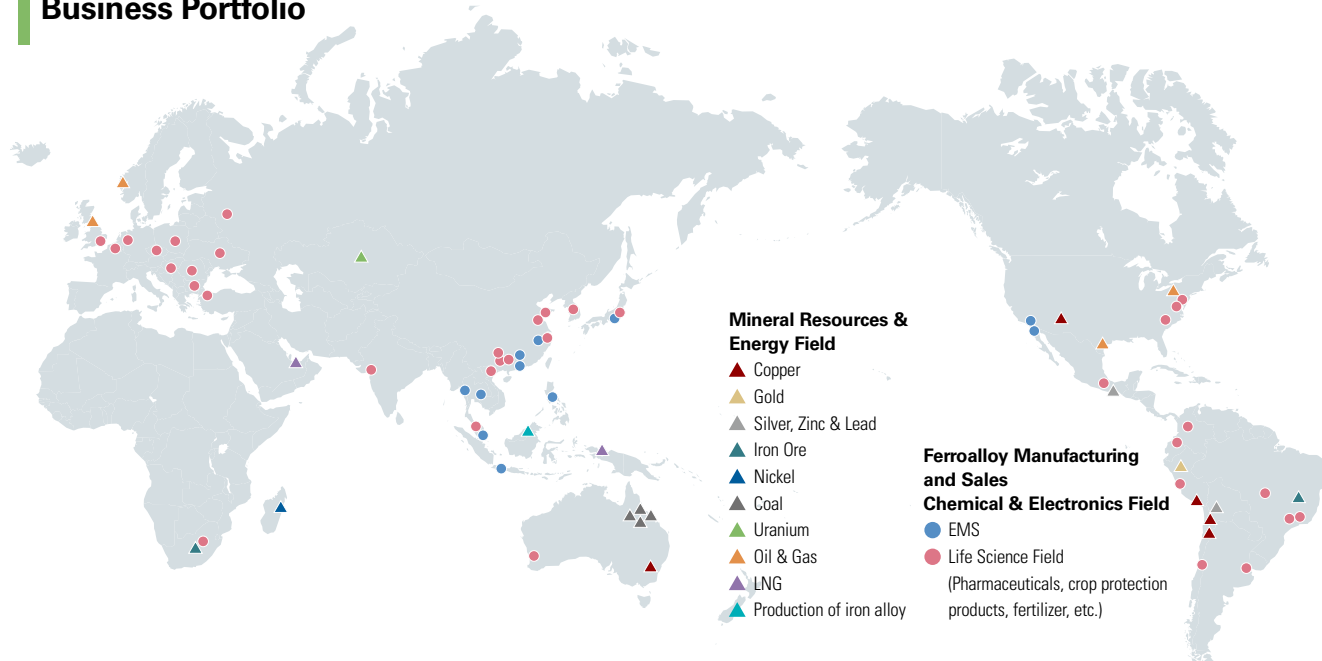
Pharmaceuticals for pets



## 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



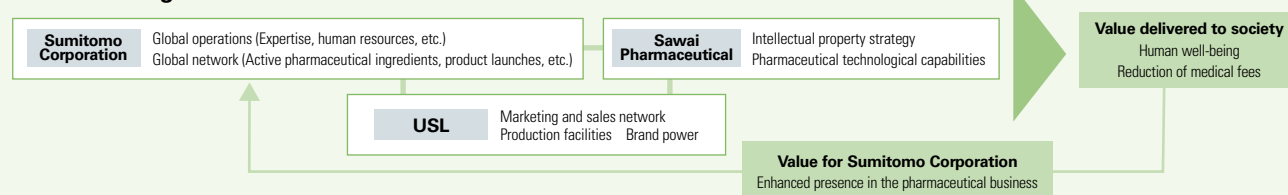
The U.S. market accounts for approximately 40% of the global pharmaceutical market, which is estimated to be ¥127 trillion. And it is expected to continue growing well into the future as the elderly population grows and the use of generic pharmaceuticals is encouraged as a means of curbing medical expenditures.

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.

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## Regional Strategy 1

## East Asia



**Fumihiro 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



# Asia & Oceania



**Masao Sekiuchi**

General Manager for Asia & 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



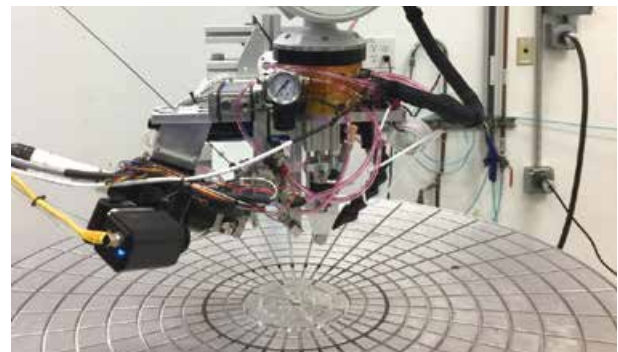
**Shingo Ueno**  
General Manager for the Americas

## 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

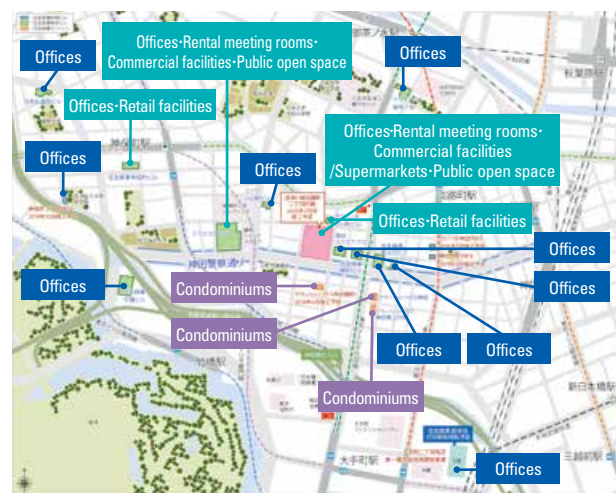
## Drawing on all of the Group's business capabilities, cutting-edge technology, and expertise

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:**

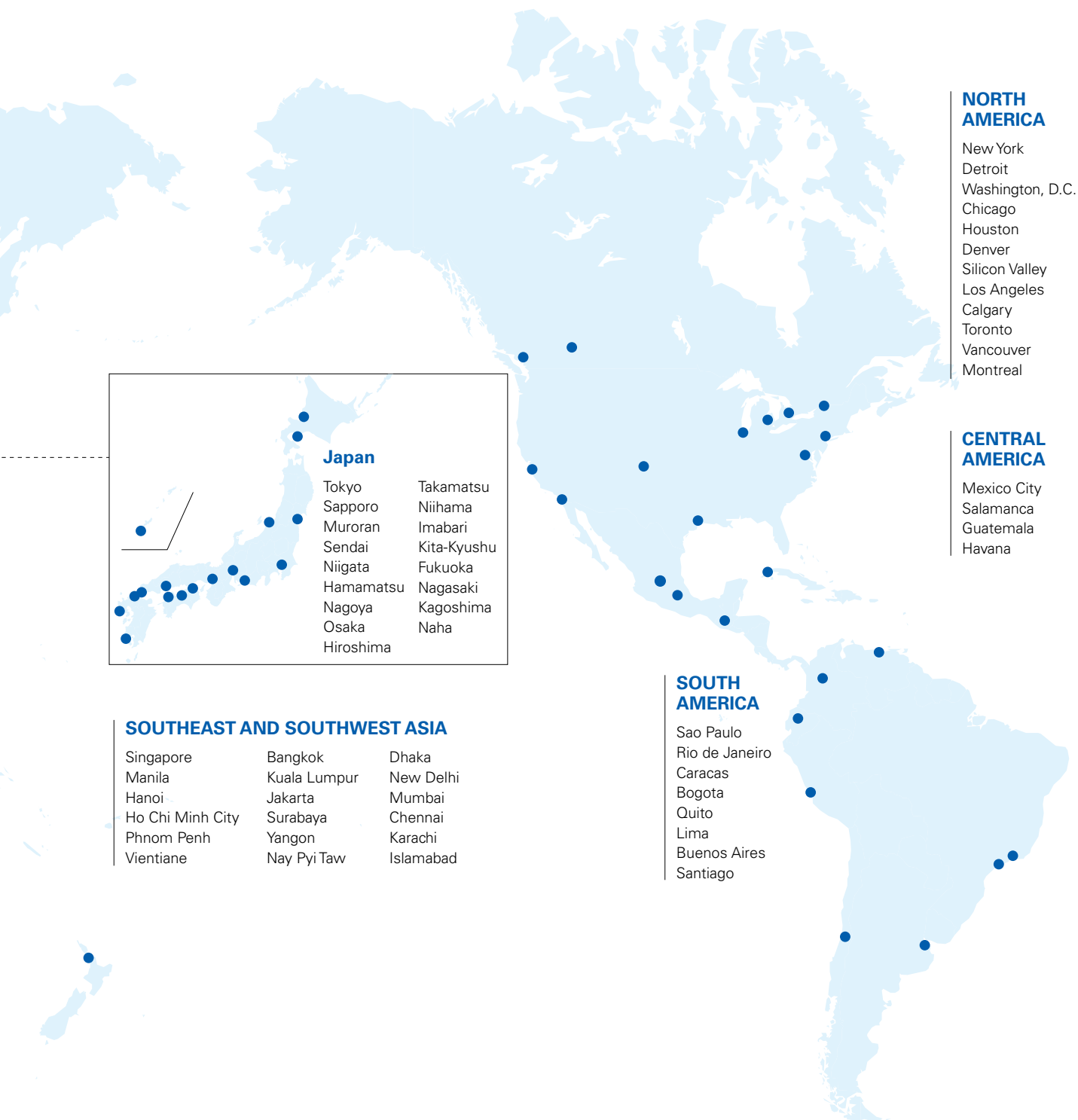
Headquarters

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**

## Chapter 4 Management Base Enhancement

# Practicing Sustainable Business Management

Aspiring to be a corporate group capable of growing sustainably in harmony with society, we are working to establish more solid management bases to support new value creation.

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## Working for ongoing strengthening and improvement based on “management base enhancement” as a key theme of the medium-term management plan

In recent years, financial markets have begun to show increased interest in the new ESG management benchmark. This reflects a shift from an approach that emphasizes short-term growth to one emphasizing medium- to long-term and sustainable growth. In parallel with this, the overemphasis on economic value is also being replaced by a shift to a more multifaceted approach that includes social, environmental, and other aspects.

Against this background, the Sumitomo Corporation Group is working to enhance its management bases in order to evolve as a corporate group capable of growing sustainably in harmony with society.

Under our previous Medium-Term Management Plan “BBBO2017,” we also achieved an enhancement of management bases by improving corporate governance and the decision-making process, strengthening the risk management system, and enhancing “individual capability” and “organizational capability.” Our new “Medium-Term Management Plan 2020” commits us to expanding the scope of monitoring so as to strengthen supervisory functions and enhance Group governance based on internal controls. We will also seek to enhance our human resources strategy and promote sustainable management.

### Initiatives to Date to Enhance Corporate Governance

		Up to FY2014	FY2015	FY2016	FY2017	FY2018 and after
Board of Directors		April 2003: <ul style="list-style-type: none"><li>• Limitation of the term of office for Chairman of the Board of Directors and President and Chief Executive Officer (six years, in principle)</li><li>• Establishment and announcement of Corporate Governance Principles</li></ul> June 2003: <ul style="list-style-type: none"><li>• Reduction of number of Directors (24→12)</li></ul>				
	Directors	June 2005: <ul style="list-style-type: none"><li>• Shortening of the term of office for Directors (2 years→1 year)</li></ul>				
				Evaluation of the effectiveness of the Board of Directors (Note: Implemented from fiscal 2015)		
	Outside Directors	June 2013: 2 Directors appointed	Increase to 3 (including 1 female)	Increase to 4 (including 1 female)	3 Outside Directors (including 1 female) Note: Decrease due to death, etc.	Increase to 5 (including 2 females)
Nomination and Remuneration Advisory Committee		April 2007: Establishment of Remuneration Committee	November 2015: Establishment of Nomination and Remuneration Advisory Committee (Note: Majority are Outside Directors, chaired by an Outside Director)			
Other			Implementation of all principles of Japan's Corporate Governance Code (Full compliance)			

**Special Feature: Message from an Independent Director**

# **Facilitating the sharing of value with shareholders while pursuing medium-to-long term sustainable growth.**

Nobuyoshi Ehara

Sumitomo Corporation Independent Director

In April 2018, Sumitomo Corporation, under the leadership of the new president Masayuki Hyodo, embarked on a new management plan, “Medium-term Management Plan 2020.” One area of major focus is to further enhance governance by increasing monitoring functions of the board of directors. The company also revised its executive remuneration system with the aim to align management incentive with shareholder’s interest. We asked Independent Director Nobuyoshi Ehara, chairman of the Nomination and Remuneration Advisory Committee in charge of the nomination of a new president and the revision of the remuneration structure, to tell us about the decision-making process behind these developments and share his thoughts on how to enhance governance in the future.



## The Nomination of a New President and Chief Executive Officer

According to Sumitomo Corporation's corporate governance codes, "in principle, the term of the executive office serving as president shall not exceed six years." The tenure of former President Kuniharu Nakamura, who took office in 2012, would have reached six years during fiscal year 2018, so we began the selection process and eventually named senior managing executive officer, Mr. Masayuki Hyodo, as the new president.

Nomination and Remuneration Advisory Committee was established in November 2015 to act as an advisory body for the board of directors. One of its missions is to enhance objectivity and transparency of the process involved in nominating a president. The committee is also responsible for remuneration matters. Mr. Hyodo became the first president selected on the basis of a recommendation from the committee. A majority of the committee members—three out of five—are independent directors, and I serve as the committee chairman. Recognizing the significance of its task, the committee started a selection process in August 2016 and held numerous discussions over a year and three months.

### Five qualities the president of Sumitomo Corporation must possess

- ① Must fully understand and personify the Sumitomo's Business Philosophy.
- ② Must be fair and impartial and do everything for the sake of the company.
- ③ Must be disciplined and self-controlled.
- ④ Must possess unshakeable mental fortitude.
- ⑤ Must be crisis-resistant, in other words, must possess perseverance.



