

PART 3

Segment Overview

Businesses That Create Diverse Value

The Sumitomo Corporation Group is engaged in diversified business operations on a global basis, generating wide-ranging value from its six business units: Metal Products, Transportation & Construction Systems, Infrastructure, Media & Digital, Living Related & Real Estate, and Mineral Resources, Energy, Chemical & Electronics. Each business unit is committed to creating further value based on Medium-Term Management Plan 2020.

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At a Glance

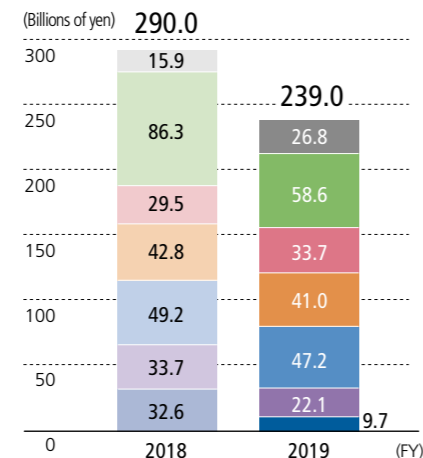
Results by Segment



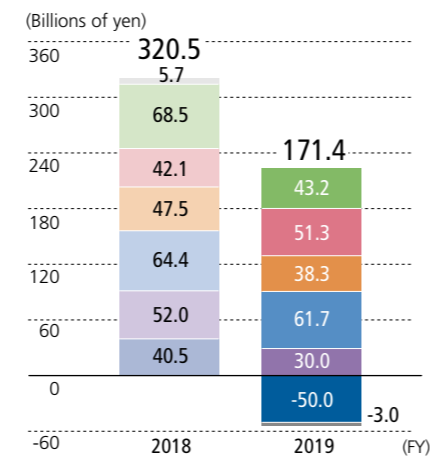
(Billions of yen)	(FY)	Metal Products		Transportation & Construction Systems		Infrastructure		Media & Digital		Living Related & Real Estate		Mineral Resources, Energy, Chemical & Electronics		Corporate and Eliminations		Total	
		2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Basic profit cash flow		32.6	9.7	33.7	22.1	49.2	47.2	42.8	41.0	29.5	33.7	86.3	58.6	15.9	26.8	290.0	239.0
Gross profit		145.2	104.8	158.1	164.9	114.3	114.4	92.9	100.2	210.7	226.4	190.3	152.0	11.7	11.0	923.2	873.7
Selling, general and administrative expenses		-99.2	-96.1	-127.3	-149.9	-57.3	-60.5	-69.1	-76.7	-172.0	-178.5	-96.8	-102.7	-25.9	-13.0	-647.6	-677.4
Share of profit (loss) of investments accounted for using the equity method		10.7	-16.1	49.4	26.1	11.0	14.8	45.6	38.6	7.6	9.3	-1.5	8.8	4.3	3.3	127.1	84.8
Profit (loss) for the year		40.5	-50.0	52.0	30.0	64.4	61.7	47.5	38.3	42.1	51.3	68.5	43.2	5.7	-3.0	320.5	171.4
Investments and loans		32.0	22.0	45.0	75.0	62.0	81.0	40.0	37.0	66.0	95.0	58.0	41.0	—	—	300.0	350.0
Total assets		1,245.2	1,088.6	1,752.5	1,693.4	923.1	894.9	813.2	879.9	1,243.3	1,538.4	1,701.0	1,595.8	238.3	437.6	7,916.5	8,128.6
Trade and other receivables		397.7	339.5	308.4	289.9	297.8	283.6	74.3	76.4	152.5	147.5	565.0	505.8	-83.9	-79.8	1,711.9	1,563.0
Goodwill		31.6	38	12.2	37.6	0.9	0.8	6.2	20.5	50.7	52.9	8.6	7.7	0.1	0.1	110.3	123.3
ROA (%)		3.3	-4.5	3.0	1.8	7.0	6.9	5.8	4.4	3.4	3.3	4.0	2.7	—	—	4.1	2.1
Number of employees (Non-Consolidated Basis)		672	655	671	687	618	617	411	465	532	531	872	879	1,350	1,373	5,126	5,207
Number of employees (Consolidated Basis)		8,485	8,054	16,681	18,893	3,539	3,687	12,835	14,524	13,980	15,439	7,331	9,229	2,811	2,816	65,662	72,642

