

100th ANNIVERSARY SINCE 1919

We have created a new Corporate Message looking toward the next 100 years.

On December 24, 2019, Sumitomo Corporation will celebrate the 100th anniversary. In this milestone year, we have created a new Corporate Message of the Sumitomo Corporation Group. We looked back at our history over the past 100 years in which our company has advanced together with society, and we looked toward the next 100 years and the achievements yet to come. Our message of “Enriching lives and the world,” which expresses enthusiasm and determination, is the result of discussions among several of our group members from around the world over the past two years. The message also represents the Group’s unwavering pledge to further enrich the world, society, and people’s lives through sound business activities. As it embarks on a new century of activity, the Sumitomo Corporation Group will be guided by the spirit encapsulated in this Corporate Message.

Participatory event to create commemorative publicity materials

To coincide with the announcement of the new Corporate Message, a participatory event was organized at which employees and their families worked together on creating commemorative publicity materials to launch us into the next 100 years. One of the pieces created at the event, drawn using pencils in our corporate colors, was selected as the background to the cover page of this report. Additionally, we have set up a special page on our corporate website including a movie explaining the spirit of the Corporate Message. To view this, please visit our corporate website.



Corporate Message special page

<https://www.sumitomocorp.com/en/jp/corporate-message>



Enriching lives and the world

We have become who we are today
by evolving with the times in unison with people and society.

We never pursue easy gains. Integrity and strong unity are
cherished principles from which we work to create value for society.

As we face a fast-changing world, we look toward the future with renewed anticipation
and reflect on the meaning of our mission.

To engage, commit and contribute.
To overcome challenges and come out ever stronger.
To cultivate the seeds of opportunity, bridge possibilities and create a better tomorrow.

We know that the passions of each individual create our indelible values.
But we also acknowledge that the power of many is far greater than the effort of one.

So we are united in all our will and determination.

We represent different regions, diverse cultures, and all walks of life.
Yet we know that the strength of unity begins with respect.
With this as our foundation, we aim to create a world never seen before.

Passion. Determination. Values.
These ideas we share universally together to achieve prosperity and realize dreams for all.

This is our enduring promise.

On the Release of Integrated Report 2019

Starting with Annual Report 2014, the Sumitomo Corporation Group 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 2017, we changed the report's name to the "integrated report" and began seeking to raise stakeholders' understanding of the Group's value creation mechanisms from a medium- to long-term perspective. As part of this, in Integrated Report 2018, we outlined the value creation model which enables the sustainable growth of the Group.

Sumitomo Corporation will celebrate its 100th anniversary in 2019. For this milestone year, Integrated Report 2019 reviews the Group's value creation in the past 100 years and presents our vision for value creation through our business activities for the next 100 years.

The driving force behind our value creation is the "seven types of capital," including "financial capital," "human capital," and "intellectual capital," presented in our value creation model. This also represents an underlying strength of the Group. As expectations regarding the value we provide change with the times, the Group remains committed to resolving social issues through value creation while clearly capturing society's needs.

In creating this 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 will continue to create new value over the next 100 years with the Group's corporate message newly created for our 100th anniversary—Enriching lives and the world—close in mind.

October 2019

Kuniharu Nakamura
Director, Chairman
Chairman of the Board of Directors

Contents

Message from the President and Chief Executive Officer	5
Message from the Chief Financial Officer	11
Implementation of Medium-Term Management Plan 2020	15
Sumitomo's Business Philosophy	19
Sumitomo Corporation Group's Corporate Mission Statement	20
100 Years of History	21
Sumitomo Corporation Group's Six Material Issues	25

Value Creation Model 27

Part 1

Sustainability Management 29

Special Feature

A Dialogue with an Expert 31
What sustainability management means for an integrated trading company

Promoting Sustainability Management	35
Management of Social and Environmental Risks	37
Initiatives to Address Climate Change Issues	39
Approaches to Material Issues	41
Social Contribution Activities	45

Part 2

Approaches for Business Creation 47

Business Creation Structures and Value Provision Based on a Grand Vision of the Future	49
CASE 1 Mobility Service Business	51
CASE 2 Cable TV Business	53
CASE 3 Real Estate Business	55

Special Feature

An Interview with Business Leaders 57
How our value creation evolves with growing trust

Part 3

Management Capital 63

Human Capital	65
Financial Capital	69
Intellectual Capital	71
Organizational/Group Capital	73
Global Network Capital	75
Business Relationship Capital	77
Brand Capital	79

Part 4

Governance 81

Special Feature

A Panel Discussion with Independent Directors at Investor Day 2019 83

Realizing sustainable growth through corporate governance

Corporate Governance	89
Directors, Audit & Supervisory Board Members, and Executive Officers	97
Internal Control	101

Part 5

Segment Overview 107

At a Glance	109
Metal Products	111
Transportation & Construction Systems	113
Infrastructure	115
Media & Digital	117
Living Related & Real Estate	119
Mineral Resources, Energy, Chemical & Electronics	121

Company Information	123
---------------------	-----

Scope of the Report

- Period covered: April 1, 2018, to March 31, 2019 (Some activities starting on or after April 1, 2019, are included.)
- Organizations covered: Sumitomo Corporation and the Sumitomo Corporation Group
- Previous publication: October 2018
- Next publication: Summer 2020

Referenced Guidelines

- The International Integrated Reporting Council (IIRC) International Integrated Reporting Framework
- ISO 26000 (Guidance on Social Responsibility)
- Charter of Corporate Behavior, KEIDANREN (Japan Business Federation)
- Environmental Reporting Guidelines 2018, issued by Ministry of the Environment
- Guidance for Collaborative Value Creation by Ministry of Economy, Trade and Industry





Aiming for greater profit growth by optimizing our growth investments and financial structure

Koichi Takahata

Representative Director, Executive Vice President,
Chief Financial Officer

Annual results for FY2018 and forecast for FY2019

Core businesses in the six divisions performed well and we achieved record-high profits

FY2018 was the first year of our Medium-Term Management Plan 2020. While we recorded one-off losses on some projects, overall the core businesses of each business division performed well, and we posted ¥320.5 billion in profit for the year attributable to owners of the parent (an increase of ¥12 billion compared to the previous year), revising our record for highest profit ever. While individual businesses still face challenges that must be addressed, based on the favorable results of the first year, it is safe to say that the medium-term management plan has made a very positive start.

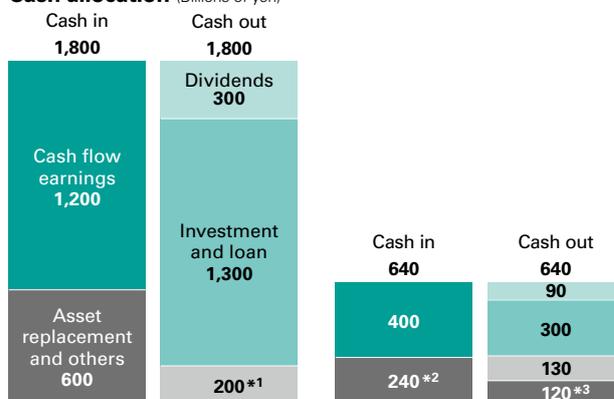
Having said that, however, it cannot be denied that geopolitical risks have been mounting in various countries and regions of the world since the second half of 2018, making our future business environment increasingly uncertain. The trade friction between the U.S. and China is of particular concern because it threatens the growth of emerging countries in Asia, where our Group has developed our businesses extensively. Despite such causes for concern, however, we have set our profit forecast for the FY2019 at ¥340 billion (an increase of ¥19.5 billion compared to FY2018) and intend to earn record-high profits for the third year in a row.