Must possess the ability to adapt to changes in the business environment.

Let me explain the nomination process in further detail. We first began by discussing qualification required for the next president and agreed on five qualities shown in the illustration in addition to leader's ability to navigate the company through changes. This was followed by discussions on potential candidates. We then interacted with selected candidates in various settings. After much deliberation, in November 2017, the committee unanimously decided on Mr. Hyodo as the new president, a recommendation that was accepted at the board meeting in December.

Mr. Hyodo meets all the qualities required for the president of Sumitomo Corporation. We rated him especially highly on crisis resistance and perseverance. Mr. Hyodo demonstrated that quality working on a number of projects as well as his strength and leadership during the recent business crisis for the company with huge write-offs a few years earlier. Mr. Hyodo had been also highly respected by people outside the company, such as his business partners both in Japan and overseas. Another factor that endorsed Mr. Hyodo's candidacy was his personality—open minded, fair and full of vitality. The committee became convinced that Mr. Hyodo's leadership skill, combined with his personality, would enable him to successfully lead the organization and the people in time of rapidly changing business environment. He would foster corporate culture, which is both forward-looking and willing to challenge.

It is my earnest hope that Mr. Hyodo will exercise his leadership and tackle many changes with a fresh attitude. These changes include, among others, those caused by geopolitics and the Fourth Industrial Revolution with innovation in information technology. These changes are occurring at an unprecedented pace. I hope that, instead of merely following his predecessor, Mr. Hyodo will develop his own management style and strategies and proactively challenge new things.

The appointment of a new president for the first time with a recommendation of the Nomination and Remuneration Advisory Committee, in my opinion, was a great step forward for Sumitomo Corporation's corporate governance. I believe this latest selection brought fairness, objectivity and transparency to the process. Important thing is to continue this process, refine it and evolve it further with time. I am determined to pursue that goal as a committee member.



## Revisions of Remuneration System for Executive

Naming a chief executive officer was not the only duty of the Nomination and Remuneration Advisory Committee. We also had a vital task of redesigning the executive remuneration scheme and level. We began the revision process in summer of 2017 and hired an external consulting firm. The committee studied recent trends and analyzed domestic and foreign best practices, as we deliberated the issue from various standpoints. The revision had three main aims.

1. To better align management team incentives with shareholder interests.
2. To increase the weight of non-financial qualitative factors, including materiality issues.
3. To adjust compensation standards to reflect the appropriate level for the current environment.

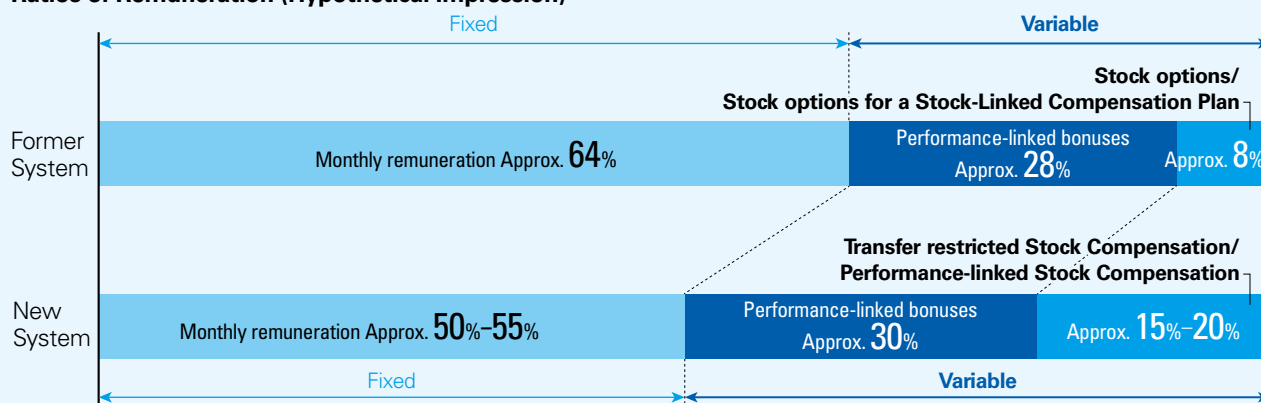
Under the new system, we increased variable portion of compensation, thereby providing greater incentive to achieve results and goals in line with medium-to-long term corporate strategies. Specifically, we reduced the ratio of gross salary and increased the ratio of incentive compensation. The latter comes in the forms of stock-based remuneration and performance-linked bonus. We changed the stock remuneration scheme from the previous New Share Acquisition Right, to a two-fold scheme with Restricted Stock-Based Remuneration and Performance Share Unit-Based Remuneration. Under this new scheme, executives

own stock while in office, so that they share value with shareholders more compared with the previous system. They are encouraged to grow business from a shareholder's point of view. By introducing the new stock remuneration plan linked to financial performance, we expect to motivate management to focus on medium-to-long term results, thereby increasing corporate value in a sustainable way. This, we believe, will help align executives' interest with that of shareholders. In addition, we analyzed market data on compensation provided by external sources and adjusted compensation levels for each executive rank as appropriate for the Company's business.

We changed the appraisal system, too. Under the old system, greater weight was assigned to financial results in determining the allocation of individual performance-linked bonus. Under the new scheme, we increased the weight given to qualitative factors, including handling of materiality matters. This is the point the independent director members of the committee stressed strongly during the revision of the system. We believe that this will encourage executives to shift away from a simple focus on short-term financial results towards greater commitment to medium-to-long term goals. Long-term focused efforts often cannot be measured quantitatively.

This revision proposal was presented and approved at the board meeting in May 2018 and received the approval of shareholders at the Ordinary General Meeting in June. It was adopted effective beginning of the current fiscal year. Sumitomo Corporation started the new Medium-term Management Plan in April 2018 and will be celebrating the 100th anniversary in 2019. Along with these milestones, the

### Ratios of Remuneration (Hypothetical Impression)



1. This chart is a hypothetical impression computed on the basis of a prescribed corporate performance and the share prices of the Company's stock, with the aforementioned ratios subject to fluctuation pursuant to changes in corporate performance and the Company's share price.
2. The chairman of the board of directors shall not be paid performance-linked bonuses.

new remuneration system will help generate a higher level of value creation and business growth for the company.

I believe that this revision has positioned Sumitomo Corporation's executive remuneration system among progressive ones in Japan. As business conditions change from time to time, however, the system needs to evolve further. The committee will continuously upgrade the system so that the executives of the company will align their target vector with the interest of the shareholders. We aim to continuously refine compensation structure that would induce output mutually beneficial for shareholders and management.

## Toward Even Stronger Governance

I have been an independent director of this company for two years. During that time I observed that the board discussions became more lively engaged with each meeting. I also believe that the content of the discussions have become more substantial and better focused. These opinions are well reflected in the self-assessment of the board, which is carried out by all board members and auditors once a year. These participants view, according to the self-assessment, that the board functions better than before not only as a means for formal governance but also as a forum to exchange substantive ideas.

In order to raise the level of the Company's governance,

it is vital that the board recognizes its fiduciary duties to shareholders in overseeing the management and performing the duties with diligence. To do that, I believe board members must always consider what issues the board should address and identify pertinent discussion topics. It is critical that board meeting agenda be carefully developed among the management and the board members. One example is business portfolio strategy. As an integrated trading company, Sumitomo Corporation conducts business and invests in highly diverse fields. This being the case, the current business portfolio consists of both legacy businesses accumulated from past projects and businesses which are newly developed. As the business environment changes, it is extremely important for the Company to adjust portfolio mix appropriate for medium to long term goals. Sumitomo Corporation should proactively manage its business portfolio in order to achieve sustainable business growth. I would expect the board to discuss this issue more rigorously going forward.

As I have thus explained, Sumitomo Corporation's governance has been steadily progressing, but there is still room for improvement. For my part, as an independent director and a member of Nomination and Remuneration Advisory Committee, I intend to support efforts to strengthen the company's governance and further improvements in the remuneration system through discussions both at the board level and with management. I would like to contribute to Sumitomo Corporation in realizing its goals and healthy increase in corporate value.



# Corporate Governance

## Corporate Governance Principles and System

### Corporate governance principles

Sumitomo Corporation established the “Sumitomo Corporation Corporate Governance Principles” while keeping in mind that the backbone of our corporate ethics is in “Sumitomo’s Business Philosophy” and “Management Principles.” The Sumitomo Corporation Corporate Governance Principles were established based on our view that the essence of corporate governance is “improving management efficiency” and “maintaining sound management,” as well as “ensuring management transparency” to secure the first two. Following the Sumitomo Corporation Corporate Governance Principles, we are always seeking to establish the most appropriate managerial system for the Company and are strengthening our corporate governance to realize management that serves the interests of shareholders and all other stakeholders.

### System and features of corporate governance

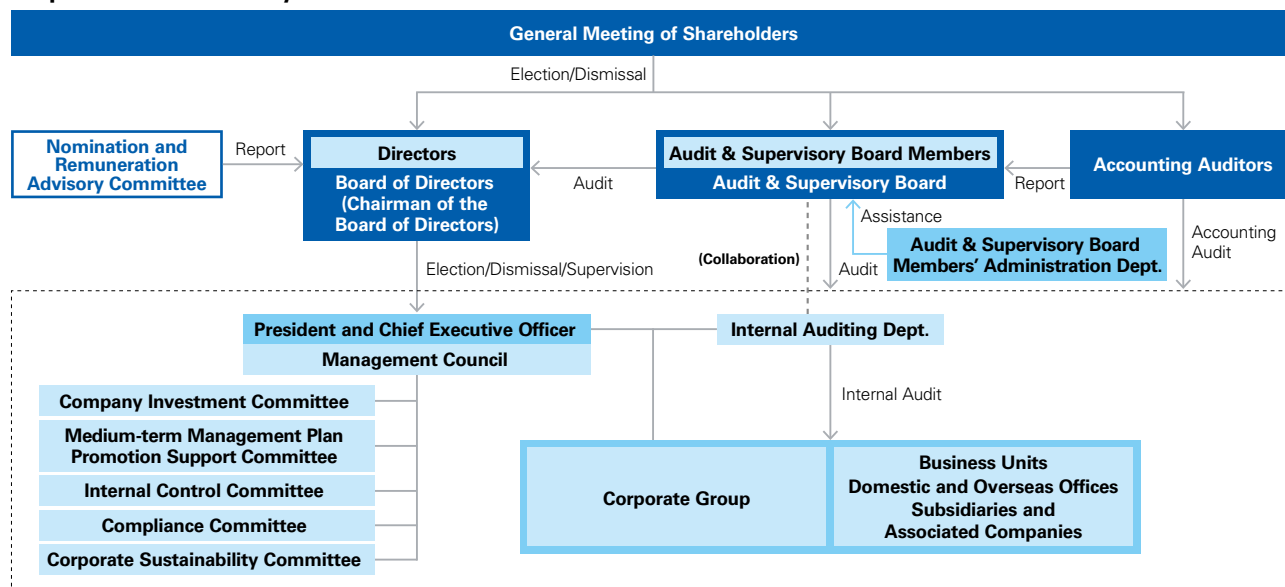
We have adopted a company with Audit & Supervisory Board Member system, as we believe that strengthening and enhancing this system is the most effective means of improving the effectiveness of corporate governance. In addition, we have appointed five Outside Directors with a view to ensuring appropriate decision-making by the Board of Directors and further strengthening supervision.

Our “Medium-Term Management Plan 2020,” which began in fiscal 2018, also includes initiatives for strengthening functions for monitoring by the Board of Directors, such as more thorough reporting in relation to business portfolio strategy, with the aim of further enhancing corporate governance.

### Overview of Corporate Governance System (As of August 1, 2018)

Form of organizational structure	Company with Audit & Supervisory Board
Number of Directors	11 (5 of whom are Outside Directors); 1-year term
Term of Chairman of the Board of Directors, President and Chief Executive Officer, and Outside Directors	No more than 6 years, in principle
Number of Audit & Supervisory Board Members	5 (3 of whom are Audit & Supervisory Board Members); 4-year term
Executive Officers	Executive officer system adopted
Voluntarily established bodies as advisory bodies to the Board of Directors	Nomination and Remuneration Advisory Committee
Sumitomo Corporation Corporate Governance Principles	<a href="http://www.sumitomocorp.com/en/-/media/Files/hq/about/governance/detail/principle.pdf">www.sumitomocorp.com/en/-/media/Files/hq/about/governance/detail/principle.pdf</a>
Corporate Governance Report	<a href="http://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/cgr.pdf?la=en">www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/cgr.pdf?la=en</a>
Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members	<a href="http://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/outdirec_independ.pdf?la=en">www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/outdirec_independ.pdf?la=en</a>
Accounting auditors	KPMG AZSA LLC

### Corporate Governance System



## Directors and the Board of Directors

### Composition of the Board of Directors

The composition of the Board of Directors ensures diversity in experience, knowledge, expertise, gender, and so on. In June 2018, the number of Outside Directors was raised from three to five (of which two are female), and this increase in the ratio of Outside Directors resulted in the further reinforcement of functions for supervising the execution of management.

### Improvement of deliberation and enhancement of monitoring function at the Board of Directors

We carefully select agenda items requiring discussion by the Board of Directors so that the Board of Directors can concentrate on the deliberation of important matters regarding the Companywide management such as the business policy and management plan. At the same time, we have increased the matters to be reported to the Board of Directors to make it possible for the Board of Directors to concentrate more on supervising the execution of operations, so that the Board of Directors can enhance its monitoring function. We have also established opportunities for free exchange of opinion before decisions on important matters.

### Qualifications of outside directors and implementing regular meetings for exchanges of opinions

Our five Outside Directors satisfy the standards on independence set by Tokyo Stock Exchange, Inc. (TSE), and other financial instruments exchanges on which the Company is listed, as well as our in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members. Leveraging a different type of experience and expertise, each Outside Director contributes to our corporate governance by providing a variety of independent viewpoints.