- Metal Products
- Transportation & Construction Systems
- Infrastructure
- Media & Digital
- Living Related & Real Estate
- Mineral Resources, Energy, Chemical & Electronics
- Corporate and Eliminations

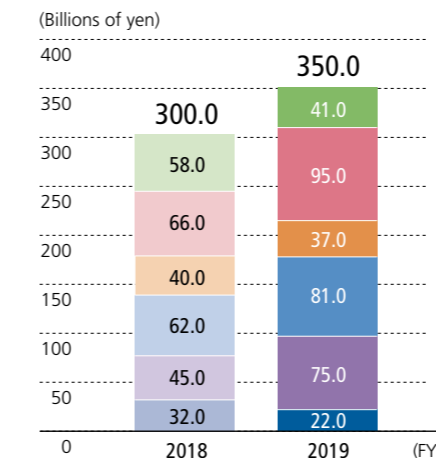
Basic profit cash flow



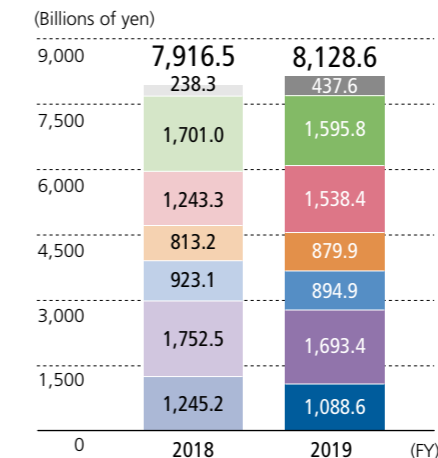
Profit (loss) for the year



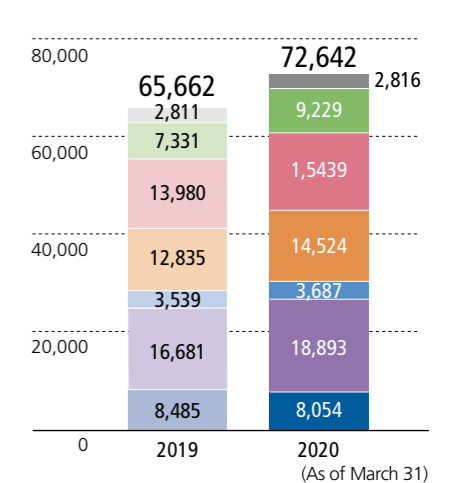
Investments and loans



Total assets



Number of employees (Consolidated Basis)



Metal Products

- Steel Products Division
- Light Metals & Metal Products for Transportation Division
- Tubular Products Division

Fumihiko Koba
General Manager



FY2019 Summary

The Metal Products Business Unit posted a loss of ¥50.0 billion, a ¥90.5 billion decline from the previous fiscal year. The main factors were a profit fall in the tubular products business in North America, sluggish performance of the overseas steel service center business, and impairment losses and write-down of inventory in the tubular products business, mainly in the United States.