Cash flow

Spreading the “Cash is the source of growth” mentality throughout the Group

The Sumitomo Corporation Group is working hard to strengthen its cash-generating capabilities. Under Medium-Term Management Plan 2020, we set a cash inflow target of ¥1,800 billion over three years. Within that target, we are placing particular emphasis on the cash flow earnings (basic profit cash flow* + depreciation and amortization) that will

Cash allocation (Billions of yen)



Vision of Medium-Term Management Plan 2020 (3-year total)

FY2018 results

*1 Repayment of interest-bearing liabilities *2 Asset replacement *3 Others

form the source of our growth. Accordingly we have set a target value of a total of ¥1,200 billion in cash flow earnings over three years.

In the FY2018, each business division generated cash steadily, resulting in basic profit cash flow of ¥290 billion (an increase of ¥16.1 billion compared to the previous year) and cash flow earnings of ¥401.8 billion (up ¥9 billion compared to the previous year). With the addition of asset replacements, we had a total cash inflow of approximately ¥640 billion.

Among these figures, the fact that cash flow earnings exceeded the estimated ¥400 billion for a single fiscal year is a particularly positive outcome. In our Group, all business divisions and all group companies are becoming aware that “Cash is the source of growth.” In other words, even as we increase our profit, we cannot make new investments without securing cash. Thus each business division is perpetually conscious of dividends from invested companies, and in recent years we have been striving to enhance the profitability of our invested companies by thoroughly discussing how much payback we can expect from our invested capital when we make new investments, to give one example. The cash flow earnings of over ¥400 billion this year are the fruit of these kinds of initiatives.

For cash outflows, on the other hand, we spent approximately ¥90 billion on paying dividends, ¥300 billion on investments, ¥130 billion on repayment of interest-

bearing liabilities, and around ¥120 billion on others (increase / decrease of working capital, etc.).

As part of Medium-Term Management Plan 2020, we intend to make investment for growth of about ¥1,300 billion over a three-year total. In comparison to the total figure, the ¥300 billion we invested in the first year may seem like a slow start, but the important thing is investing steadily according to the growth strategy for each business division. ¥300 billion of the total sum of ¥1,300 billion is earmarked for investment in what we call “next-generation businesses” while the remaining ¥1,000 billion will be spent on Increasing the Value of Existing Businesses.

* 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) x (1 – Tax rate) + Share of profit (loss) of investments accounted for using the equity method

Investments

Investing in existing business areas while tackling next-generation business to seize growth opportunities

We have been concentrating our investments on existing business areas where growth can be expected, intending to secure return from the investments. At the same time, we

The 2018 fiscal year: Investments by segment

	Investment (Billions of yen)	Major investments
 Metal Products	32	<ul style="list-style-type: none"> Specialty steel business in India
 Transportation & Construction Systems	45	<ul style="list-style-type: none"> Assets increase in leasing business and rental business
 Infrastructure	62	<ul style="list-style-type: none"> Biomass power plant in Japan (Sakata City, Yamagata Prefecture) Offshore wind farm projects in Europe (France, Belgium)
 Media & Digital	40	<ul style="list-style-type: none"> Acquisition of all shares of a financial system development company and a system verification company as wholly owned subsidiaries of SCSK Digital advertising business in Southeast Asia
 Living Related & Real Estate	66	<ul style="list-style-type: none"> Managed care service in Malaysia Acquisition of real estate in the U.S.
 Mineral Resources, Energy, Chemical & Electronics	58	<ul style="list-style-type: none"> Acquisition of Quebrada Blanca copper mine interest in Chile Agricultural input and service business in Ukraine
Total	300	Investment plan: ¥1,300 billion in a 3-year total

Message from the Chief Financial Officer

will also actively challenge ourselves with next-generation businesses once our returns from investments in existing business areas are guaranteed. I believe finding a balance between the two approaches is essential.

Except for the mineral resources business with high volatility, the profit bases of our Group's businesses have been growing at a rate of around 10% a year, and in the medium- to long-term span covering the next five to 10 years, we can expect the Group as a whole to maintain a certain level of growth by reinforcing the core and peripheral businesses of each division.

However, although "existing business" is an all-encompassing term, different business divisions have different growth phases and business environments and a different level of competitiveness in their respective markets, so the issues they need to overcome to achieve further growth differ as well. On one hand we have businesses that have plenty of room for growth once we invest additionally, and on the other hand we have businesses that have experienced a drastic drop in profitability due to changes in the business environment and which will need to be restructured, possibly by selling them off. Therefore, our current and continuing policy is to carry out the appropriate level of investment for each business division based on their individual circumstances.

When it comes to next-generation businesses, under Medium-Term Management Plan 2020, we have identified three emerging fields we intend to engage in: Technology x Innovation, Healthcare and Social Infrastructure.

So far we have invested in 25-30 relatively small-scale Technology x Innovation projects. Through these projects, we plan to gain insider knowledge and know-how in each field and consider how to develop our businesses as a Group after obtaining the seeds for future endeavors.

Healthcare is a field that calls for a lot of specialized knowledge, so we are considering entering markets as part of a joint venture with partnering organizations. When we do, it will be essential that we confirm and agree upon our strategy for advancing the business with our partners. That is the process we have followed so far to help our new businesses progress smoothly and going forward, we will continue to seize growth opportunities and invest in new fields proactively.

When it comes to Social Infrastructure, in addition to the field of power infrastructure business, which is one of our Group's traditional strengths, we also plan to invest in large-scale projects such as airports and harbors. It takes time for infrastructure and real estate projects to become profitable, but once they do, they can be expected to generate stable amounts of cash. Moreover, since they are

asset businesses, they are relatively easy to convert into cash if they become less profitable, which is why we are seeking to incorporate a higher percentage of such projects into our business portfolio.

Enhancement of financial soundness

Reinforcing our management foundation through risk management and reducing interest-bearing liabilities

We are focusing on "Enhancement of Financial Soundness" as part of our steps towards reinforcing our management foundation in Medium-Term Management Plan 2020. While continuing our cash flow management policy of investing and carrying out dividend within the limits of cash generated, we are also working on guaranteeing stability by limiting our Risk-weighted Assets (total amount of risk) to within our Core Risk Buffer (shareholders' equity). We have also set goals for our efficiency indicators: 10% or more for ROE, higher than our shareholders' equity costs, and 4% or more for ROA.

At the same time, we also plan to establish a financial structure that does not over-rely on interest-bearing liabilities. Looking ahead, the current financial environment in Japan with its negative interest rates may not necessarily continue forever. Moreover, as our businesses abroad continue to increase, we foresee the possibility of a severe situation where we will have difficulty procuring foreign exchange, especially U.S. dollar. Considering such environmental changes and our Group's earning power, we are striving to reduce our interest-bearing liabilities. Since we realize that making a certain level of progress on improving our cash flow and financial structure on a yearly basis might prove difficult, we are instead aiming to achieve a total post-dividend free cash flow of ¥200 billion over three years, which we will devote to repaying interest-bearing liabilities in order to achieve a debt-repayment term (interest-bearing liabilities / cash flow earnings) of 6.0 or less.

After that, we will determine how much capital we need for future growth and how much working capital we require when we consider potential changes in the global business environment. Then, after deciding what balance to strike between generating cash and sourcing funds externally, we will consider whether we need to reduce our interest-bearing liabilities even further or not.