In addition, Outside Directors hold discussions and exchanges of opinions with the Chairman of the Board of Directors, the President and Chief Executive Officer, Internal Audit & Supervisory Board Members, and Outside Audit & Supervisory Board Members once a month, in principle.

### Reasons for appointing outside directors

We deemed the respective Outside Directors to be qualified for appointment because of the experience stated below, which will contribute to appropriate decision-making at meetings of the Board of Directors and further strengthen supervision.

**Yayoi Tanaka:** Highly specialized knowledge and extensive experience accumulated through long engagement in research in the fields of evaluation studies and civil society organizational theory and the holding of a number of positions on government committees, including the Administrative Reform Promotion Council (private-sector member)

**Nobuyoshi Ehara:** Wide-ranging knowledge and a wealth of experience in finance and business management accumulated during many years of engagement in a major U.S. financial institution and the management of a private-equity firm

**Koji Ishida:** Wide-ranging knowledge and a wealth of experience in finance and business management accumulated during many years of engagement in a major financial institution and past position as a member of the Policy Board at the Bank of Japan

**Kimie Iwata:** Wide-ranging knowledge and a wealth of experience in business management, corporate governance, corporate social responsibility, and diversity accumulated in managerial and outside director positions for private companies, before which she served in a succession of key positions in the Ministry of Labour (now the Ministry of Health, Labour and Welfare) over the course of many years

**Hisashi Yamazaki:** Highly specialized knowledge and a wealth of experience in law accumulated over the course of many years as a judge and an attorney at law

### Establishment of the Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee, of which a majority of members are Outside Directors, and which is also chaired by an Outside Director, has been established as an advisory body to the Board of Directors. This Committee nominates candidates for Director, Audit & Supervisory Board Member, and Management Council Member (including deciding Representative Directors and Executive Directors and nominating successors to the President and Chief Executive Officer). In addition, the Committee discusses the structure and level of remuneration and bonuses for Directors and Executive Officers, as well as the revision of limits for remuneration of Audit & Supervisory Board Members, and reports the outcome to the Board of Directors. In April 2018, a new President and Chief Executive Officer was appointed by a resolution of the Board of Directors that had received the report of the Committee.

With the previous President and Chief Executive Officer approaching the limit of his six-year term as prescribed in the Sumitomo Corporation Corporate Governance Principles, the Nomination and Remuneration Advisory Committee conducted discussions in relation to the qualifications of the new President and Chief Executive Officer, as well as gathering and analyzing information and exchanging opinions in preparation for the nomination process. Having passed a unanimous resolution on a candidate for the new President and Chief Executive Officer, the Committee made its report to the Board of Directors.

### Composition of the Nomination and Remuneration Advisory Committee

Total Members	Internal Directors	Outside Directors	Committee Chairman
5 persons	2 persons (President and Chief Executive Officer, Chairman of the Board of Directors)	3 persons	Outside Director

### Evaluation of the effectiveness of the Board of Directors

To maintain and heighten the effectiveness of the Board of Directors, each year Directors and Audit & Supervisory Board Members analyze and evaluate its effectiveness through the use of self-evaluations etc. We disclosed a summary of the results.

The evaluation of effectiveness of the Board of Directors and its results for fiscal 2017 is summarized below:

#### 1. Evaluation method

- (1) Those covered: All members of the Board of Directors (nine persons) and Audit & Supervisory Board Members (five persons)
- (2) Implementation method: Conducted using anonymous questionnaire from March to April 2018.  
Note: A third party (external consultant) was used in the conduct of the evaluation.

#### (3) Items evaluated:

- (i) Roles/responsibilities of the Board of Directors
- (ii) Composition of the Board of Directors
- (iii) Roles of Directors and qualifications for appointment
- (iv) Administration of the Board of Directors

- (4) Evaluation process: Questionnaire responses collated by the third party (external consultant) were analyzed and the results reported to the Board of Directors.

#### 2. Overview of the evaluation results

The results were generally positive for all of the items evaluated. The external consultant commented that various reforms have been made with the aim of realizing a more effective Board of Directors and that these

reforms have steadily produced results and that these efforts were also viewed positively by the external executives. On the other hand, to achieve further improvements in effectiveness, the evaluation identified issues such as further enhancement of the deliberations of the Board of Directors and improvement of the information provided to Directors. Going forward, after discussion by the Board of Directors, we will take initiatives to further improve the effectiveness of the Board.

### Issues raised by the evaluation of the Board of Directors and key initiatives to be taken

Issues that were raised in the Board of Directors' evaluation for fiscal 2016 included improving the quality of materials distributed at meetings of the Board of Directors and encouraging discussions among internal and outside directors. In fiscal 2017, measures to further improve the effectiveness of the Board of Directors were implemented in response to these issues. The measures included creating a glossary to explain the terminology used in materials distributed to the Board of Directors, and the continuance of giving a briefing on discussion points from the Management Council before presenting an item for deliberation by the Board of Directors.

Meanwhile, the Nomination and Remuneration Advisory Committee discussed ideas for a remuneration system and a set of performance evaluation standards for Directors and officers taking into account incentives for medium- to long-term increase in corporate value and sustained growth. Based on the Committee's report, the Board of Directors resolved to revise the directors' and officers' remuneration systems.

## Management Council

### Changing the Management Council to the decision-making body

In July 2015, the Management Council was reorganized to become the highest executive level decision-making body, with the aim of enabling decisions that take into account diverse opinions and multifaceted discussions in regard to specific key matters related to management, within the scope of the mandate conferred by the Board of Directors.

The Management Council, which meets in principle once a week, consists of the President and Chief Executive Officer,

all chief officers of the Corporate Group, and the general manager of each of the business units. In addition, in regard to specific issues that are extremely important from a Companywide perspective, the Company has established, as advisory bodies to the President and Chief Executive Officer and to the Management Council, committees such as the Company Investment Committee, the Medium-term Management Plan Promotion Support Committee, the Internal Control Committee, the Compliance Committee, and the Corporate Sustainability Committee.



## Audit & Supervisory Board Members and the Audit & Supervisory Board

### Enhancement of auditing capabilities

In order to reinforce the audit function from an external perspective, three of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. Of these, two are legal experts, and one is a specialist in accounting, such that the audit system incorporates diverse perspectives. Moreover, our three Outside Audit & Supervisory Board Members satisfy standards on independence stipulated by TSE and other financial instruments exchanges on which the Company is listed and our in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members.

### Collaboration between the Internal Auditing Department and accounting auditors

To ensure audit efficiency, Audit & Supervisory Board Members interact closely with the Internal Auditing Department, receiving reports on internal audit plans and their results in a timely manner. In addition, Audit & Supervisory Board Members exchange information with and monitor the auditing activities of the accounting auditors through regular meetings.

By attending audit review meetings and observing inventory audits with the accounting auditors, the Audit & Supervisory Board Members constantly work to improve audit efficiency and quality. Furthermore, Audit & Supervisory Board Members attend meetings of the Internal Control Committee and request reports on the status of internal control systems from other departments responsible for internal control, along with requiring their cooperation on audits.

### Ensuring Audit Effectiveness

Audit & Supervisory Board Members attend meetings of the Board of Directors and all other important internal meetings, to obtain the information necessary for proper auditing. Audit & Supervisory Board Members also meet the Chairman of the Board of Directors and the President and Chief Executive Officer, in principle once a month, to exchange opinions on material issues regarding management policy and auditing. Moreover, the Audit & Supervisory Board Members' Administration Department is assigned to assist Audit & Supervisory Board Members, so that the auditing system functions effectively and without hindrance.

## Initiatives to Ensure Transparency of Business Management

### Establishment of disclosure policy

To ensure that all stakeholders correctly understand its business management policy and business activities, the Company not only discloses statutorily required information but also actively discloses information on a voluntary basis. Moreover, the Company established the Corporate Disclosure Policy in July 2016.

### Measures relating to the General Meeting of Shareholders

We send out a Notice of Convocation to shareholders approximately three weeks prior to each regularly scheduled General Meeting of Shareholders. For the convenience of overseas shareholders, we also provide an English-language translation of the notice on our website in advance of sending a Notice of Convocation. We have allowed our shareholders to exercise their voting rights via the Internet using personal computers since 2004 and via the Internet using mobile phones since 2005. In 2007, we introduced the Electronic Voting Platform operated by Investor Communication Japan, Inc. (ICJ) a body established by TSE and other parties. The new platform allows institutional investors sufficient time to thoroughly examine the propositions to be resolved at the meeting. In addition, we stream video of the General Meeting of Shareholders on our website for a period of one year after the close of the meeting.

• For details on the Corporate Disclosure Policy, please visit the following website.  
[www.sumitomocorp.com/en/-/media/Files/hq/about/governance/detail/disclosurepolicy160701.pdf](http://www.sumitomocorp.com/en/-/media/Files/hq/about/governance/detail/disclosurepolicy160701.pdf)

## Senior Advisors, Honorary Advisors

(1) Appointment of former President and Chief Executive Officers, etc., as Senior Advisors or Honorary Advisors. In some cases, individuals with experience as President and Chief Executive Officer or Chairman of the Board of Directors are appointed as Senior Advisors. There are also cases where such persons are appointed as Honorary Advisors after resigning as Senior Advisor.

(2) Duties and remuneration of Senior Advisors and Honorary Advisors

Neither Senior Advisors nor Honorary Advisors engage in any execution of the Company's business or its management

decision-making.

In order that the President and Chief Executive Officer or Chairman of the Board of Directors can concentrate on corporate management with a view to enhancing corporate value, Senior Advisors are engaged full-time in external activities in place of the President and Chief Executive Officer or Chairman of the Board of Directors, and are paid remuneration appropriate to such duties.

Honorary Advisors engage in external activities on a part-time basis as required, and are paid remuneration appropriate to such duties.

## Remuneration of Directors and Audit & Supervisory Board Members

The details of the structure and level of remuneration and bonuses for Directors, as well as the limits for remuneration of Audit & Supervisory Board Members, are evaluated by the Nomination and Remuneration Advisory Committee, an advisory body to the Board of Directors of which a majority of members are Outside Directors, and which is chaired by an Outside Director. The Committee reports the results of its deliberations to the Board of Directors.

In this way we strive to further improve the transparency and objectivity of remuneration.

Based on these reports, the specific composition and decision methods related to remuneration have been established as follows.

### Director remuneration (excluding that of the chairman of the Board of Directors and outside directors)

With the goal of enhancing the corporate governance of the Sumitomo Corporation Group and enhancing the corporate value of the Company over the medium to long term, the following has been established in order to implement a remuneration system that supports sustainable growth in line with management strategies.

#### Basic policy

- By setting an appropriate ratio of fixed compensation (monthly remuneration) to variable compensation

(performance-linked bonuses reflecting short-term results, and stock compensation keyed to medium- to long-term results and shareholder value), the remuneration system provides a sound incentive toward sustainable growth.

- Through strengthening the relationship between performance-linked bonuses and the management strategies of the Sumitomo Corporation Group, we encourage the execution of duties compatible with management strategies and generate strong motivation to achieve specific management goals.
- With regard to a stock compensation plan, by further reinforcing the linkage to shareholder value, we promote initiatives to enhance corporate value over the medium to long term, and deepen the sharing of values with shareholders.

#### Remuneration ratios and levels

- In order to strengthen incentives for corporate performance based on management strategies, and improved corporate value over the medium to long term, the ratio of fixed compensation to variable compensation is set to an appropriate level.
- Referring to objective market survey data on remuneration provided by external specialist institutions, appropriate remuneration levels are set after considering the management environment of the Company.

### Ratios of Remuneration (Hypothetical Impression)



This chart is a hypothetical impression computed on the basis of a prescribed corporate performance and the share prices of the Company's stock, with the aforementioned ratios subject to fluctuation pursuant to changes in corporate performance and the Company's share price.

## Overall Picture of the Executive Remuneration System

(●, ○, and ◎ show the respective recipients of the remuneration, etc.)

Type of remuneration		Details of remuneration, etc.	Recipient			
			Directors / Executive Officers (Note 1)	Chairman of the Board of Directors	Outside Directors	Audit & Supervisory Board Members
Fixed	Monthly remuneration (Note 2)	A fixed amount paid monthly in accordance with position	●	●	●	○
Variable	Performance-linked bonuses (Note 3)	From the perspective of strengthening the relationship between the management strategies of the Sumitomo Corporation Group and performance-linked bonuses, an amount equivalent to a certain ratio of the "basic profit cash flow" and "consolidated net income" performance management indicators that are emphasized in the medium-term management plan is deemed to be the total amount payable, and is allocated in accordance with positions and individual evaluations.	◎	—	—	—
	Restricted stock-based compensation (Restricted stock) (Notes 2 and 4)	Restricted-transfer common shares of the Company are allocated every year, in principle. In order to accomplish the sharing of values with shareholders over the medium to long term, which is one of the purposes of implementing the system, the period of transfer restrictions is deemed to hold from the date on which the stock is allocated to the date on which the individual retires or resigns from any of the posts of Director, Executive Officer, or some other positions prescribed by the Board of Directors.	●	●	—	—
	Performance share unit-based stock compensation (Performance share unit) (Notes 2 and 4)	Every year (in principle), a number of common shares of the Company decided according to the growth rate of the Company's shares (calculated during the three-year evaluation period by dividing the Company's total shareholder return (TSR) by the growth rate of Tokyo Stock Exchange Stock Price Index (TOPIX)) shall be allocated at the end of the evaluation period.	●	●	—	—

Notes:

- Excluding the Chairman of the Board of Directors and Outside Directors.
- With regard to monthly remuneration, restricted stock-based compensation and performance share unit-based stock compensation for Directors (marked with ● above), at the 150th Ordinary General Meeting of Shareholders held on June 22, 2018, it was resolved that the upper limit be set to ¥1.2 billion per year (of which the remuneration for Outside Directors was set to ¥100 million per year), based on which the amount paid to each Director is to be resolved at a meeting of the Board of Directors. In addition, in relation to the monthly remuneration for Audit & Supervisory Board Members (marked with ○ above), it was resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013, that the upper limit be set to ¥180 million, based on which the amount of remuneration for individual Audit & Supervisory Board Members is resolved by discussions of the Audit & Supervisory Board.
- With regard to performance-linked bonuses for Directors (marked with ◎ above), because the linkage to performance is strong, it shall be paid every year after a resolution of the General Meeting of Shareholders. Moreover, the Chairman of the Board of Directors and Outside Directors shall not receive performance-linked bonuses.
- The total value of monetary remuneration receivables in order to allocate stock compensation, and the upper limit to the total number of common shares of the Company issued or disposed of, are as follows. In addition, the first occasion on which common shares of the Company will be allocated as performance share unit-based stock compensation will be at the end of the first evaluation period (around August 2021).