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 in the 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"> • Leading market shares in unique segments such as rails, wheels, and axles for railway • Expertise, solution capabilities, and a strong customer network in automobile-related steel products and tubular products 	<ul style="list-style-type: none"> • Our position as one of the world's largest handlers of oil country tubular goods (OCTG), and our expanded value chain • Strategic partnerships with energy majors, and service provision/development capabilities realized through our global network 	<ul style="list-style-type: none"> • Sharing our global growth strategy with leading partners in the upstream and midstream of aluminum value chain
Challenges	<ul style="list-style-type: none"> • Upgrading existing business models using information and expertise accumulated through steel products trading • Creating new business models from the client's perspective 	<ul style="list-style-type: none"> • Responding to the Fourth Industrial Revolution, and digitization • Responding to shift to low-carbon societies • Dealing with localization requirements in oil-producing countries 	<ul style="list-style-type: none"> • Further strengthening of the aluminum smelting operations, securing stable supplies of bauxite and alumina, and enhancing the added value of aluminum products
Opportunities	<ul style="list-style-type: none"> • Modal shifts in developed countries and railway infrastructure development in emerging countries • Global steady growth of automotive production • Growing demand for steel products driven by urbanization in emerging countries and infrastructure upgrades in developed countries 	<ul style="list-style-type: none"> • Cultivating metal products, equipment, and services used in the energy sector that are closely related to the OCTG business, expanding our share in the OCTG market, and extending our business foundations by capitalizing on the Edgen Group network • Expanding the business into peripheral metal products and equipment, including new materials 	<ul style="list-style-type: none"> • Weight reductions in transportation equipment in preparation for low-carbon/recycling-oriented societies, shift to renewable energy, demands to recycle resources
Risks	<ul style="list-style-type: none"> • Market volatility due to steel oversupply and trade issues in various countries • 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 	<ul style="list-style-type: none"> • The emergence of protectionism • Structural change in the industry due to realignments in related industries 	<ul style="list-style-type: none"> • Intensifying competition with aluminum products from emerging countries, trade restrictions and market volatility caused by cross-border trading and political issues

Business Vision

Creating new value to contribute to the development of society through our metal products-related businesses

Our business unit deals primarily with metal products, which are key materials for a diverse society and a variety of industries. We work to support societies and industries by delivering high-quality, high-performance products all over the world, and by undertaking business activities rooted in local communities with our global partners.

While we have worked consistently to offer solutions to the issues facing society and customers, rapid changes in the social and business environment in recent years means we need to also seek out new roles.

We aspire to fulfill these new roles by creating new businesses and offering solutions to newly emerging social issues.

Key to this will be generating new ideas and adding new value to enhance the distinctiveness of our business model.

To drive innovation in the supply chain and the production process, for instance, we are working with Digital Transformation (DX) to upgrade our existing business models and to respond to climate change and other issues in the field of ESG.

In FY2020, in addition to strengthening the foundations of our existing businesses, we are planning and implementing well-balanced investments to promote new businesses and thus restructure our business model in order to reliably deliver sustainable growth over the medium- to long-term.

Medium-Term Management Plan 2020 (Promotion of growth strategies)

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

Transportation & Construction Systems

- 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



FY2019 Summary

The Transportation & Construction Systems Business Unit posted profit for the year of ¥30.0 billion. This was a decrease of ¥22.0 billion from the previous fiscal year, mainly due to the weak performance of the ship and automotive-related businesses, which were affected by the sluggish market, and reduced profits in the construction equipment sales business.

Overview and Analysis of Each Field

Field	Lease, Ship & Aerospace	Automotive	Construction & Mining Equipment
Overview	While expanding and developing our ship, aerospace, aircraft leasing, and aircraft engine 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 business of manufacturing, sales and marketing, financial services and mobility services, we aim to build new businesses and new value to respond to the next-generation mobility society.	We will promote global development of construction and mining equipment sales and marketing business and rental business, while further expanding our No. 1 position in the trading companies.
Strengths	<ul style="list-style-type: none"> • Japan's leading general leasing and financing business • World-top-class aircraft leasing business • Ship business that combines shipbuilding, owning, and charter functions 	<ul style="list-style-type: none"> • A value chain and business portfolio that covers upstream through downstream business fields on a global basis 	<ul style="list-style-type: none"> • Strong business management capabilities developed through many years of hands-on management • Talented local management teams in each region
Challenges	<ul style="list-style-type: none"> • Expanding business foundations of general leasing and financing, aircraft leasing, and aircraft engine leasing businesses while developing new businesses in peripheral areas • Upgrading of the defense/aerospace business by strengthening sales, financing, manufacturing and aftermarket functions 	<ul style="list-style-type: none"> • Innovating business and creating new business models to reflect the mobility society that will emerge from advancing technology 	<ul style="list-style-type: none"> • Strengthening and expansion of business foundations in emerging markets • Creation of next-generation businesses utilizing advanced technologies
Opportunities	<ul style="list-style-type: none"> • New development of an electric battery-driven vessel equipped with an automatic navigation system • Establishing and commercializing new functions in aircraft aftermarket 	<ul style="list-style-type: none"> • Response to the next-generation mobility society by leveraging existing and new business platforms • Collaboration with start-ups 	<ul style="list-style-type: none"> • Increase in construction demand due to population growth and urbanization in emerging countries • New business opportunities resulting from the spread of ICT machines and advanced technologies in the construction industry
Risks	<ul style="list-style-type: none"> • Reduction in demand for aircraft leasing and aircraft engine leasing due to the COVID-19 pandemic • Reduction of new and used ship trading due to sluggish shipping market 	<ul style="list-style-type: none"> • Geopolitical market risks 	<ul style="list-style-type: none"> • Cyclical markets