As I stated earlier on, awareness is growing steadily in our Group that cash generation is the source of growth investment. That notwithstanding, a look at our recent investments reveals a number of projects that have not achieved the expected level of profitability after a set period

of time since investment began. We are working on helping such projects to display their true potential. The most important thing is for us and the management at invested companies to share the same management policy and goals right from the initial stages. Based on this consensus building, we consider the details of the invested company's business and our own expertise in order to make a comprehensive decision on how to provide hands-on support to the company.

We also monitor the status of our investments regularly and provide support for improvement as needed. For important projects, we establish a 100-Day Plan Execution Support System as an integrated support function or set up a Focused Follow-Up System to follow up on the plans to improve results and their execution, among other measures to improve the quality of the businesses. Furthermore, in this Medium-Term Management Plan 2020, we have introduced an investment monitoring system called Full Potential Plan where we perform a comprehensive quantitative evaluation of our subsidiaries and associated companies and formulate the necessary support measures to maximize the potential of their individual businesses.

Through such initiatives, we plan to improve the quality of the business portfolio of our Group as a whole. This, coupled with an increase in profitability and cash-generating ability and a strengthening of our financial structure, should lead to sustainable growth for our Group. Additionally, active disclosure on the progress of such initiatives will enhance the Group's recognition.

Shareholder returns

Enhancing shareholder returns through profit growth

When it comes to shareholder returns, while maintaining our basic approach of paying out stable dividends in the long-term, we also aim to increase the amount of dividends through medium- to long-term profit growth. In Medium-Term Management Plan 2020, we set a consolidated payout ratio of 30% as a guideline. We determine the actual amount of dividends after considering the situation of our basic profit and cash flow.

The annual dividend for FY2018 was ¥75 per share, up ¥13 over the previous year. In FY2019, in addition to the regular dividend of ¥80, we intend to pay an additional dividend of ¥10 to commemorate the 100th anniversary of our founding, resulting in a total annual dividend of ¥90. After much discussion, we decided that a commemorative dividend payout in our centennial year was an appropriate

way to show our gratitude to our shareholders for all their support over the past years.

By achieving balanced growth in both new and existing businesses and improving the quality of its business portfolio, the Sumitomo Corporation Group intends to make sustainable profit growth a reality. As CFO, I intend to continue to support these initiatives so that we can meet and exceed the hopes and expectations of our investors and shareholders.

Dividend policy

Basic policy

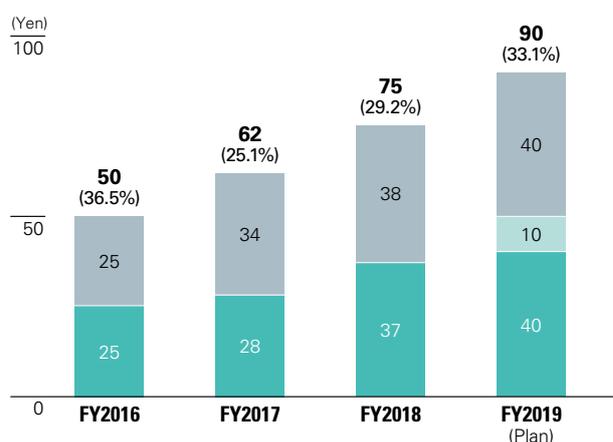
Our basic policy is to increase dividends by achieving medium- to long-term earnings growth while adhering to the Company's fundamental policy of paying shareholders a stable dividend over the long-term.

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.

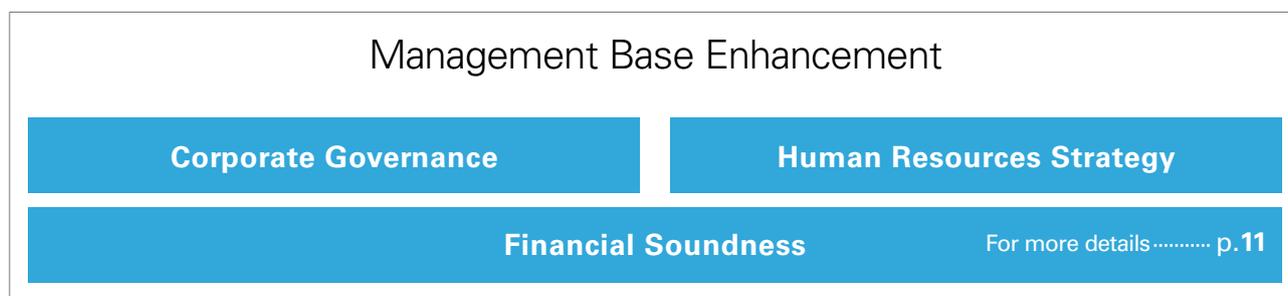
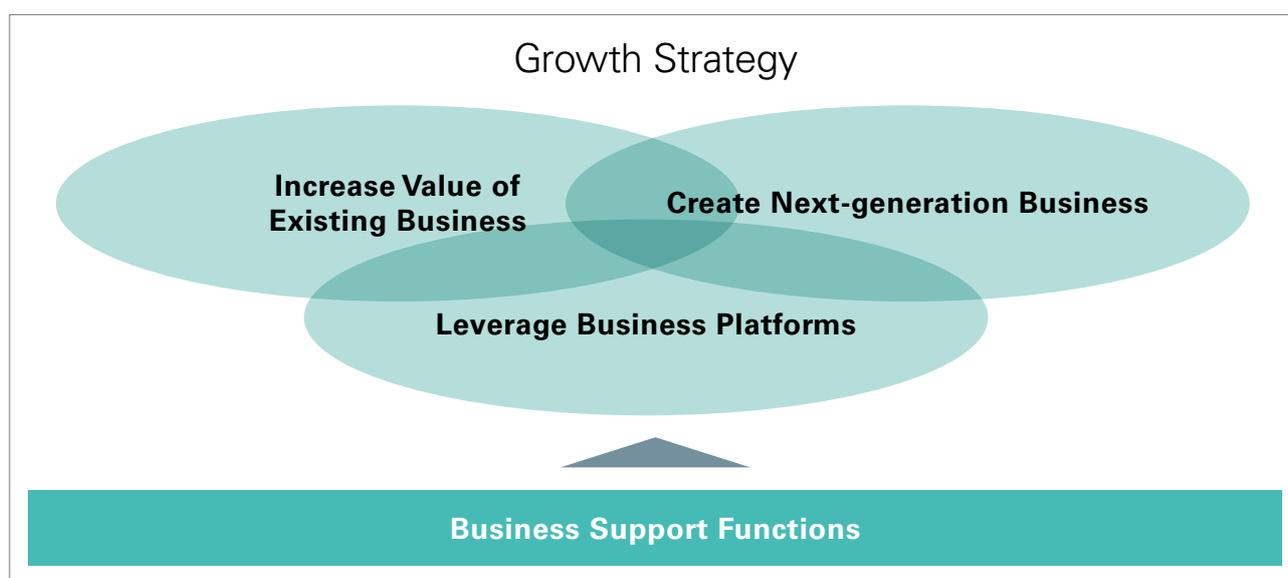
Dividends per share

■ Interim dividend ■ Commemorative dividend ■ Year-end dividend (Payout ratio)



Posted record-high profit and achieved plan target
Progressing steadily with the plan's strategies and measures

In a changing business environment, industries are becoming increasingly borderless and complex due to the 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.