	Directors (excluding Outside Directors) and Executive Officers		Directors (excluding Outside Directors) among those indicated on the left	
	Total value of monetary remuneration receivables	Total number of common shares of the Company	Total value of monetary remuneration receivables	Total number of common shares of the Company
Restricted stock-based compensation	Up to ¥520 million per year	Up to 490,000 shares per year	Up to ¥130 million per year	Up to 120,000 shares per year
Performance share unit-based stock compensation	Up to ¥1,700 million per year	Up to 730,000 shares per year	Up to ¥430 million per year	Up to 180,000 shares per year
Total	Up to ¥2,200 million per year	Up to 1,220,000 shares per year	Up to ¥560 million per year	Up to 300,000 shares per year

Note: In setting the total value of monetary remuneration receivables and the total number of common shares of the Company (upper limit) referred to above with reference to the performance share unit-based stock compensation, the growth rate of the Company's shares during the three-year evaluation period, among other factors, is taken into account and it is assumed that the total number of common shares of the Company allocated (and the total value of monetary remuneration receivables paid in that regard) shall be the maximum possible.

## Details of Executive Remuneration, etc.

Classification	Number of recipients (persons)	Total amount of remuneration pertaining to fiscal 2017 (millions of yen)	Breakdown (millions of yen)		
			Monthly remuneration	Directors' bonuses	Stock options
Directors (of which Outside Directors)	15 (5)	810 (41)	571 (41)	174 (—)	64
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	5 (3)	124 (38)	124 (38)	— (—)	— (—)

Notes:

- As of the end of fiscal 2017, there were nine Directors and five Audit & Supervisory Board Members (including three Outside Directors and three Outside Audit & Supervisory Board Members).
- The numbers in the table above include one Outside Director who passed away (and thus effectively resigned) on April 6, 2017, and one Outside Director who resigned on April 30, 2017.
- No Director of the Company is concurrently an employee of the Company.
- The maximum amount of remuneration to Directors comprising monthly remuneration, new share acquisition rights in the form of stock options, and new share acquisition rights in the form of stock options for a stock compensation plan is ¥1.2 billion per year (the maximum amount of remuneration to Outside Directors is ¥60 million per year), as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.
- The amounts in "Directors' bonuses" above are the upper limit of the total amounts payable approved at the 150th Ordinary General Meeting of Shareholders held on June 22, 2018.
- The maximum amount of monthly remuneration to Audit & Supervisory Board Members is ¥180 million per year, as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.
- In the value given in the "Breakdown" for Directors, amounts below ¥1 million are rounded off, as a result of which the total for these figures and the total value of remuneration, etc., for Directors do not match.

## Directors, Audit & Supervisory Board Members, and Executive Officers

(As of August 1, 2018, Executive Officers : As of October 1, 2018)

\* Shares owned in the Company (As of March 31, 2018) Attendance at Meetings of the Board of Directors in fiscal 2017

### Directors



#### Kuniharu Nakamura

Chairman  
\*100,600 shares  
21/21

**April 1974:**  
Entered the Company  
**June 2012:**  
Representative Director,  
President and CEO  
**June 2017:**  
Representative Director,  
President and  
Chief Executive Officer  
**June 2018:**  
Chairman of  
the Board of Directors



#### Masayuki Hyodo

Representative Director  
\*24,400 shares  
—

**April 1984:**  
Entered the Company  
**June 2018:**  
Representative Director,  
President and  
Chief Executive Officer



#### Hideki Iwasawa

Representative Director  
\*55,800 shares  
21/21

**April 1977:**  
Entered the Company  
**April 2017:**  
Representative Director,  
Executive Vice President,  
Chief Administration Officer  
and Chief Compliance Officer



#### Masahiro Fujita

Representative Director  
\*44,300 shares  
—

**November 2010:**  
Executive Officer,  
Sumitomo Corporation  
**June 2018:**  
Representative Director,  
Executive Vice President,  
General Manager,  
Mineral Resources, Energy,  
Chemical & Electronics  
Business Unit



#### Koichi Takahata

Representative Director  
\*33,400 shares  
21/21

**April 1978:**  
Entered the Company  
**April 2017:**  
Representative Director,  
Senior Managing  
Executive Officer,  
Chief Financial Officer



#### Hideki Yamano

Representative Director  
\*5,952 shares  
—

**April 1983:**  
Entered the Company  
**June 2018:**  
Representative Director,  
Managing Executive Officer,  
Chief Strategy Officer and  
Chief Information Officer



#### Yayoi Tanaka Independent Director

Outside Director  
\*1,600 shares  
21/21

**April 1982:** Entered Nippon Kogaku K.K.  
(currently Nikon Corporation)  
**September 2006:** Associate Professor, Center for International  
Relations, National Institution for Academic  
Degrees and University Evaluation\*1  
**January 2007:** Member, Fiscal System Council, Ministry of  
Finance (present position)  
**April 2007:** Associate Professor, Department of Evaluation and  
Research, National Institution for Academic Degrees  
and University Evaluation\*1  
Part-time Lecturer, Graduate School of Public Policy,  
The University of Tokyo  
(present position)  
**February 2013:** Private sector member, Administrative Reform  
Promotion Council, Cabinet Secretariat  
(present position)  
**April 2013:** Professor, Research Development Department,  
National Institution for Academic Degrees and  
University Evaluation\*1  
**April 2015:** Member, Policy Evaluation Committee, Ministry of  
Internal Affairs and Communications (present position)  
**June 2015:** Outside Director, Sumitomo Corporation  
(present position)  
**April 2017:** Special Appointed Professor, Research Development  
Department, National Institution for Academic  
Degrees and Quality Enhancement of Higher  
Education (present position)  
Guest Professor, Osaka University (present position)  
President, Social Governance Research Institute  
(present position)  
Public Governance Advisor, Ministry of Internal  
Affairs and Communications (present position)  
**June 2017:** Outside Director, IHI Corporation (present position)  
**April 2018:** Special Appointed Professor, Shibaura Institute of  
Technology (present position)

\*1 The name was changed to "National Institution for Academic  
Degrees and Quality Enhancement of Higher Education" on April 1, 2016.



#### Nobuyoshi Ehara Independent Director

Outside Director  
\*0 share  
20/21

**September 1978:**  
Entered Morgan Guaranty Trust Company  
**October 1980:**  
Entered Goldman Sachs & Co.  
**October 1988:**  
Partner, Goldman Sachs & Co.  
**November 1996:**  
Limited Partner, Goldman Sachs & Co.  
**January 1999:**  
Representative Director, Unison Capital, Inc.  
(present position)  
**June 2016:**  
Outside Director, Sumitomo Corporation  
(present position)

**Koji Ishida** Independent Director

Outside Director

\*0 share

17/17

- May 1970:** Entered The Sumitomo Bank, Limited
- June 1997:** Director, The Sumitomo Bank, Limited
- June 1999:** Executive Officer,  
The Sumitomo Bank, Limited
- January 2001:** Managing Executive Officer, General Manager  
of Corporate Planning Dept.,  
The Sumitomo Bank, Limited
- April 2001:** Managing Executive Officer, General Manager  
of Corporate Planning Dept., Sumitomo Mitsui  
Banking Corporation (SMBC)
- June 2002:** Managing Executive Officer, Head of Tokyo  
Corporate Banking Division I, SMBC
- June 2003:** Representative Director, Managing Director,  
Sumitomo Mitsui Financial Group, Inc. (SMFG)
- April 2004:** Representative Director, Senior Managing  
Director, SMFG
- June 2005:** Standing Corporate Auditor, SMFG  
(retired in June 2006)  
Corporate Auditor, SMBC  
(retired in June 2006)
- June 2006:** President & CEO, SMBC Leasing Co., Ltd.
- October 2007:** President, Sumitomo Mitsui Finance and  
Leasing Co., Ltd. (SMFL; retired in June 2011)\*2
- June 2011:** Member of the Policy Board, the Bank of  
Japan (retired in June 2016)
- June 2017:** Outside Director, Sumitomo Corporation  
(present position)
- July 2017:** Member of the Public Interest Oversight  
Committee, KPMG AZSA LLC (present position)

\*2 In October 2007, SMBC Leasing Co., Ltd. merged with Sumisho Lease Co., Ltd. to become SMFL. Mr. Ishida continued in office as president of SMFL, retiring in June 2011.

**Kimie Iwata** Independent Director

Outside Director

\*0 share

—

- April 1971:** Entered the Ministry of Labour (currently  
Ministry of Health, Labour and Welfare)
- July 1996:** Deputy Director-General, Human Resource  
Development Bureau, Ministry of Labor
- October 1998:** Assistant Minister of Labor for International  
Affairs
- January 2001:** Director-General of Equal Employment,  
Children and Families Bureau  
(retired in August 2003)
- June 2004:** Director, Corporate Officer,  
Shiseido Company, Limited
- January 2007:** Member, Council for Gender Equality,  
the Cabinet Office
- April 2007:** Director, Corporate Executive Officer,  
Shiseido Company, Limited
- April 2008:** Director and Vice President,  
Shiseido Company, Limited
- June 2008:** Representative Director, Executive Vice  
President, Shiseido Company, Limited
- April 2011:** Member, Administrative Council, the  
University of Tokyo (present position)
- March 2012:** Outside Audit & Supervisory Board Member,  
Kirin Holdings Company, Limited
- April 2012:** Director, Shiseido Company, Limited
- June 2012:** Adviser, Shiseido Company, Limited  
(retired in June 2016)
- July 2012:** Outside Director, Japan Airlines Co., Ltd.  
President, Japan Institute for Women's  
Empowerment & Diversity Management
- August 2012:** Director, Japan Corporate Governance  
Network (present position)
- June 2013:** Director, Tsuda University (present position)
- September 2013:** Commissioner, the Consumer Commission,  
the Cabinet Office
- October 2015:** Audit and Inspection Commissioner, the  
Tokyo Metropolitan Government  
(present position)
- March 2016:** Outside Director, Kirin Holdings Company,  
Limited (present position)
- April 2016:** Outside Director, Stripe International Inc.  
(present position)
- June 2018:** Outside Director, Sumitomo Corporation  
(present position)

**Hisashi Yamazaki** Independent Director

Outside Director

\*0 share

—

- April 1974:** Assistant Judge
- April 1995:** Presiding Judge, Tokyo District Court
- December 2000:** Chief, Training and Research Institute for  
Family Court Probation Officers
- December 2002:** Chief, Family Bureau, General Secretariat,  
Supreme Court
- December 2005:** Chief Judge, Maebashi District Court
- February 2007:** Chief Judge, Yokohama Family Court
- December 2008:** Presiding Judge, Tokyo High Court
- August 2009:** President, Tokyo Family Court
- February 2011:** President, Sapporo High Court  
(retired in March 2013)
- March 2013:** Commissioner, Japan Fair Trade Commission  
(retired in December 2015)
- August 2016:** Attorney at Law (present position)
- July 2017:** Supervisory Board Member, National Federation of  
Agricultural Cooperative Associations  
(present position)
- June 2018:** Outside Director, Sumitomo Corporation  
(present position)  
Outside Director, Tokyo Commodity Exchange, Inc.  
(present position)



\*Shares owned in the Company (As of March 31, 2018)

Attendance at Meetings of the Board of Directors in fiscal 2017

Attendance at Meetings of Audit & Supervisory Board in fiscal 2017

## Audit & Supervisory Board Members



### Takuro Kawahara

Senior Audit & Supervisory Board Member (Full-Time)

\*92,700 shares

21/21 14/14

April 1975: Entered the Company

June 2016: Senior Audit & Supervisory Board Member



### Toshiaki Murai

Audit & Supervisory Board Member (Full-Time)

\*7,300 shares

— —

April 1980: Entered the Company

June 2018: Audit & Supervisory Board Member



### Haruo Kasama

Independent Audit & Supervisory Board Member

Outside Audit & Supervisory Board Member (Lawyer)

\*12,600 shares

19/21 14/14

April 1974: Public Prosecutor

June 2001: Chief Public Prosecutor of the Kofu Public Prosecutor's Office

October 2002: Deputy Public Prosecutor of the Tokyo District Public Prosecutor's Office

June 2005: Deputy Public Prosecutor of the Tokyo High Public Prosecutors Office

June 2006: Director of Criminal Division in Supreme Public Prosecutors Office

October 2007: Deputy Prosecutor-General

January 2009: Superintendent Public Prosecutor of the Hiroshima High Public Prosecutors Office

June 2010: Superintendent Public Prosecutor of the Tokyo High Public Prosecutors Office

December 2010: Prosecutor-General (retired in July 2012)

October 2012: Attorney at Law (present position)

June 2013: Outside Audit & Supervisory Board Member, Sumitomo Corporation (present position)  
Outside Director, JAPAN POST HOLDINGS Co., Ltd. (retired in June 2016)

Outside Audit & Supervisory Board Member, Sampo Holdings, Inc. (retired in June 2017)

February 2014: Outside Corporate Auditor, Kewpie Corporation (retired in February 2018)

June 2018: Outside Audit & Supervisory Board Member, Toppan Printing Co., Ltd. (present position)



### Toshio Nagai

Independent Audit & Supervisory Board Member

Outside Audit & Supervisory Board Member (Lawyer)

\*0 share

21/21 14/14

April 1974: Assistant Judge

April 1986: Judicial Research Official, Supreme Court

April 1997: Presiding Judge, Tokyo District Court

September 2001: Senior Judicial Research Official, Supreme Court

December 2006: Chief Judge, Kofu District/Family Court

December 2007: Presiding Judge, Tokyo High Court

November 2008: Chief Judicial Research Official, Supreme Court

March 2012: President, Hiroshima High Court

March 2013: President, Osaka High Court (retired in July 2014)

September 2014: Attorney at Law (present position)

June 2015: Outside Corporate Auditor, Toray Industries, Inc. (present position)

June 2016: Outside Audit & Supervisory Board Member, Sumitomo Corporation (present position)



### Yoshitaka Kato

Independent Audit & Supervisory Board Member

Outside Audit & Supervisory Board Member

(Certified Public Accountant)

\*0 share

21/21 14/14

November 1974: Entered Tetsuzo Ota & Co.\*<sup>3</sup>

September 1978: Certified Public Accountant (present position)

May 1998: Representative Associate, Showa Ota & Co.\*<sup>3</sup>

June 2006: Executive Director, Ernst & Young ShinNihon\*<sup>3</sup>

August 2008: CEO, Ernst & Young ShinNihon LLC (retired from Ernst & Young ShinNihon LLC in June 2014)

June 2015: Outside Corporate Auditor, Sumitomo Chemical Company, Limited (present position)

Outside Corporate Auditor, Mitsui Fudosan Co., Ltd. (present position)

Auditor, the General Insurance Rating Organization of Japan (present position)

June 2016: Outside Audit & Supervisory Board Member, Sumitomo Corporation (present position)

\*<sup>3</sup> The name was changed to "Ernst & Young ShinNihon LLC" on July 1, 2018.