Business Vision

Contributing to the global environment and society by delivering services to move people and goods under the "new normal"

Our business unit operates in diverse domains mainly relating to mobility. Our particular strengths include the leasing and financing business, the global reach of our value chains in the ship, automotive, construction and mining equipment businesses, and our advanced expertise in the aerospace-related business.

The COVID-19 pandemic has imposed severe restrictions on the worldwide movement of people. Moreover, the movement of goods, in the form of medical supplies, foodstuffs and daily necessities, has become increasingly important as protection for human life and livelihoods

worldwide. Under the "new normal" of the coming post-COVID era, instead of a return to old practices, we envisage that the movement of people and goods will develop in a way that breaks with the past.

By anticipating the kind of mobility services needed under the new normal, our business unit will pursue a strategy to achieve evolution and transformation of its existing businesses and creation of new businesses to adapt to the environmental and structural changes in our society. In this way, we will contribute to global environmental protection and social development while realizing sustainable growth.

Medium-Term Management Plan 2020 (Promotion of growth strategies)

	Lease, Ship & Aerospace	Automotive	Construction & Mining Equipment
Increasing the value of existing businesses	<ul style="list-style-type: none"> • Strengthening general leasing and financing, aircraft leasing and engine leasing businesses through capital restructuring and asset accumulation • Strengthening ship owning business by diversifying the business model • Developing the value chain in the aircraft business field 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Building the resilient business infrastructure with its geographical expansion through enhancing asset efficiency, strengthening after-sales service system and improving operation quality
Creating the next-generation businesses	<ul style="list-style-type: none"> • Creating new business models gained from access to advanced technologies in the defense, aerospace and their peripheral fields 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Creating new business models in the area of ICT construction and precision agriculture by utilizing autonomous and connected technologies, AI and other advanced technologies
Leveraging cross-business platform	<ul style="list-style-type: none"> • Creating new value by combining the domestic general leasing and financing business with the Sumitomo Corporation Group's expertise, networks and businesses 	<ul style="list-style-type: none"> • Creating new value by combining new technologies and services with our existing business platform, such as auto leasing in Japan, automotive financing in Indonesia, tire distribution in the United States and parking lot operations in the Nordic countries 	<ul style="list-style-type: none"> • Promoting geographical business expansion and creating new business models in peripheral areas by utilizing the globally developed foundation of the sales and marketing business and the rental business

Infrastructure

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

Tsutomu Akimoto
General Manager



Artist's rendering of completed Smart City project (North Hanoi)



Northwind offshore wind farm (Belgium)



Thang Long Industrial Park (Vietnam)

FY2019 Summary

In the Infrastructure Business Unit, profit for the year decreased by ¥2.7 billion year on year, to ¥61.7 billion. In addition to progress in construction works on major engineering, procurement, and construction (EPC) projects, the segment saw its power generation business continue to perform well.