Progress of Medium-Term Management Plan 2020 (Key management indicators)

		Plan	FY2018 Results
Profit for the year	FY2018	¥320 billion	¥320.5 billion
	FY2019	¥340 billion	-
ROA	April 2018–March 2021	4% or higher	4.1%
ROE	April 2018–March 2021	10% or higher	12%
Balance between the Core Risk Buffer and Risk-weighted Assets		Maintained	Maintained
Three-year total amount of investment		¥1,300 billion	Approx. ¥300 billion
Three-year total post-dividend free cash flow		¥200 billion or more	¥128.9 billion

Growth Strategy

Increase Value of Existing Business

Identifying and realizing the growth potential of existing businesses in each business unit

In FY2018, the Sumitomo Corporation Group further reinforced business foundations in its areas of strength through the initiatives outlined to the right. We will continue working actively to bolster earnings pillars in existing businesses while responding promptly to changes in the business environment.

Main initiatives in FY2018

Metal products business

- Invested in the specialty steel business in India

Power generation business

- Participated in the offshore wind power project business in Belgium and France

Agriculture-related business

- Invested in agricultural input & service company in Ukraine
- Acquired general agricultural input & service company in Brazil as wholly owned subsidiary

Create Next-generation Business

Concentrating management resources in emerging fields with major growth

We plan a total investment of approximately ¥300 billion over a three-year period in the three following fields: Technology x Innovation, which promises to bring business upgrading and business model innovation by accelerating Digital Transformation (DX); Healthcare, a market where rapid expansion is forecasted due to an aging population and other factors; and Social Infrastructure, where population growth and advancing urbanization are predicted to drive growth in areas such as Smart City/urban development projects and infrastructure installations. In FY2018, we made a total investment of approximately ¥10 billion in these three emerging areas.

▶ **Technology x Innovation** Establishing and expanding systems for new business development globally

To quickly integrate cutting-edge technology into our businesses, we have been working to establish and expand systems for new business development globally such as in Silicon Valley, London, and Hong Kong. These bases have served as hubs for capital investment in some 30 start-ups that possess innovative technologies in agritech, 3D printing, and other areas. By leveraging local networks, we stay a step ahead in dealing with changes in the structure of industry through collaboration with individual start-ups to discover and adapt new technologies. In addition, we are working on business incubation, which gives support to fledgling start-ups.

▶ **Healthcare** Investment in managed care business in Malaysia

For more details p. 119

▶ **Social infrastructure** Environment-friendly Smart City development that contributes to enriching people's lives and developing local communities



In a Smart City development project in North Hanoi, Vietnam, we started Phase 1 of a real estate project including development of housing, office buildings, and commercial facilities. We will also explore the use of energy management based on microgrids and renewable energy, environment-friendly electric vehicles (EVs), security systems based on facial recognition and other technologies, and the introduction of automated payment systems.

This project does not mean simply undertaking Smart City development driven by IT. Instead, it brings together the integrated strengths of the Sumitomo Corporation Group to create exciting urban environments that will enrich the quality of life for people in Vietnam and contribute to the development of local communities.

Leverage Business Platforms

Creating new value by hybridizing multiple businesses and promoting cross-organizational collaboration

We redefine existing businesses and build new business models by leveraging business infrastructure and functions such as customer bases, telecommunications and broadcasting networks, lease, rental and sharing, and digital platforms.

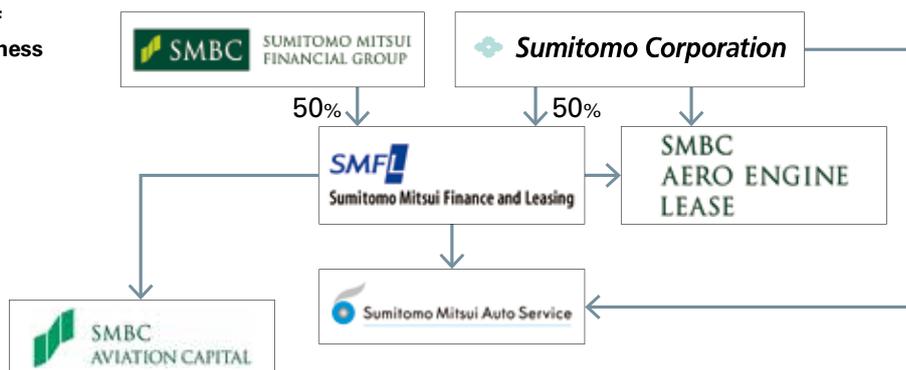
Main initiatives in FY2018

Reorganization of finance and lease company, a joint partnership with SMFG, is completed

- Ownership ratio of Sumitomo Mitsui Financial Group (SMFG) and Sumitomo Corporation Group changed to 50% each for investment in Sumitomo Mitsui Finance and Leasing Company, Limited (SMFL)
- Structure of SMFL changed to act as a platform for investing in leasing-related companies
- SMFL to develop business in real estate, infrastructure, and other fields with higher growth potential

As a result of the reorganization, SMFL will now develop business in real estate, infrastructure, and other fields with higher growth potential, seeking to strengthen the foundations and functions as a platform and simultaneously create new value.

Reorganization of joint leasing business



Capital investment in auto service-related business through Sumitomo Mitsui Auto Service Company, Limited

- Invested in KINTO Corporation, which provides a full leasing service for a fixed monthly fee covering voluntary insurance, vehicle tax, servicing costs, and other requirements as a single package
- Invested in MOBILOTS, Ltd., which provides finance services for commercial vehicles

Expanding Business Support Functions

Four business support functions to promote our growth strategy

1 Biz-Dev Support

We are cultivating next-generation businesses from a companywide perspective. In healthcare, Smart City projects, and other fields with high growth potential, we are strengthening cross-organizational collaboration to drive each project forward. In FY2018, meanwhile, we launched the 0→1 (zero to one) Challenge, a global in-house business start-up system that enables individual employees, regardless of their position or length of service, to submit proposals for new businesses beyond the boundaries of the organizations they belong to. Through

such initiatives, we are progressing with business model innovation through companywide efforts while also responding to changes in society.

2 Full Potential Plan

We are improving the quality of our portfolio by formulating specific measures to maximize the value of each business and monitoring their implementation at key points. This initiative is focused on group companies that have not yet achieved the expected performance and show room for improvement to achieve further growth.

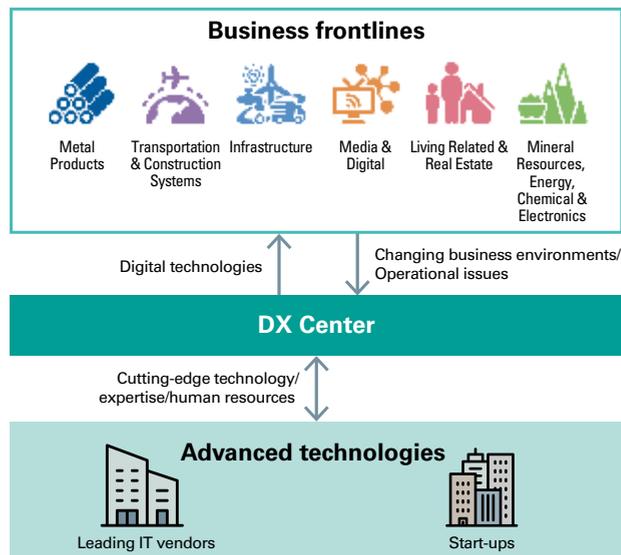
3 Asset Cycle Management

By utilizing external capital, we are increasing asset efficiency in each business. In FY2018, we established a fund for investing in the overseas offshore wind power generation business through a fund management company established jointly with two Japanese financial institutions.