## Executive Officers

### President and Chief Executive Officer

#### Masayuki Hyodo

### Executive Vice Presidents

#### Hideki Iwasawa

Chief Administration Officer and  
Chief Compliance Officer

#### Masahiro Fujita

General Manager, Mineral Resources,  
Energy, Chemical & Electronics  
Business Unit

### Senior Managing Executive Officers

#### Koichi Takahata

Chief Financial Officer

#### Masao Sekiuchi

General Manager for Asia & Oceania;  
CEO of Sumitomo Corporation Asia &  
Oceania Group;  
President and CEO, Sumitomo  
Corporation Asia & Oceania Pte. Ltd.

#### Masato Sugimori

Director, Executive Vice President,  
Jupiter Telecommunications Co., Ltd.

#### Akira Satake

Director, Executive Vice President,  
Sumitomo Precision Products Co., Ltd.

#### Makoto Horie

General Manager, Metal Products  
Business Unit

#### Toshikazu Nambu

General Manager,  
Media & Digital Business Unit

#### Fumihiro Koba

General Manager for East Asia;  
CEO of Sumitomo Corporation China Group;  
General Manager, Sumitomo Corporation (China)  
Holding Ltd.

#### Shingo Ueno

General Manager for the Americas;  
President and CEO of Sumitomo Corporation  
of Americas Group;  
Director and President of Sumitomo Corporation  
of Americas

### Managing Executive Officers

#### Hiroki Inoue

General Manager for Japan Region;  
General Manager, Kansai Office

#### Kiyoshi Sunobe

President and CEO, Sumitomo  
Corporation Global Research Co., Ltd.

#### Michihiko Hosono

Assistant CAO, General Affairs & Legal

#### Hideo Ogawa

Assistant CFO, Risk Management

#### Daisuke Mikogami

Representative Director, Executive  
Vice President, SCSK Corporation

#### Shoichiro Oka

General Manager, Transportation &  
Construction Systems Business Unit

#### Tsutomu Akimoto

General Manager, Infrastructure  
Business Unit

#### Masato Ishida

General Manager for Europe,  
Middle East, Africa & CIS;  
Chairman of Sumitomo Corporation  
Europe Holding Limited

#### Nobuki Ando

General Manager, Living Related &  
Real Estate Business Unit

#### Hideki Yamano

Chief Strategy Officer and  
Chief Information Officer

### Executive Officers

#### Shuichi Suzuki

General Manager, Energy Division

#### Tsuyoshi Oikawa

General Manager, Planning &  
Coordination Dept.,  
Mineral Resources, Energy,  
Chemical & Electronics Business Unit

#### Takeshi Murata

Managing Director, Sumitomo Mitsui  
Finance and Leasing Co., Ltd.

#### Keiji Tanaka

President and CEO,  
Jupiter Shop Channel Co., Ltd.

#### Reiji Morooka

Managing Director,  
Sumitomo Mitsui Finance and  
Leasing Co., Ltd.

#### Takayuki Seishima

Assistant CAO, Secretary &  
Human Resources

#### Toyoaki Funakoshi

General Manager, Planning &  
Coordination Dept.,  
Infrastructure Business Unit

#### Masaki Nakajima

Assistant General Manager for the  
Americas;  
Executive Vice President and  
CFO of Sumitomo Corporation  
of Americas Group;  
Executive Vice President and  
CFO of Sumitomo Corporation  
of Americas

#### Keigo Shiomi

General Manager, Metal Products for  
Automotive Industry Division;  
Deputy General Manager, Automotive  
Manufacturing Business Division

#### Masatoshi Deguchi

General Manager, Internal Auditing Dept.

#### Koji Tamefusa

Director, Senior Managing Executive Officer,  
SCSK Corporation

#### Yasushi Fukuda

General Manager, Logistics Infrastructure  
Business Division

#### Yoshiyuki Sakamoto

General Manager, Basic Chemicals &  
Electronics Division

#### Kei Sato

General Manager, Lifestyle &  
Retail Business Division

#### Norihiko Nonaka

General Manager, Global Power  
Infrastructure Business Division

#### Masaru Shiomi

Assistant CFO, Finance

#### Iehisa Nakamura

General Manager, Media Division

#### Bin Haga

General Manager, Corporate Planning &  
Coordination Dept.

#### Kenji Shinmori

General Manager,  
Corporate Communications Dept.

#### Shinji Nakano

Assistant General Manager for  
Asia & Oceania;  
President and CEO,  
Sumitomo Corporation Thailand, Ltd.,  
President and CEO,  
Sumi-Thai International Limited

#### Mitsuhiro Takeda

Assistant General Manager for the  
Americas;  
Executive Vice President and  
Deputy CFO of Sumitomo Corporation  
of Americas Group;  
Executive Vice President and  
Deputy CFO of Sumitomo Corporation  
of Americas

#### Shinichi Kato

General Manager,  
Automobility Business Division

#### Hirokazu Higashino

General Manager, Materials,  
Supplies & Real Estate Division

# Internal Control

## Basic Principles and System

### Basic principles of internal control system (definitions/purpose)

The Sumitomo Corporation Group comprises six business units as well as regional organizations in Japan and overseas. Business units, organizations, and Group companies collectively work together in a broad range of business fields.

In order to realize sustainable growth and development for the Sumitomo Corporation Group, as well as enhance the operational quality of each of the Group companies, we stipulate basic regulations for internal control, and practice the construction, management, evaluation, and revision of appropriate internal control systems.

To rationally ensure compliance with laws and regulations throughout the entire Group in relation to business activities, preservation of assets, efficiency and efficacy of operations, and trustworthiness of financial reporting, initiatives are being taken to improve Group governance.

### Internal Control System



## Compliance

### Basic policy

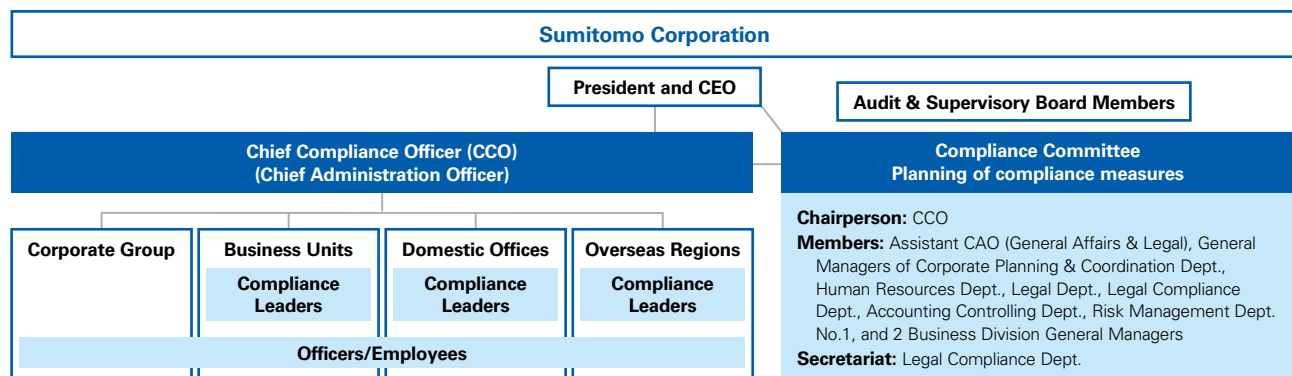
The basis for the Sumitomo Corporation Group's compliance is to win the trust of society by practicing the Activity Guideline that states "to comply with laws and regulations while maintaining the highest ethical standards."

Accordingly, we follow our principles of "Giving First Priority to Compliance," which means compliance takes priority over all activities of the Group and that we must never violate compliance as a result of giving priority to the pursuit of profit, and "Reporting Compliance Issues Immediately," which means, in the event of a compliance problem, employees must report the situation without delay to their line manager or to the relevant department of the Corporate Group.

### Compliance management system

Aiming for more agile responses to compliance issues which arise in the Group, Sumitomo Corporation appoints a Chief Compliance Officer (CCO), who has ultimate responsibility for compliance. Further, the Compliance Committee, which plans compliance measures, includes the general managers not only of the Corporate Group but also of the business divisions, enabling it to examine such measures in a multifaceted way that reflects our actual business operations. Our Group will continuously aim to establish and improve the internal systems that realize our principle of "Giving First Priority to Compliance."

## Compliance Management System

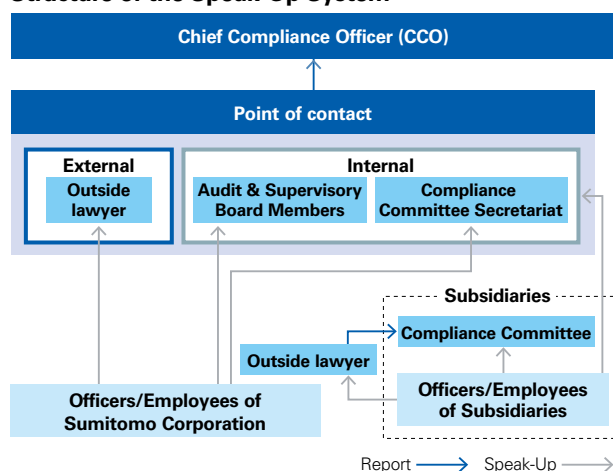


## Speak-Up System

In case of a compliance problem, such as a violation of antitrust or anti-bribery/corruption regulations as well as workplace misconduct, we have put in place a Speak-Up System that enables employees to contact the CCO through a hotline in addition to the respective organizational reporting lines.

Under the System, the fact and details of the report are maintained in the strictest confidence, and it is ensured that the whistle-blower is not subject to disadvantageous treatment for making the report. Further, we work to promote and raise awareness of the system by conducting seminars and publishing internal guidelines. We also distribute to all employees a “Speak-Up Card” with an overview of the system and contact details.

### Structure of the Speak-Up System



## Initiatives to ensure compliance

### Appropriate responses to compliance violations and preventive measures

In case of a compliance problem, the Company, primarily through the Legal Dept. and Legal Compliance Dept., promptly takes steps to establish the facts and clarify the causes of the incident, including the appointment of external specialists when necessary. Based on the outcome, we take corrective measures, disciplinary action, and preventive measures.

The Compliance Committee Secretariat keeps records of the details and number of cases occurring in the Group, and other information such as measures taken to prevent recurrence. These are evaluated and used to plan future compliance measures. The results are deliberated at meetings of the Compliance Committee, and reports are made periodically to the Management Council and the Board of Directors. Through this process of repeatedly improving and enhancing such measures, we strive to further encourage thorough compliance throughout the Group.

## Continuous education program initiatives

We have summarized into 19 separate themes the issues that we consider important, such as antitrust, security trade control, and anti-bribery/corruption, and we have disclosed our policies regarding these in the form of our Compliance Guiding Principles. The Compliance Manual, which adds commentary on the Principles, and summarizes the laws, regulations, and internal rules on which it is based, is distributed to all employees of Sumitomo Corporation.

Furthermore, both in Japan and overseas, we implement various education programs for each class of employee, such as newcomers, newly appointed general managers, and newly appointed corporate officers, as well as provide e-learning programs for all employees. In addition to these regular activities, we hold seminars and training sessions on an ongoing basis as required.

## Anti-bribery/corruption initiatives

Based on the principle of “Giving First Priority to Compliance,” the Group implements strict measures to prevent all forms of corruption. Specifically, we have established the Rules for Prevention of Bribery of Public Officials, which regulates the provision of entertainment, gifts, invitations, and donations to domestic and foreign public officials as well as the selection of agents. In addition, taking into account revisions to the laws and regulations of each country, and advice from various external specialists, we continuously review our internal rules and guidelines. Further, we extend these rules and guidelines to overseas offices and Group companies, and we also offer ongoing employee education and work constantly to prevent bribery and corruption.

In 2017, we announced the Sumitomo Corporation Group Anti-Corruption Policy, which summarizes the Group’s principles and policies in this regard. This Policy includes the following statement. “The Sumitomo Corporation Group will not commit bribery or conduct any activity raising the suspicion of bribing Japanese government or other public officials; and will as a principle prohibit its officers and employees from providing such officials with entertainment, gifts, or the equivalent. It will not make any offer, payment, promise to pay, or authorize the payment of any money or anything of value to any foreign government or other public official, for the purpose of influencing any act or decision of such official in order to assist it in obtaining or retaining business.” This statement declares the Group’s principles in relation to preventing bribery. Furthermore, through this Policy we explain our anti-bribery system and our initiatives for the prevention of bribery to our business partners, and request their understanding and cooperation.

## Risk Management

### Basic policy and framework

We define “risk” as “the possibility of losses due to the occurrence of anticipated or unanticipated situations,” and also as “the possibility of not achieving the expected return on business activities.” We have set the following three items as the goals of our risk management activities.