Overview and Analysis of Each Field

Field	Social Infrastructure	Global Power Infrastructure	Logistics Infrastructure
Overview	We are engaged in electricity retail businesses in Japan, energy management businesses, water infrastructure businesses, businesses related to transportation infrastructure, and airport and Smart City development.	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 an integrated logistics business and development and management of container terminal projects, we also arrange various insurance contracts, develop insurance products, and develop and operate overseas industrial parks.
Strengths	<ul style="list-style-type: none"> • Project management capabilities backed by an extensive EPC track record • A wealth of knowledge and expertise, stretching from business development to project management • Market presence with communication channels and capabilities and industry networks through decades of business 	<ul style="list-style-type: none"> • Wide-ranging industry network maintained and developed by specialists stationed worldwide 	<ul style="list-style-type: none"> • Knowledge and track record in the global transportation and distribution of a variety of products • Insurance risk management capabilities • Extensive experience in the development and operation of industrial parks, provision of high-quality infrastructure, and operational support to tenant companies
Challenges	<ul style="list-style-type: none"> • Identification of market needs, selection of focus areas and markets, and ensuring of appropriate resource allocation • Contribution to decarbonization through the energy management business • Increase in the value of existing businesses and creation of new businesses through the use of new technologies such as IoT, AI, and 5G 	<ul style="list-style-type: none"> • Optimization of utilization and deployment of personnel on a global basis to develop businesses globally, cultivate markets and capture demand, and secure cost competitiveness • Participation in and creation of new businesses involving digital technology utilization, distributed power sources, etc. 	<ul style="list-style-type: none"> • Increase in the value of existing businesses through DX; expansion of the revenue base of the integrated logistics business and container terminal business; and creation of new businesses in smart logistics, etc. • Development and operation of new industrial parks, and development of new businesses and enhancement of services at existing industrial parks to meet the needs of tenant companies, their staff, and surrounding communities
Opportunities	<ul style="list-style-type: none"> • Expansion of business opportunities in Smart City development, an eco-friendly response to global urbanization • Expansion of business opportunities in upcoming privatization of airports and other public infrastructure • Increase in modal shift in developed countries and vigorous demand for railway infrastructure in emerging countries 	<ul style="list-style-type: none"> • Increase in demand for eco-friendly infrastructure due to growing environmental awareness and economic development of emerging countries • Innovation from conventional business models in the electric power industry 	<ul style="list-style-type: none"> • Rising demand for logistics and insurance brought about by changes in the trade environment • Increased need for logistics insurance services and overseas industrial parks as a result of relocation of production sites by manufacturers
Risks	<ul style="list-style-type: none"> • Intensified competition from the market entry of other business operators and the rise of emerging countries • Barriers to market entry from anti-globalist policies overseas • Changes in business structure and business opportunities as a result of the COVID-19 pandemic 	<ul style="list-style-type: none"> • Changes in conditions or regulatory strengthening for coal-fired power plants and changes to respective countries' incentive schemes for renewable energy power generation businesses • Drastic changes in industries, such as M&A activities in Japan, the United States and Europe, and the emergence of China 	<ul style="list-style-type: none"> • Large fall in trade and cargo volumes due to worsening economic conditions • Changes in countries' frameworks for establishment and operation of industrial parks and weakening manufacturer interest in overseas expansion due to major worsening of economic conditions

Business Vision

Stay ahead, Shape the future

Our business unit aims to contribute widely to the development of a sustainable society by staying a step ahead of social change and creating new environmental and social value. In FY2020, the final year of our current medium-term management plan, we will pursue active initiatives in the areas outlined below to lay the groundwork for continuing to generate revenue sustainably and at scale under the next plan.

First, we will seek to offer solutions to climate change and other environmental issues through our businesses. We will intensify our focus on our area of strength in the renewable energy power generation business and contribute to more advanced sustainability management through the energy management and recycling businesses.

Second, we will accelerate initiatives in the social infrastructure field. Here, our focus will be on infrastructure

projects that resolve issues in local communities, such as water supply and sanitation infrastructure projects, Smart City development, and railway, airport, and port projects.