4 Digital Transformation (DX)

In April 2018, we set up a DX Center, to hybridize the group's expertise with that of start-ups as a way of stimulating innovation in our business units and new business development. In April 2019, we established the position of Chief Digital Officer (CDO) to take over responsibility for proposal, planning, and implementation of companywide digital strategy.

Ecosystem for promoting DX



Management Base Enhancement

Enhancement of Corporate Governance

We have strengthened the Board of Directors' supervisory function over business execution by expanding the scope of the Board's monitoring activities. This initiative includes the introduction of enhanced reporting on the strategy of each business unit and sharing its progress and enhanced portfolio reporting on concentration risks such as market fluctuation risk and country risk. Meanwhile, to strengthen governance and to pursue a medium- to long-term increase in corporate value, we revised the executive remuneration system in FY2018. With this revision, the company increases the proportion of total remuneration accounted

for by performance-linked bonuses and stock compensation. This is designed to provide management executives with healthy incentives toward a medium- to long-term increase in corporate value and sustainable growth and to further promote sharing of the shareholder perspective. In addition, to maintain and improve the effectiveness of group governance on a global consolidated basis, we are using a group standard tool for dialogue with group companies to visualize the status of internal control as a way of enhancing the quality of operations.

For more details p. 89

Enhancement of Human Resources Management

Based on the basic concept of "Diversity & Inclusion: Make diversity a source of competitiveness," we are promoting a range of initiatives as part of the implementation of our growth strategy. Through strategic utilization of human resources in new next-generation businesses and job rotation beyond organizational boundaries, we are developing systems that allocate optimal human resources at the right time to the right place on a global consolidated basis. We have also introduced the Medium-Term Management Plan Challenge and Evaluation System as a

step toward promoting new value creation.

To coincide with this, in order to empower individuals to develop their capabilities to the fullest, we are promoting health management and have introduced a teleworking system and a "super-flexible" working hours system to support diverse workstyles. We will continue to implement our growth strategy by enhancing our human resources strategy.

For more details p. 65

Sumitomo's Business Philosophy—a legacy that has lasted over 400 years

Sumitomo's Business Philosophy is based on the founder's precepts, *Monjuin Shiigaki*, written by the founder of the house of Sumitomo, Masatomo Sumitomo (1585–1652), as a statement on how merchants should conduct business. It begins with the declaration that “Do your best prudently and meticulously, not only in business, but in every aspect of your life,” a statement of the emotional and spiritual engagement required in all situations. Sumitomo's Business Philosophy originated with this approach and has been nurtured and refined by our predecessors during Sumitomo's 400 years of history to be inherited by us today.

For more details p. 79



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

Sumitomo's Business Philosophy encapsulated in four phrases

Place prime importance on integrity and sound management without pursuing easy gains

This phrase expresses a business approach based on building a reliable foundation of trust rather than simply seeking short-term gain. A business enterprise is there to pursue profit, but this management stance, which instead prioritizes relationships of trust and sound operations over immediate gain, is what has formed the corporate ethos of today's Sumitomo Group businesses.

Grand Design

This phrase expresses a planning approach which, rather than pursuing immediate profit, looks far ahead to devise a careful plan that will benefit both Sumitomo and society. This attitude—which is in synch with today's values of prioritizing management based on medium- to long-term rather than short-term perspectives—is thus a Sumitomo tradition handed down since our earliest days.

Benefit for self and others, private and public interests are one and the same

This phrase expresses the idea that Sumitomo's business must go beyond benefiting Sumitomo itself to also benefit the nation and society. In other words, it encapsulates the belief that “it is not enough for Sumitomo's business to aim to enrich itself only, it must have the grander goal of serving the interests of the nation and society.”

An enterprising spirit

This phrase expresses the approach of actively embracing new things and ideas, and maintaining a strong focus on goals that is not affected by difficulties. This thinking has formed the Sumitomo Group's corporate culture of “facing contemporary change positively and staying one step ahead of it, letting go of out-of-date businesses and starting new ones to meet contemporary needs instead, and then nurturing them with dedication and determination.”

Values as an integrated trading company of the Sumitomo Group

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 its 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: 100 years of creating value ahead of its time



Depiction of copper beating pictorial record in the Kodo Zuroku



Gate pass for the Shimizu Tokugawa clan (with a symbol depicting the rim of a well)



Besshi Copper Mines (woodblock print commemorating 200th anniversary)



Head Office of The Osaka North Harbour

Source: Sumitomo Historical Archives

1600s

Origin of Sumitomo's business

Sumitomo's history began in the 17th century, when its founder, Masatomo Sumitomo, opened a store in Kyoto selling books and medicines. The legacy of Masatomo, who was also a Buddhist monk, includes a document called *Monjuin Shiigaki*, meaning "founder's precepts," which explains how merchants should conduct business. Its teachings have been handed down for over 400 years within the Sumitomo Group to become the basis of today's Sumitomo's Business Philosophy.

Next to Masatomo, the person responsible for laying the foundation of today's Sumitomo was Riemon Soga, who had learned the craft of copper refining and coppersmithing in Osaka. In 1590, he opened a business in Kyoto under the name Izumiya. He adopted overseas technology to develop a new method of copper refining known as *nanbanbuki*, which became the origin of Sumitomo's standing as copper experts. His eldest son, Rihei, married into the Sumitomo family as Tomomochi Sumitomo. The house of Sumitomo continued to develop, with Izumiya expanding from Kyoto to Osaka and from copper refining into copper trading.

Business diversification from origins in copper mining operation

With Japan's copper industry growing, Sumitomo advanced from copper trading to copper mining. The start of operation at the Bicchu Yoshioka Copper Mine (currently Okayama Pref.) in 1681 was followed in 1683 by the opening of the Dewa-Sachu Copper Mine (currently Yamagata Pref.).

After the discovery of rich ore deposits at the village of Besshi in 1690, mining began in the following year. For almost 200 years of the Edo period, the Besshi Copper Mines (currently Ehime Pref.) were famous far and wide as being among the largest copper mines both in Japan and overseas.

Sumitomo's business thus grew and developed around a core of operations related to copper ore mining and refining. In a spirit of social contribution and enterprise—expressed in the maxims "benefit for self and others, private and public interests are one and the same" and "Grand Design"—the Sumitomo Group moved into finance, insurance, iron and steel, real estate, and a wide range of other sectors to become one of Japan's leading corporate groups, of which Sumitomo Corporation forms an integral part.

1920s

Sumitomo Corporation's roots in real estate management in the North Port of Osaka

Following the Meiji Restoration, started in 1868, Sumitomo intensified operations at the Besshi Copper Mines, while at the same time its different businesses began to organize separately. With a broad overall differentiation into a mining and manufacturing division and a finance division, a diverse range of businesses developed that grew into the Sumitomo Group of modern times. These included machinery, coal mining, copper products and steel pipes, steel manufacture, chemicals, warehousing, and real estate.

Sumitomo Corporation's roots date back to December 1919, when it was the main partner in the establishment of the Osaka North Harbour Company. Founded to develop the port of Osaka and the surrounding area, this company was responsible for land reclamation and development and real estate management in the North Port of Osaka and its surroundings.



Nippon Engineering's Head Office



Newspaper advertisement regarding the Company name change



In the 1950s, export of Japanese tubular products began. In the 1990s, long-term contracts with oil majors were evolved into supply chain management systems.



In the 1950s, a ship export business was launched, followed by expansion into ship trade and chartering, and more recently into ship owning and operating.