1. Stabilize Performance
2. Strengthen Financial Base
3. Maintain Corporate Reputation

In addition, we classify our risks into two categories:

Quantifiable risk and Non-quantifiable risk and have frameworks appropriate for each type of risk.

We have created an effective risk management framework that anticipates changes in the external environment by studying advanced methods and processes. Our goal is to implement the best practice in risk management while maintaining the flexibility to adapt to changes in the business environment. The business environment is continually changing, and new business models that we could never have imagined are emerging on a daily basis. In order to respond to such situations in a timely and effective manner, our risk management has continued to evolve under the leadership of top management.

#### Definition of Risk

- The possibility of losses due to the occurrence of anticipated or unanticipated situations
- The possibility of not achieving the expected return on business activities

#### Goals of Our Risk Management

##### Stabilize Performance

Minimize discrepancies between the plan and actual results and secure stable profits

##### Strengthen Financial Base

Maintain Risk-adjusted Assets within the buffer (shareholders' equity)

##### Maintain Corporate Reputation

Fulfill CSR requirements and preserve corporate reputation

### Quantifiable Risk = Value Creating Risk Investment Committee

Maintain Risk-adjusted Assets within our buffer / Maximize Risk-adjusted Return

Deliberate and monitor important projects through Business Unit Investment Committee and Company Investment Committee

#### Investment Risks

- Integrated management framework covering entire phases from the entry to the exit process.
  - Hurdle rate and decision-making procedures at examination and execution stages
  - Managing business and monitoring
  - Selection of withdrawal targets

#### Credit Risks

- Management based on internal credit rating model
- Periodic credit limit revisions and measures to secure receivables

#### Market Risks

- Loss limit monitoring
- Separation and control of front, middle, and back office duties

#### Concentration Risks

- Controlling exposure to each country and region based on country risk management system
- Portfolio management / Risk-adjusted Assets of each business line
- Controlling exposure to mineral resources and energy upstream projects

### Non-Quantifiable Risk = Value Breaking Risk

Risk control by avoiding or minimizing risks

Companywide internal control reinforcement initiatives centered on the Internal Control Committee

Legal risks

Fraud or illegal acts by officers or employees

IT system management risks

.....

Internal Control Committee



## Risk Management System for Investments

### Decision-making process for investments

Once an investment has been made the decision to withdraw becomes difficult, and in the event of withdrawal, losses tend to be larger. Therefore, we have adopted a unified framework that covers everything from the entry into the investment to the exit and that takes into account changes in the portfolio as a whole, as well as the nature of the risks involved in each individual investment opportunity, while reviewing the process for assessing and following up investment projects as appropriate.

When assessing investment projects, the investment theme is clarified at the initial stage of the process, and is verified as a key point of due diligence. In addition, by applying a discount rate appropriate to each business risk, we are able to calculate an “appropriate price” for the investment, and evaluate the opportunity from both quantitative and qualitative aspects.

With regard to the decision-making process for investments, the Business Unit Investment Committee or the Company Investment Committee meets at each stage of consideration and implementation, depending on the scale and importance of the project.

From an early stage, these committees conduct in-depth discussions regarding the strategic positioning of the project, the background to and the reasoning behind the selection of the project, and the various factors that may affect the success of the investment.

### Execution support and monitoring of investments

With regard to post-investment execution support, issues are clarified before the decision to invest is made, and a system has been established to work on resolving smoothly any issues that emerge after the investment has been made. For especially important projects, in addition to the “100-day plan<sup>\*1</sup>” execution support system, which provides integrated support functions, a “Focused Follow Up” system has been established that consists of plans to improve performance, and following up of project execution, provided by the Company Investment Committee.

In fiscal 2018, we introduced a new “full potential plan” investment monitoring system that is intended to improve the quality of the investment portfolio. Investment targets are evaluated mainly using quantitative indicators, and categorized into “Satisfactory,” “Not Satisfactory,” and “Not Good.”

After confirming the positioning within the investment portfolio, a further strengths and weaknesses review of business potential is performed. Depending on the outcome of the review, specific measures may be taken to maximize the value of the business in accordance with the growth strategy of “Increase Value of Existing Business,” but withdrawal will be encouraged for businesses with limited room for growth.

<sup>\*1</sup> Activities, performed mainly in the first 100 days immediately after the investment has been executed, to construct and develop management infrastructure aimed at drawing up a medium-term plan that seeks to maximize business value, including management of the investment, and which management and financial indicators should be used as targets

## Investment Risk Management Framework (Decision-making Process for Investments / Investment Evaluation Method & Execution and Management Systems)

### Phase I: Consideration of project – Execution of investment

#### 1 Consideration of project

##### Deliberation by consideration stage committee

- Confirmation of consistency with strategy
- Clarification of investment theme
- Confirmation of level of return
- Discussion of significant risks and countermeasures

#### 2 Decision-making and execution

##### Deliberation by execution stage committee

- Confirmation of adequateness of stand-alone value, synergies, and full value
- Analysis of downside scenarios
- Discussion of countermeasures to deal with significant risks
- Formulation of proposals for governance/monitoring system

#### Management system

- **Stage-by-stage multi-aspect scrutiny of major projects**
  - 2-stage scrutiny: Initial consideration and execution stages
  - Scrutiny by Business Unit Investment Committee and Company Investment Committee
- **Setting of quantitative criteria for investment entry**

### Phase II: Post-investment follow-up

#### 3 Post-investment follow-up

##### Drawing up, execution, and regular review of the 100-day plan

- Development of management infrastructure including governance system
- Setting and monitoring of optimal KPIs
- Drawing up of revised medium-term plan

#### 4 Business management

#### 5 Drafting and implementation of full potential plan

##### Monitoring of investment targets and support for execution

- Identification and evaluation of management status based on quantitative criteria
- Investments judged to have further potential: draft and execute concrete strategy to maximize business value of investment targets; Investments with limited growth potential: move toward withdrawal.

#### Management system

- **Introduction of Focused Follow-up System**
  - Monitoring of major projects
- **Setting of 100-day plan execution support system**
- **Introduction of full potential plan investment monitoring system**

## Financial Reporting

The Sumitomo Corporation Group creates financial reports in accordance with the Accounting Policy Manual that lays out the Group's internal policies for accounting, and discloses information in a timely and appropriate manner and in compliance with relevant laws, regulations, and accounting standards.

For its financial reporting internal control system, the Company acts in accordance with the Internal Control Reporting System stipulated in the Financial Instruments and Exchange Act, by promoting internal control activities as required by the Act, and evaluating and improving its business processes.

## Information Security

### Basic policy and system

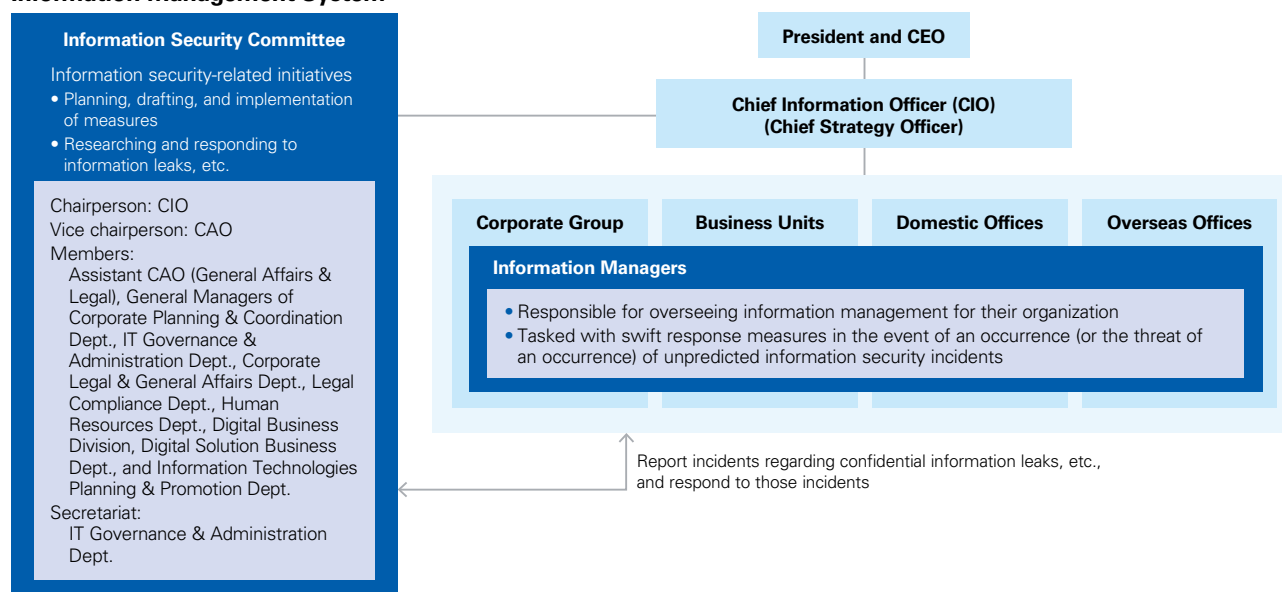
The Company acknowledges the importance of ensuring information security, and maintains appropriate measures including, but not limited to, the establishment and maintenance of relevant rules, primarily through the Information Security Committee, which is chaired by the Chief Information Officer (CIO). In October 2017, a new Information Security Policy was established.

The information managers in each organization categorize information assets based on their importance, give instructions for procedures and methods in order to handle these assets adequately, and work to ensure information security, efficient information-related administrative procedures, and information sharing. For personal

information, in addition to establishing a Privacy Policy to protect this as appropriate, we have put in place relevant rules and organizational structures.

We also work on initiatives to minimize risk related to unexpected situations involving information security, such as external attacks aimed at theft or destruction of corporate information. As well as using system-based safeguards, we conduct ongoing training and drills for employees while establishing and monitoring systems at major subsidiaries and other Group entities. The Company also coordinates with specialized third-party organizations to stay up-to-date on relevant information and to enable swift and appropriate responses.

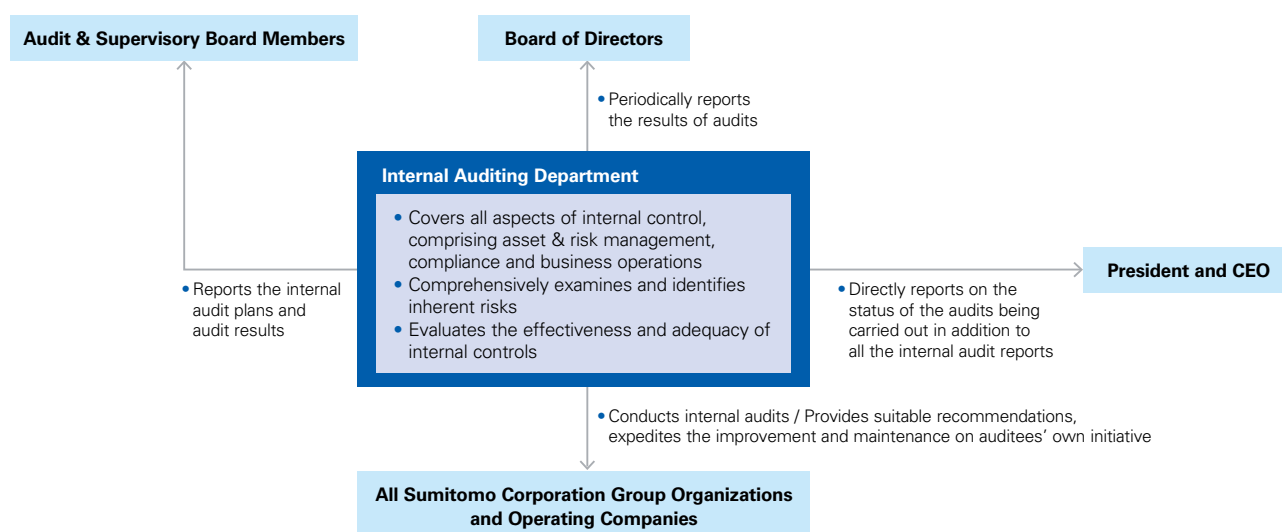
### Information Management System



## Internal Audits

The Internal Auditing Department, which reports directly to the President and CEO, is an independent organization that monitors the operations of the entire Sumitomo Corporation Group, and audits all organizations and operating companies of the Group. As well as reporting the outcome of all internal audits directly to the President and CEO, periodic reports are also made to the Board of Directors. The Department conducts audits on all aspects of internal control, comprising

asset & risk management, compliance and business operations. Also, by comprehensively examining and identifying the risks inherent in the organization being audited, it provides suitable recommendations based on an evaluation of the effectiveness and adequacy of the internal controls of the organization, thus expedites improvement and maintenance on auditees' own initiative.



## Group Governance

### Project to enhance Group governance

"Medium-Term Management Plan 2020" includes initiatives to enhance governance further as part of its drive to reinforce management bases. The Company considers the internal control system to be the foundation for promoting growth strategies, and in terms of specific measures to enhance governance it has begun working on a project that aims to enhance corporate value and operational quality through the use of the internal control system. This project will identify the

basic risks that should be controlled as part of the operation of the business. With regard to the significance of the risks and their countermeasures, while maintaining dialogues with Group companies, the Company will create an autonomous cycle of PDCA for the improvement of internal control. The Group will standardize this process, and actively promote the use of PDCA cycles in workplaces to open the way to enhance operational quality for the Group as a whole.

# Human Resources Management

For the Sumitomo Corporation Group, human resources are one of its most valuable management resources. By understanding and applying our Management Principles and Activity Guidelines, our human resources from diverse backgrounds continue to create new value in the medium to long term and make wide-ranging contributions to society. Here, we present the human resources management measures that we are implementing under “Medium-Term Management Plan 2020” to promote the basic concept of our human resources strategy, “Diversity & Inclusion: Making diverse strengths a source of competitiveness.”

## Strategic Human Resources Management on a Global Basis

### Strategic allocation of human resources

We will undertake strategic allocation of human resources to the three emerging fields (Technology × Innovation, healthcare, and social infrastructure) identified in “Medium-Term Management Plan 2020” and to the companywide business development regions. In specific terms, we will reach a management-level consensus through discussion at the Talent Management Meeting before carrying out human resources allocation in line with business strategies.