Finally, we will continue with initiatives that respond to diverse changes in our business environment. We will focus on investing in the distributed power generation business and other new business models, and on utilizing IoT, AI, 5G, and other DX technologies to increase the value of existing businesses and create new businesses.

In infrastructure projects that support the development of local communities and the foundations of people's lives, a long-term sustainability perspective is essential. Our aim is to develop business facilitating growth in both the people working on our projects and the local community with the theme of "Human Resources Development."

Medium-Term Management Plan 2020 (Promotion of growth strategies)

	Social Infrastructure	Global Power Infrastructure	Logistics Infrastructure
Increasing the value of existing businesses	<ul style="list-style-type: none"> • Expand the electricity retail business in Japan and the machinery and electric trades making use of the Group's network • Further improve efficiency in water infrastructure businesses and expand into peripheral businesses • Scrutinize the focus markets for railway EPC and take on the best projects after thorough deliberation 	<ul style="list-style-type: none"> • Further accumulate high-quality power generation assets • Shift emphasis in the power generation asset portfolio to gas and renewable energy • Net ownership capacity: 9,651 MW (including 1,397 MW in renewable energy) as of March 31, 2020 (including 116 MW owned by a fund management company in which Sumitomo Corporation has a 51% stake) 	<ul style="list-style-type: none"> • Promote global development and expand logistics and insurance functions to contribute to increases in groupwide corporate value • Extend existing projects and develop new projects in related to overseas industrial parks
Creating the next-generation businesses	<ul style="list-style-type: none"> • Participate in new social infrastructure fields utilizing public private partnership (PPP)/ private finance initiative (PFI) opportunities • Penetrate in operator businesses based on our knowledge of railway EPC • Create new smart energy/energy management businesses to deal with decentralized societies 	<ul style="list-style-type: none"> • Create next-generation power generation business models, such as solar home systems and minigrids, that will succeed EPC and independent power producers (IPPs) 	<ul style="list-style-type: none"> • Develop new projects in new focus areas, such as the container terminal business • Implement initiatives aimed at new logistics service and business models that make use of digital technologies
Leveraging cross-business platform	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Pave the way for further expansion of the revenue base for the business of this division and other Sumitomo Corporation Group businesses by working to expand and upgrade our globe-spanning logistics network while also incorporating automated warehouse operation and new technologies such as robotic process automation (RPA)

Media & Digital

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

Toshikazu Nambu
General Manager



J:COM Saitama Studio



Promoting DX groupwide



Telecommunications business in Myanmar (MPT)

FY2019 Summary

Profit for the year in the Media & Digital Business Unit declined by ¥9.2 billion year on year, to ¥38.3 billion, despite the solid performance of the main domestic group companies. This was mainly due to the absence of the one-off profit from asset replacement recorded in the year before and a profit fall in the Myanmar telecommunications business because of a change in the accounting period (15 months in the previous fiscal year).

Overview and Analysis of Each Field

Field	Media Business	Digital Business	Smart Communications Platform Business
Overview	We engage in cable TV, 5G-related technologies, multichannel programming distribution, movies, and other media businesses, as well as digital media-related, video content-related, and TV shopping businesses.	In addition to implementing the Sumitomo Corporation Group's IT strategy and DX promotion, we will pursue the digital solutions business and investment in start-ups.	We will expand the smart communications platform business, focusing on telecommunication infrastructure and value-added services.
Strengths	<ul style="list-style-type: none"> • J:COM, with the No. 1 share of the cable TV market • Jupiter Shop Channel, live broadcast 24 hours a day, 365 days a year 	<ul style="list-style-type: none"> • SCSK, a leading IT solutions provider • Access to advanced technologies on a global basis 	<ul style="list-style-type: none"> • T-Gaia, No. 1 mobile phone distributor in Japan • MPT, No. 1 telecom operator in Myanmar
Challenges	<ul style="list-style-type: none"> • Enhancing J:COM's comprehensive lifestyle concierge functions • Developing new services adapted to changing lifestyles 	<ul style="list-style-type: none"> • Promotion of Sumitomo Corporation Group's DX • Upgrading of IT infrastructure groupwide • Enhancing DX solution services by SCSK 	<ul style="list-style-type: none"> • Expansion of value-added services in Myanmar • Horizontal expansion of telecommunication infrastructure and related services • Building the basis of a smart society
Opportunities	<ul style="list-style-type: none"> • Deregulation of electricity, gas retailing and online medical consultation • Changes in the way that young people consume media • Initiatives in digital marketing platform businesses based on data utilization • New business opportunities with 5G mobile technologies 	<ul style="list-style-type: none"> • Acceleration of innovation, such as upgrading of businesses and creation of new businesses through digital revolution 	<ul style="list-style-type: none"> • Changes in lifestyle with the development of a smart society • New business opportunities with 5G mobile technologies
Risks	<ul style="list-style-type: none"> • Changes in the market environment caused by an acceleration of the fusion between broadcasting and telecommunications • Market shrinkage in Japan due to a declining birth rate and an aging population 	<ul style="list-style-type: none"> • Changes in the industry structure due to digital disruption 	<ul style="list-style-type: none"> • Structural changes in the global telecom market • Decline of mobile handset sales after legal revision (unbundling handset sales from mobile service contract)