In the 1960s, business operations began in the office building sector, with later development into condominiums, retail facilities, and large-scale complexes.



In the 1960s, the first Summit store opened. Committed to community-based service, it has grown into one of the top supermarkets in the Tokyo metropolitan area.



In the 1960s, export of crop protection products began. Wholesaling operations were developed in each of the export markets later on, with an agricultural input and service business added in recent years.

1940s

Decision to advance into the trading business following the dissolution of the Sumitomo Head Office

In 1944, as the Second World War entered its closing phase, the Osaka North Harbour Company merged with The Sumitomo Building Co., Ltd., to become Sumitomo Real Estate Building Co., Ltd. In 1945, following the end of the war, the Sumitomo *zaibatsu* conglomerate ended its history. The last Sumitomo Director-General, Shunosuke Furuta, was concerned with supporting the livelihood of staff returning from overseas and made great efforts to provide them with employment. To do so, he decided to establish a trading company, and in November 1945 Sumitomo Real Estate Building was renamed Nippon Engineering, and launched a trading business from its newly established head office sales department. The most significant challenge during that early period was the need to establish a management foundation. Nippon Engineering worked to expand the range of products it handled and the fields it dealt in. In 1949, it undertook its first post-war capital increase and had grown sufficiently to be listed on the stock exchanges of Tokyo, Osaka, and Nagoya.

1950s

Revival of the Sumitomo brand and renaming as Sumitomo Corporation

Nippon Engineering steadily expanded its presence overseas, posting an employee to Bombay (currently Mumbai), India, for the first time in 1950, and subsequently establishing a U.S. subsidiary in New York in 1952.

On June 1, 1952, Nippon Engineering changed its name to Sumitomo Shoji Kaisha, reinstating the Sumitomo trade name that had been banned since the dissolution of the *zaibatsu*. This name change marked the start of Sumitomo Corporation's rapid advance as an integrated trading company within the Sumitomo Group.

In the Japanese domestic sphere, it reinforced relationships with other companies in the Sumitomo Group while also forming an expanding network of new business links with leading companies across the whole of industry. In line with the increase in operating capital, there was a progressive expansion in the range of banking partners, to include not only Sumitomo Bank and Sumitomo Trust and Banking Co., Ltd., but also leading city and regional banks as well as overseas banks.

1960s

Reorganization for expansion

From the mid-1950s, the Japanese economy entered a growth phase centered on the heavy and chemical industries. The success of this inevitably drove increasing internationalization in the Japanese economy. In the midst of this great wave of change, Sumitomo Corporation steadily expanded its integrated corporate strength and enjoyed rapid growth in sales to become the sixth largest integrated trading company in the industry.

In 1966, it declared the goal of becoming one of the industry's top three, reflected in the simultaneously launched "Big Three" slogan. It also targeted an increase in 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, Non-ferrous Metals, Electric, Machinery, Agriculture & Fishery, Chemicals, Textiles, General Products & Fuel, and Real Estate. Furthermore, in 1967 a project team was formed to drive initiatives involving large-scale projects, resource development, and cultivation of new industries from a cross-divisional, medium- to long-term perspective.



In the 1960s, we received overseas orders for construction of large-scale electric power plants and transmission/substations. From that point, the Company started to take on ownership of power plants as an independent power producer. Currently, we are also focusing on the renewable energy business.



In the 1980s, Sumitronics was established in Singapore as a specialized trading company dealing in electronic parts. Today, Sumitronics has expanded into Asia and North America as a provider of an electronics manufacturing service for office equipment, home appliances, and automobiles.



In the 1980s, the Company expanded from export and financing of construction and mining equipment to sales & marketing business, and subsequently progressed into the rental business. Currently, businesses extend to 16 countries around the world.



From the 1990s, the Company invested in copper mine businesses in Indonesia, with initiatives taken by the Company's Japanese operations. The experience gained from this served as the foundation for our business managing the San Cristobal Mine and other nonferrous metal mines.



In the 1970s, we expanded the scale of the steel service center business along with overseas expansion of our customers. With the main focus in Asia, these centers enhanced the processing and supply of steel products on a just-in-time basis.



In the 1980s, the Company launched its first industrial park business in Indonesia. Since then, seven industrial parks have been developed in five different countries.



In the 1980s, the Company advanced into overseas sales and distribution of automobiles. Since then, the Company has expanded its business to financing, leasing and manufacturing of parts and vehicles to create a value chain from upstream to downstream.



Established in the 1990s, Jupiter Telecommunications Co., Ltd. (J-COM), has developed its cable TV business and a wide range of other businesses.

Profit (loss) for the year*

* Attributable to owners of the parent

¥5.4 billion

1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998

1970s

Establishment of management foundation as an integrated trading company

In 1970, a new Sumitomo Shoji Building was completed in Takebashi to house the Tokyo Head Office, introducing a dual structure with Head Offices in both Osaka and Tokyo. In the same year, the Company merged with Sogo Boeki Co., Ltd., which had strong trading links with the communist bloc. The subsequent first oil crisis provided an opportunity to expand business fields to oil-producing countries in areas including the Middle East, Africa, and Central and South America. By the mid-1970s, the number of overseas offices exceeded 100.

In 1977, the "Big Three & the Best" slogan was launched to express the goal of becoming the No. 1 company in Japan, not only on an overall evaluation of business indicators such as profitability and capital strength but also in terms of public support. Toward this goal, a system of four sales divisions was introduced in 1979: Iron & Steel; Machinery & Electric; Nonferrous Metals, Chemicals & Fuel; and Consumer Products. The new guiding slogan for the 1980s was "Open Eyes on All," reflecting an emphasis on areas such as reinforced overseas business activities and cultivation of new business fields.

In 1978 the Company's English-language name was changed from Sumitomo Shoji Kaisha to Sumitomo Corporation.

1980s

"Integrated Business Enterprise" as the new medium- to long-term corporate vision

The early 1980s was a period of worldwide economic recession. Coupled with the slump in the crude oil price and the yen's appreciation after the Plaza Accord, this caused a sharp fall in operating income. With the aim of rebuilding its earnings structure, in 1988 the Company formulated its corporate vision for the 21st century as an Integrated Business Enterprise.

This medium- to long-term vision of the future envisaged trading and business activities as the two earnings pillars to build a new earning structure by reinforcing the Company's integrated corporate strength and developing downstream businesses. To coincide with this, "Seeing Tomorrow, Innovating Today" was declared as the slogan, symbolizing efforts to focus the integrated strength of the whole Company.

In 1991, with the aim of realizing the Integrated Business Enterprise vision, the Company formulated medium-term management plan Strategy 95, which sought to establish a new earnings structure to respond to globalization.

1990s

Strengthening of global consolidated management in the wake of the economic bubble and illegal copper trading incident

In 1990, Japan's economic bubble finally burst, bringing a rapid worsening of the economic environment. Then in 1996, the Sumitomo Corporation was rocked by the uncovering of an illegal copper trading incident, which resulted in a massive financial loss. With the Asian currency crisis and other challenges to follow, the economic climate continued to deteriorate. The integrated trading companies had a time of shake-out and were under pressure to reform their thinking and their structures. In response, the Sumitomo Corporation acknowledged the lessons of the illegal copper trading incident by putting in place a strict internal control system to prevent a recurrence. In 1998, a new and distinctive Corporate Mission Statement was established, and the Company became one of the first to introduce the new management indicator of risk-adjusted return ratio. Under the medium-term management plan, called Reform Package, launched in 1999, this indicator formed the basis for driving forward the policy of selection and concentration to expand the revenue base, reinforce corporate foundations, and conduct global consolidated management.