### Active use of interdivisional job rotation

As one measure to improve both the quality and quantity of executive management candidates, we will actively implement a system of job rotation that transcends divisional considerations.

Our aim is to develop human resources as executive management candidates who have collected diverse experiences in environments different from the conventional pathway.

### Building of the systems required for global human resources operations

We will implement the measures listed below with the aim of ensuring that we have the right person in the right place at the right time on a global basis.

### Main measures for the optimization of global human resources operations

#### Create a global human resources database

To visualize what kind of human resources we have and where, we will build a Group human resources database including overseas human resources.

#### Enhance succession planning

In the succession plan for major positions on a global basis, which we are currently formulating, candidates will be selected not only for the next generation but also for the generations to come, including overseas human resources. This will promote plan-driven allocation and development of human resources.

#### Introduce the Global Grading System

To compare what level of human resources are present across the Group, we will consider introducing a common Groupwide personnel grading system.

#### Introduce the Global Mobility Policy

To support the development and utilization overseas human resources across organizational and regional boundaries, we will introduce common Groupwide rules on employment conditions and welfare packages to be applied in the case of transfer between overseas bases.

## Growing as an Organization Unceasingly Challenging for New Value Creation

We will actively implement measures to support the spirit of challenge, which is one of the themes of “Medium-Term Management Plan 2020.”

### Diversity & Inclusion as an employee evaluation criteria

Diversity & Inclusion, the foundation for creating new value, has been added to the criteria for individual employee evaluation. Whether the individual respects and has accepted diverse values and approaches has thus been recognized as an important indicator of capability.

### Introduction of the Medium-Term Management Plan Challenge and Evaluation System

As a program to promote the comprehensive engagement of all employees with “Medium-Term Management Plan 2020,” we have introduced the Medium-Term Management Plan Challenge and Evaluation System. This system encourages employees to engage in renewed discussion as to what their particular organization needs to do in order to realize the plan’s growth strategies and to reflect this in ambitious individual goals.

(1) Set organizational goals for the implementation of “Medium-Term Management Plan 2020”

(2) Set ambitious individual goals as a step toward meeting the organizational goals

(3) Reflect the difficulty, degree of achievement, and other aspects of the individual goals in employee evaluation

## Creating an Environment in Which Diverse Individuals Can Develop Their Capabilities to the Fullest

Human resources who can create new businesses while building relationships of trust with stakeholders are an important Group asset. For Group development going forward, we are working to create an environment in which a diverse range of individuals can display their capabilities to the fullest.

### Promotion of health and productivity management

For all Group employees to perform at their highest level and to continue to create new value, it is crucial that each employee maintain good health. In connection, Sumitomo Corporation has set three main pillars for health and productivity management and is implementing a range of measures around them: "Improvement of health literacy," which will enable employees to continue to work energetically, "Reassurance in emergencies," which provides reassurance that employees will be taken care of when they fall ill, and "Global medical support," which is unique to integrated trading companies.



### Creating a work environment to realize self-sustaining and flexible workstyles

At the Sumitomo Corporation Group, we seek to realize output-oriented workstyles that help generate high added value. This means, for example, creating environments that encourage self-sustaining and flexible work that is free of conventional restrictions in terms of place, time, and style of work. It also means promoting mental and physical well-being and allocating time for personal development. In fall 2018, a teleworking system and a "super-flexible" work hours system will be introduced for employees in Japan. The teleworking system envisages three work formats: home working, mobile working, and satellite office working. A maximum teleworking time limit corresponding to two working days per week will apply Companywide. The super-flexible system, meanwhile, does away with core time, allowing a more independent and adaptable workstyle within the flexible worktime system. The introduction of the two systems will help to maximize the performance of individual employees.

### Enhanced utilization of professional human resources and actively pursuing recruitment of mid-career human resources

To remain successful in a changing world, companies need the input of human resources with diverse strengths. At Sumitomo Corporation, we are therefore introducing a new grading system which is designed to offer highly motivating opportunities to professional human resources, that is human resources with a high level of specialist expertise making strong contributions to their organization. Meanwhile, by relaxing some of the requirements for mid-career human resources recruitment and applying them more flexibly, we will promote recruitment of external professional human resources, leading to enhanced competitiveness.

### Enhancement of human resources development measures

Through the Sumitomo Business College (SBC), we offer a total of 320 off-the-job training programs annually to all Group employees, including overseas human resources, on courses covering work-related knowledge and skills. In fiscal 2017, we established the SC MBA, a program for the development of managerial human resources, with a wide selection of courses that are updated with the latest information.

Not only are most of the training programs open to all Group employees, but there are also many dedicated programs for each Group company. In fiscal 2017, a program in managerial human resources development was introduced for Group company employees, one of our initiatives to support strategic human resources management across the Sumitomo Corporation Group.

#### Main human resources development measures implemented since fiscal 2017

##### Strengthening of managerial human resources development

- Establishment of SC MBA
- Establishment of strategic professional college

##### Strengthening of human resources development in line with "Medium-Term Management Plan 2020"

- Introduction of training programs in DX
- Holding of Diversity & Inclusion seminars



SBC offers a total of 320 training programs annually, with an approach focused on three perspectives: Corporate Mission Statement / SC VALUES; Leadership; and Professionalism.

A rich variety of courses has been developed, ranging from the knowledge and interpersonal skills essential for a trading professional to cutting-edge applied programs at the MBA level, reflecting the latest global trends.



# Sustainability Management

## Our View on Sustainability

The Sumitomo Corporation Group aims to achieve sustainable growth with society by consistently addressing social issues sincerely through its business activities. Operating businesses in a wide range of fields globally gives us innumerable points of contact with society. At each of these,

we will heighten our awareness of and efforts to address social issues through our business activities. As well as meeting our corporate social responsibilities, including environmental preservation, respect for human rights, and compliance, we work on social contribution activities.

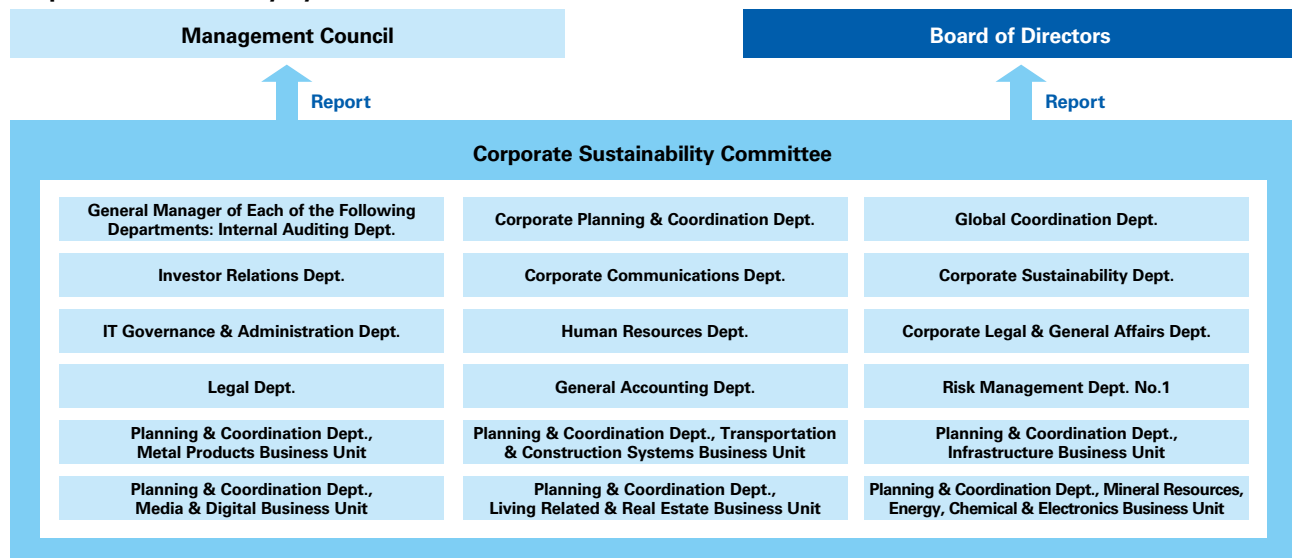
## Structure for Promoting Sustainability

Corporate sustainability in the Sumitomo Corporation Group is promoted through a process of coordination between the Corporate Sustainability Department, which undertakes the planning of measures to promote sustainability, the sustainability managers and staff of each Business Unit's Planning & Coordination Department, and the sustainability staff of domestic and overseas regional organizations. In this

process, we take into consideration the social and environmental issues and the needs of our wide range of stakeholders.

The Corporate Sustainability Committee acts as an advisory body to the Management Council and discusses important policies, measures, and initiatives relating to the promotion of sustainability.

### Corporate Sustainability System



## Sustainability Promotion Initiatives

The Sumitomo Corporation Group places great importance on human rights and environmental issues across all of its business activities, including its supply chain. In the area of human rights issues, in each year since fiscal 2015, we have published a statement, inspired by the United Kingdom's Modern Slavery Act 2015, outlining our policies against modern slavery and human trafficking. In fiscal 2017, we organized related e-learning courses and, for the second consecutive year, drew attention to human rights in the

supply chain by holding seminars with the participation of outside experts. As for the environment, we build and operate environmental management systems compliant with the ISO 14001 international standard. As part of this, we offer e-learning environmental courses and take other measures to raise employee awareness.

In January 2018, to promote action on social issues through our business activities we held seminars on the SDGs with the participation of outside experts.

### Dialogue with stakeholders

In October 2017, we organized a meeting for the exchange of opinions on ESG-related initiatives. Meeting with ESG investors and analysts, we discussed the relationship between social issues and our business activities, concepts for a medium- to long-term growth strategy incorporating

non-financial information, and a governance system to deal with ESG-related risk.

Going forward, utilizing dialogues with stakeholders, we will strive to enhance our initiatives for addressing social issues and to raise the level of ESG data disclosure.

## Sumitomo Corporation Group's Material Issues

In April 2017, we identified six material issues for the Sumitomo Corporation Group that illustrate the relationship between our business activities and society.



For details on each of the material issues, please see ► **Page 13** "Corporate Mission Statement and Material Issues."

## Identification Process

With reference to the SDGs and international guidelines, each business unit first gathered information on and analyzed its relationship with social issues. The next step was to select social issues that we regard as important and that need to be addressed as priorities in light of Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement. After surveys covering all officers and employees and exchange of opinions with outside experts, the selected social issues were outlined. The selected issues and their importance were then reviewed by the CSR Committee (now the Corporate Sustainability Committee). The material issues were finalized following deliberation and approval by the Management Council and the Board of Directors.

By addressing the material issues identified in the above process through our business activities, we believe that the Sumitomo Corporation Group will contribute to realization of the SDGs.



Sustainable Development Goals (SDGs): A set of social issues for resolution by the year 2030 adopted by the United Nations General Assembly in 2015.

## Approach to Material Issues and Related Initiatives

The Sumitomo Corporation Group aims to achieve sustainable growth by placing material issues at the foundation of its management strategy and individual business initiatives, which will strengthen its contribution to the realization of a sustainable society. In delivering the value required by society through our businesses, we will consider the long-term trends in a range of social issues, and we will conduct our business activities with a heightened awareness of their impact on society and the environment.

### Initiatives



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

We will focus on Establishing a Foundation for Comfortable and Enriching Lifestyles through mobile phones and Providing Diverse "Accessibility," which is essential for future value creation. Moreover, through employment creation and ripple effects on peripheral businesses such as electronic payment services, we want to realize the goal of Contributing to the Development of Local Communities and Industries. Our overriding goal is to achieve truly sustainable growth with Myanmar.



### Initiatives to address climate change issues

As part of its initiatives to contribute to society and the environment through its business activities, the Sumitomo Corporation Group has a companywide policy for initiatives on climate change issues as well as policies at the individual business level.

The basic policy for Group business activities is that we understand climate change as an important social issue and contribute to its resolution through business activities. By simultaneously tackling the two issues of controlling greenhouse gas emissions and ensuring a stable energy supply, we will work to achieve sustainable growth with society.

At the individual business level, taking as an example the power generation business, we will shift emphasis in the

power generation asset portfolio to gas and renewable energy over medium- to long-term, with the aim of reducing the share of coal from 50% to 30% and increasing the share of renewable energy from 20% to 30% by around 2035 (both figures based on generation capacity). In the upstream resources business, meanwhile, we are looking to build an upstream resources portfolio that will contribute to stable energy supply based on long-term demand projections. In other fields, we will strengthen initiatives on new technologies and business models in areas such as energy management, the storage battery business and hydrogen-related business as a way of contributing to the resolution of social issues.

## Social Contribution Activities

The Sumitomo Corporation Group fulfills its Management Principles and Activity Guidelines as a global business group by working to resolve social issues through its business activities and its social contribution activities with the aim of building a sustainable society.

### The Sumitomo Corporation Group's Basic Principles on Social Contribution Activities

#### OBJECTIVE

We, as a global organization, will work on social issues through our business activities and social contribution activities with the aim of building a sustainable society by implementing the Sumitomo Corporation Group's Management Principles and Activity Guidelines.

#### ACTIVITIES

We will engage in social contribution activities aimed at developing the next generation of human resources who will drive the sustainable development of society, and contributing to local communities in areas we do business all over the world. We will also take part in various activities as a good corporate citizen.

#### APPROACH

We will perform and seek to continuously improve our activities with modesty and high aspirations and endeavor to maintain a high level of transparency while strengthening our relationships with all our stakeholders.

## Activity report

### Developing the Next Generation of Human Resources



#### The TOMODACHI Sumitomo Corporation Scholarship Program (since 2014)

Sumitomo Corporation participates in the TOMODACHI Initiative, a program of exchange between Japan and the United States led by the U.S. Embassy in Tokyo and the U.S.-Japan Council (Japan). We organize a scholarship program for university students that are sent to the United States as exchange students. We provide not only financial support but also training opportunities at Sumitomo Corporation of Americas. Program participants have access to experiences not available on campus during an overseas study break.