The 1990s saw the launch of the Tomod's chain, which pioneered the format of a drugstore with an integrated dispensing pharmacy. Operations have now expanded to Taiwan.

¥320.5 billion



In the 2010s, the Company participated in the Myanmar telecommunications business. Initiatives are now on track to expand our footprint into other Asian countries as well as to develop a platform that provides value-added services to enrich the lives of subscribers.



In the 2010s, Sumisho Computer Systems Corporation (SCS) and CSK Corporation merged to form SCSK Corporation, which is collaborating in our Digital Transformation (DX).



In the 2010s, the Company acquired Fyffes, which operates a fresh produce business across wide areas of Europe and the Americas, thus expanding the business portfolio in this sector.

1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

2000s

Selection and concentration continues in a series of two-year plans

Following the Reform Package plan in 1999, Sumitomo Corporation formulated and implemented a series of two-year medium-term management plans to target revenue increase and reinforcement of business foundations. In 2001, as a first step into the 21st century, the Head Office relocated to Harumi in Chuo-ku, Tokyo.

With the launch of the new medium-term management plan, Step Up Plan, the process of selection and concentration was accelerated, and a switch to higher-quality assets was promoted.

In 2003, the Company moved to strengthen its governance practice with the introduction of the Sumitomo Corporation Corporate Governance Principles, while between 2003 and 2008 a series of two-year plans were implemented whose core policy was to intensify management led by risk-adjusted return ratio: the AA Plan, AG Plan, and GG Plan. Since 2009, with a view to the next 10 years, we have implemented new medium-term management plans FOCUS'10 and $f(x)$ to target growth on diverse business fronts through value creation.

2010s

Returning to a growth track after major impairment losses

In 2012, a corporate vision was announced under the title "What We Aim to Be in 2019, Our Centennial Year." At the same time, a slogan was adopted to envision sustainable growth over the coming 50 to 100 years: "Be the Best, Be the One (BBBO)." Under the medium-term management plan BBBO2014, the overseas regions were restructured and emphasis was placed on enhancing medium- to long-term earnings capacity through continuous regeneration of business.

However, with economic stagnation in emerging countries, commodity prices slumped and substantial impairment losses were recorded in 2014 and 2015, mainly on large-scale projects in the mineral resources & energy fields. In response, the medium-term management plan launched in 2015 "Be the Best, Be the One 2017 (BBBO2017)" prescribed promotion of managerial reform and growth strategies, and focused on securing financial soundness to return the business to a growth track. This effected a steady recovery and FY2018 was a year of record-high profits.

2020s and onward

Implementing sustainability management to guide the Company over the next 100 years

In December 2019, 100 years since the establishment of Osaka North Harbour Company in 1919, the Sumitomo Corporation Group will celebrate its 100th anniversary. Initiatives looking forward to the next 100 years are already under way.

Since 2017, the emphasis has been on sustainability management, with the aim of combining sustainable growth with solutions to social issues by defining "Six Material Issues to Achieve Sustainable Growth with Society." In 2018, we announced the Medium-Term Management Plan 2020, a growth strategy with the main theme of "Unceasing Challenge for New Value Creation." In September of that year, the Head Office relocated within Tokyo to Otemachi, Chiyoda-ku, as part of the overall strategy to stimulate further growth.

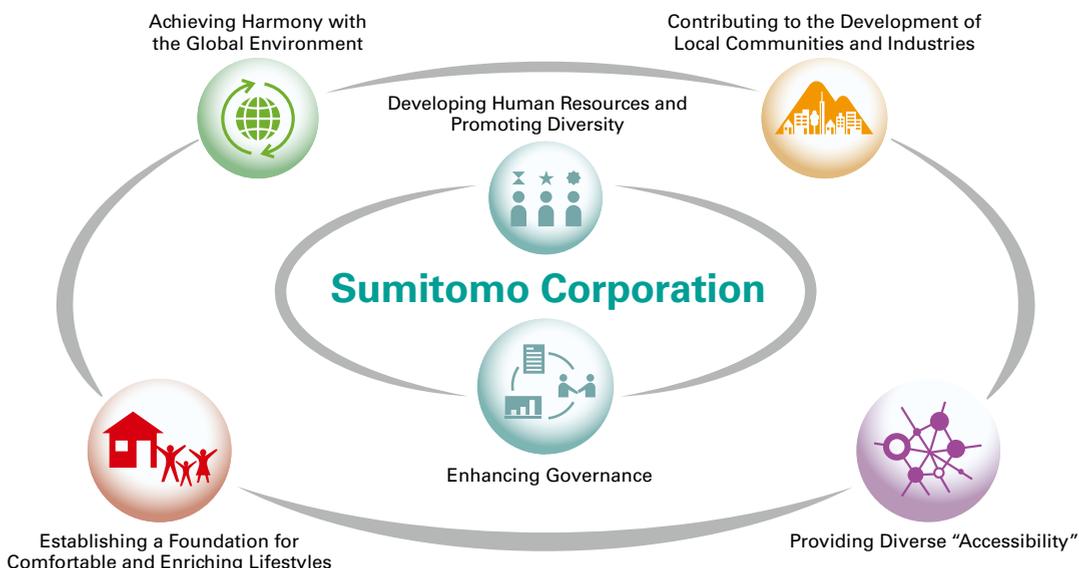
In May 2019, the Sumitomo Corporation Group declared its corporate message "Enriching lives and the world" to encapsulate its aspiration going forward: To grow as a corporation delivering prosperity to people around the world.

Six Material Issues to Achieve Sustainable Growth with Society

Over the years, we have conducted our business activities guided by Sumitomo's Business Philosophy and Corporate Mission Statement. Today, the question of how businesses should address the issues facing society is once again a focus of intense debate.

To achieve sustainable growth together with society into the future, in April 2017 we 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. These six issues consist of four social issues with which we engage (outer ring of below diagram) and two internal group issues (inner ring of below diagram), which form a foundation for supporting initiatives to help resolve the external social issues.



Strategic positioning and future initiatives

We defined the Six Material Issues to Achieve Sustainable Growth with Society as an important factor in the development of business strategies and in the decision-making process for individual businesses. By helping to resolve these issues through our business activities, we

aim to achieve continuous growth.

At the same time, by intensifying dialogue with stakeholders we will continue with efforts to deepen our understanding of what society expects from us and where our strengths lie, which will enable us to flexibly reassess and revise our Material Issues in line with changes in society.



Leveraging our trust-based relationships with customers and partners across the globe and utilizing our business expertise, we will secure the growth of the Sumitomo Corporation Group 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.

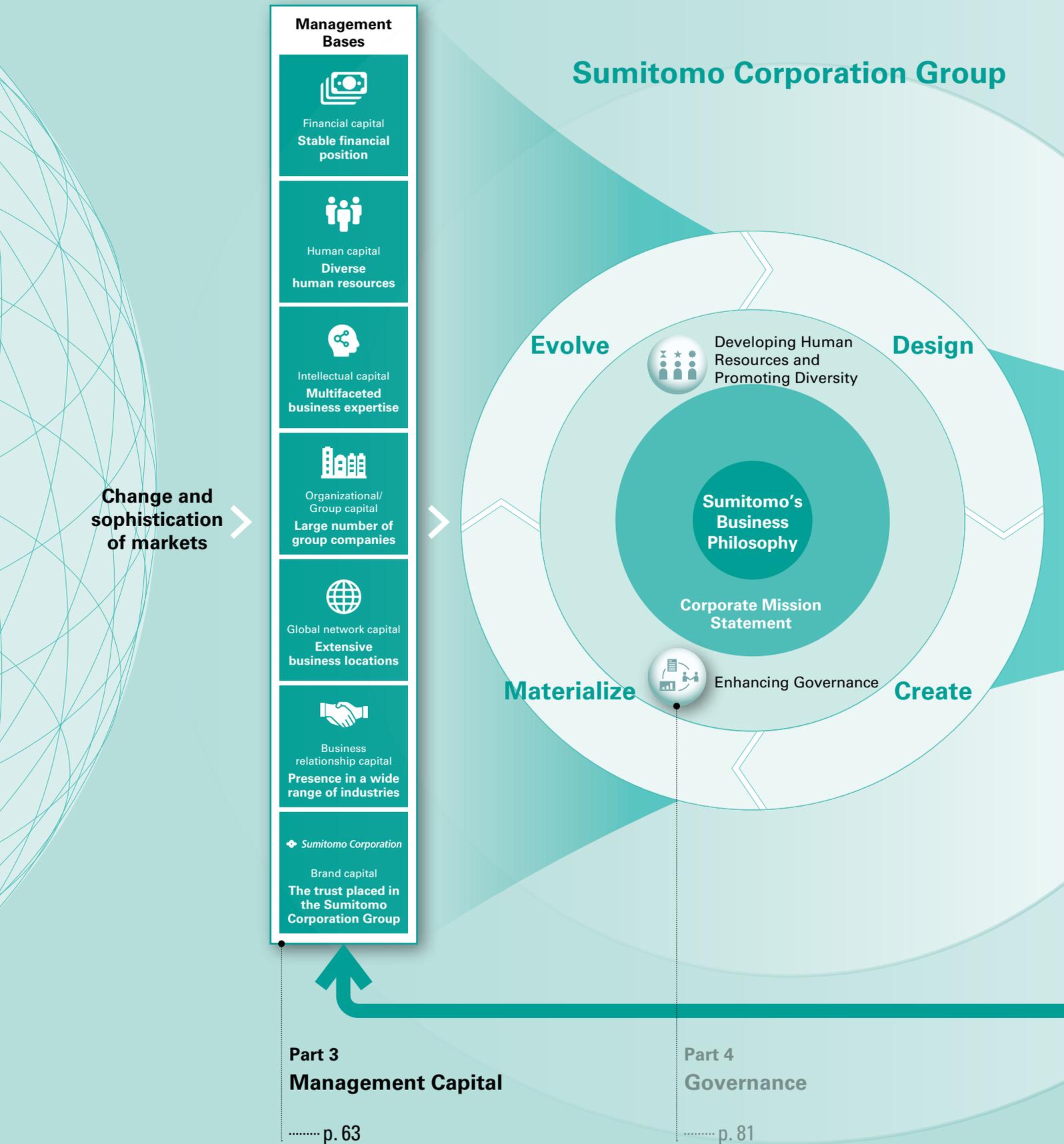


Enhancing Governance

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.

Value Creation Model

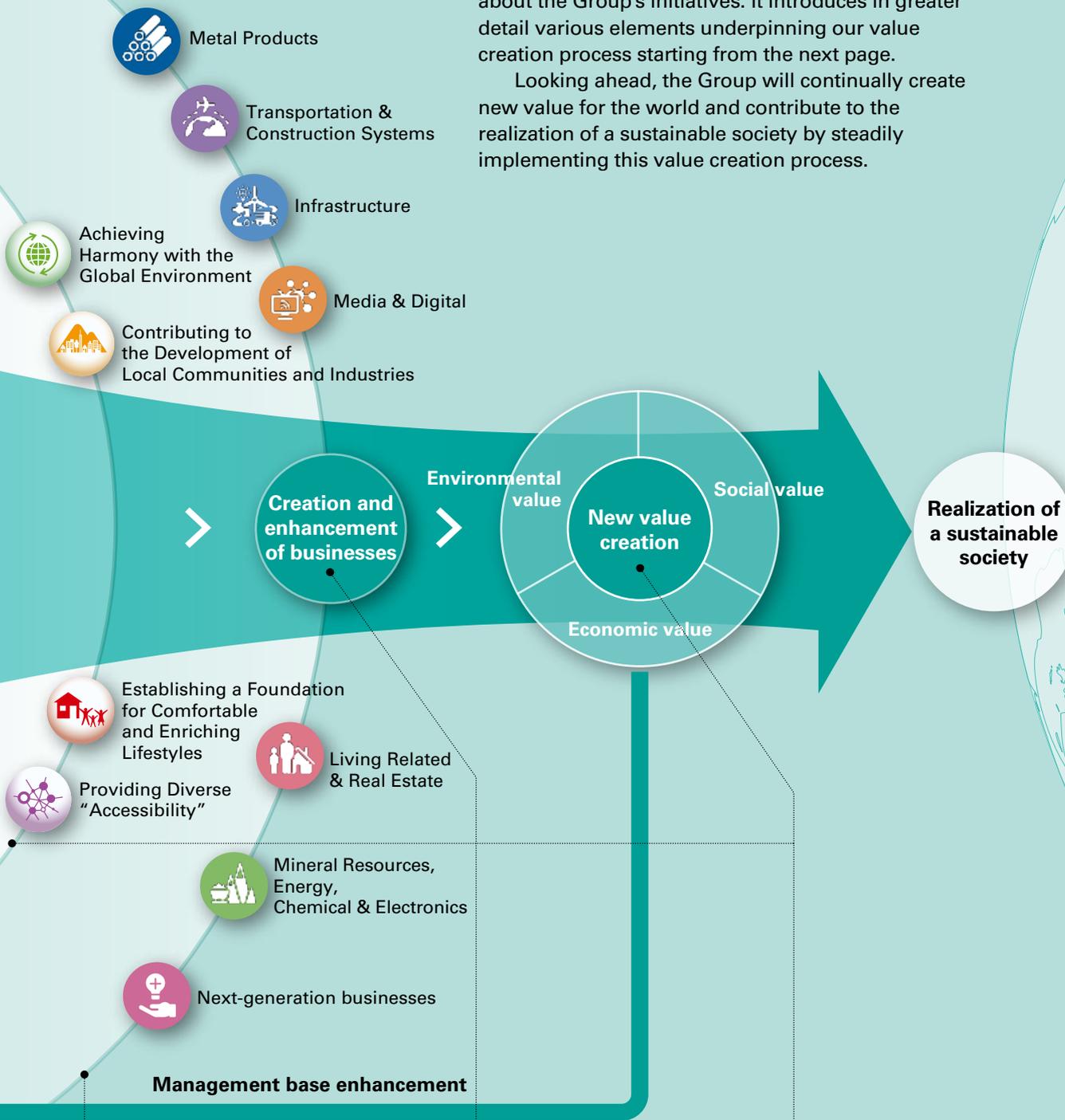
Creating new value for today and tomorrow



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.

In our Integrated Report 2018, we presented the Group's value creation model. In this Integrated Report 2019, it represents as a "handbook" for further deepening stakeholders' understanding about the Group's initiatives. It introduces in greater detail various elements underpinning our value creation process starting from the next page.

Looking ahead, the Group will continually create new value for the world and contribute to the realization of a sustainable society by steadily implementing this value creation process.



Part 5
Segment Overview
..... p. 107

Part 2
Approaches for
Business Creation
..... p. 47

Part 1
Sustainability
Management
..... p. 29