#### The Sumitomo Corporation Scholarship (since 1996)

We set up the Sumitomo Corporation Scholarship in 1996 as part of our 50th anniversary in the trading business. Since then, scholarships have been provided to university students in Asian countries including Indonesia, Myanmar, and Pakistan. In this way, we support the development in emerging Asian countries of human resources to build the nation's future. Up to fiscal 2016, the 20th anniversary of its foundation, the number of students who had received the scholarship totaled roughly 16,000.

### Contributing to Local Communities in Areas We Do Business



#### Supporting the “Sankyu Thank You Project” (since 2013)

We support the “Sankyu Thank You Project” operated by the Japanese Red Cross Society to protect infant's lives in southern and eastern Africa. The concept of the project is to protect the lives of as many African mother/infant pairs as the number of babies born to our employees on maternal or childcare leave. Sumitomo Corporation has participated since 2013 through donations and visits to the supported regions.



#### Activities to Introduce Japanese Culture (since 2015)

With the aim of building good relations with local communities at overseas business bases, we give presentations of traditional Japanese culture. Activities took place in Myanmar in fiscal 2015, in Ghana and Iran in fiscal 2016, and in Mexico and Cuba in fiscal 2017. Our employees visit the locality and give demonstrations of kimono wearing, calligraphy, flower arrangement, and other traditional arts. They also organize hands-on workshops in which they deepen contact with the numerous participants.

### Assisting Reconstruction after the Great East Japan Earthquake



#### Sumitomo Corporation Follow-up Program for the Revitalization of East Japan (since 2017)

In the hope of aiding in the recovery of the areas hit by the Great East Japan Earthquake and the rebuilding of victims' lives, we provided support to young people involved in revitalization projects in eastern Japan for five years from fiscal 2012. However, numerous problems remain. Conditions in the disaster-hit regions and people's situations are constantly changing along with their support needs. To provide ongoing reconstruction support that is closely tailored to local needs, we have revised the program to give more emphasis to in-depth dialogue with grant recipients, drawing at the same time on our past support experience.

• We present our social contribution activities from around the world here: [www.sumitomocorp.com/en/jp/sustainability/contribution](http://www.sumitomocorp.com/en/jp/sustainability/contribution)

# Corporate Profile

(As of March 31, 2018)

## Sumitomo Corporation

Establishment Date:	December 24, 1919
Paid-in Capital:	¥219.3 billion
Fiscal Year:	From April 1 of each year through March 31 of the following year
Number of Consolidated Subsidiaries:	654 (Overseas 562, Domestic 92)
Associated Companies [Equity Method]:	293 (Overseas 242, Domestic 51)
Total:	947
Number of Employees:	5,261* (Consolidated Base: 73,016)
Head Office (As of October 1, 2018):	OTEMACHI PLACE EAST TOWER 3-2 Otemachi 2-Chome, Chiyoda-ku, Tokyo 100-8601, Japan
URL:	<a href="http://www.sumitomocorp.com">http://www.sumitomocorp.com</a>

\* It includes 170 persons whom overseas offices of the Company employ.

## Stock Information

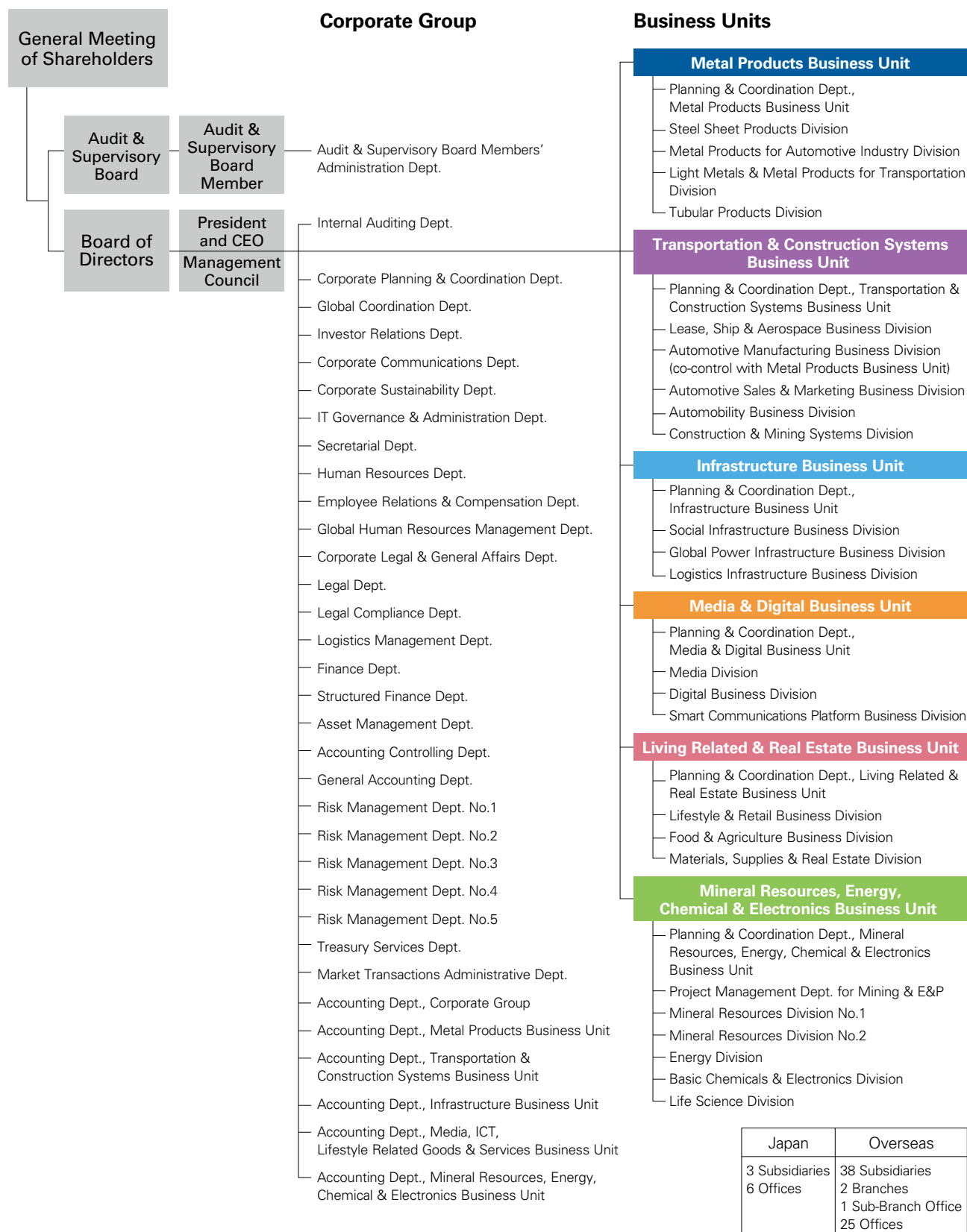
(As of March 31, 2018)

Stock Listings:	Tokyo, Nagoya and Fukuoka
Securities Identification Code:	8053
American Depositary Receipts:	Ratio: 1ADR:1ORD Exchange: OTC (Over-the-Counter) Symbol: SSUMY CUSIP Number: 865613103
Depository and Registrar:	Citibank, N.A. Depositary Receipts Services, P.O. Box 43077, Providence, Rhode Island 02940-3077, U.S.A.
Toll Free Number:	1-877-248-4237 (CITI-ADR)
Overseas Dial-in:	1-781-575-4555
E-mail:	<a href="mailto:citibank@shareholders-online.com">citibank@shareholders-online.com</a>
URL:	<a href="http://www.citi.com/adr">http://www.citi.com/adr</a>



# Organization

(As of October 1, 2018)



## IR/SR Activities

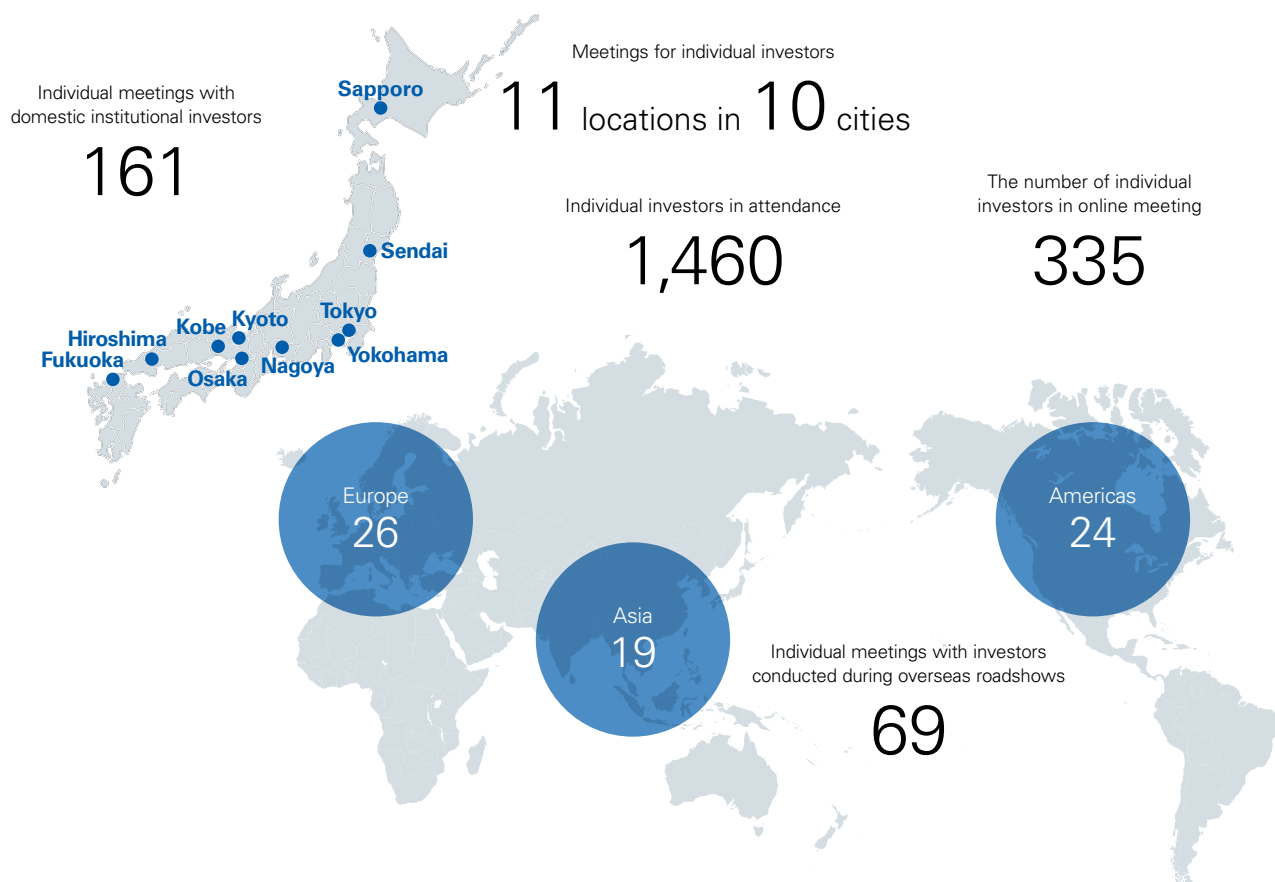
(As of March 31, 2018)

We facilitate direct communication with shareholders and other investors, in addition to enhancing disclosure on our website. An executive officer with responsibility for dialogue with shareholders and other investors exercises overall control of and coordinates such IR\* initiatives shown below. Also, related in-house departments contribute to IR initiatives by distributing information and collecting feedback from shareholders and other investors. Going forward, the Company will continue to increase the transparency of its management, implementing fair disclosure at all times, integrating financial and non-financial information, and strengthening relationships of trust with shareholders and investors by displaying initiatives to increase the corporate value of the Sumitomo Corporation Group over the medium to long term.

\*IR: Investor Relations SR: Shareholder Relations

### Fiscal 2017 IR/SR Activities

	April	May	June	July	August	September	October	November	December	January	February	March
		Announcement of annual results			Announcement of 1st quarter results			Announcement of semi-annual results			Announcement of 3rd quarter results	
			General meeting of shareholders		Publication of the integrated report							
For individual investors					Meetings for individual investors							Online meeting for individual investors
For analysts and institutional investors		Overseas IR roadshows						Overseas IR roadshows				Overseas SR roadshow
							Site tour (Jupiter Shop Channel)					Site tour (Myanmar telecommunication business, industrial park business)
							Meeting for exchanges of opinion regarding ESG					



## Editorial Policy

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### Scope of the Report

- ▶ Period covered: April 1, 2017, to March 31, 2018  
(Some activities starting on or after April 1, 2018, are included.)
- ▶ Organizations covered: Sumitomo Corporation and the Sumitomo Corporation Group
- ▶ Previous publication: July 2017
- ▶ Next publication: Summer 2019

### Referenced Guidelines

- ▶ The International Integrated Reporting Council (IIRC)  
International Framework for Integrated Reporting
- ▶ ISO 26000 (Guidance on Social Responsibility)
- ▶ Charter of Corporate Behavior (September 14, 2010),  
Nippon Keidanren (Japan Business Federation)
- ▶ “Environmental Reporting Guidelines 2012,” issued by  
Ministry of the Environment, Government of Japan

### Cautionary Note Regarding Forward-Looking Statements

This report contains management targets relating to “Medium-Term Management Plan 2020” as well as a wide range of other forward-looking statements. The statements refer to goals which the Company management seeks to attain through the successful implementation of the plan and reflect assumptions and forecasts relating to future events which are made at the present time based on the data currently available to the Company. As such, they are subject to the influence of a range of factors in the Company’s circumstances going forward and do not constitute a guarantee of future business performance or a guarantee that the targets and forecasts will be met. Readers are therefore advised to avoid placing undue reliance on the forward-looking statements contained herein and to be aware that the Company recognizes no obligation to update or revise such statements.

#### For further information, please contact:

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E-mail: [ir@sumitomocorp.com](mailto:ir@sumitomocorp.com)



**Sumitomo Corporation**

<http://www.sumitomocorp.com>



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