Business Vision

Accelerating DX-based business innovation to become "a Digital Solutions Sogo-Shosha"

Our business unit is working to create new value through DX activities towards the digital and 5G era.

We are aiming to create new value propositions and drive companywide innovation by leveraging digital technology to tackle issues and ideas at the frontline of various business activities. To maximize our business value, we will work to build a data platform, develop advanced marketing functions by combining data with AI, and promote DX across all divisions. To implement this strategy, we will strengthen our technology-based capability with tech companies as well as SCSK, and co-create new value with start-ups through global CVC and accelerator programs.

To contribute to realizing a 5G society, we will promote DX in local communities and industries by deploying local 5G. At the same time, we plan a 5G base-station-sharing business in metropolitan areas to solve critical issues in the provision of a nationwide 5G network.

Meanwhile, by expanding global telecom infrastructure in order to develop Smart City and online services in medicine, education, finance, and other areas, we will contribute to laying the foundations for people's lives and industries in emerging countries. Through these initiatives, we aim to evolve as "a Digital Solutions Sogo-Shosha" consistently creating new value.

Medium-Term Management Plan 2020 (Promotion of growth strategies)

	Media Business	Digital Business	Smart Communications Platform Business
Increasing the value of existing businesses	<ul style="list-style-type: none"> • J:COM: Enhance three main services and life infrastructure services • Jupiter Shop Channel: Expand its business base and grow its customer base by reinforcing sales channels and marketing activities 	<ul style="list-style-type: none"> • Upgrade ICT infrastructure groupwide to increase the value of existing businesses and promote workstyle innovation • Secure competitive edge through innovation in operational processes and customer contact points at SCSK and promote commercialization of DX through co-creation 	<ul style="list-style-type: none"> • Increase the value of existing businesses of T-Gaia and MPT, and provide new services by making the most of their No. 1 positions in the market
Creating the next-generation businesses	<ul style="list-style-type: none"> • Expand digital media-related businesses and video content-related businesses globally • Initiatives in digital marketing platform businesses based on data utilization • 5G-based business creation drawing on the comprehensive strengths of the Sumitomo Corporation Group 	<ul style="list-style-type: none"> • Promote DX at group companies with SCSK by utilizing advanced technologies cultivated through investment in and joint creation with start-ups 	<ul style="list-style-type: none"> • Contribute to the development of local communities and industries by expanding telecommunication infrastructure and extending various services in emerging countries focused on Southeast Asia
Leveraging cross-business platform	<ul style="list-style-type: none"> • Develop various new services using the customer bases of J:COM and MPT as well as information and communications infrastructure as a platform • Upgrade the Group's businesses and create new values by integrating "enabler functions" such as finance and logistics with SCSK's IT technology 		

Living Related & Real Estate

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

Nobuki Ando
General Manager



FY2019 Summary

In the Living Related & Real Estate Business Unit, profit for the year increased by ¥9.2 billion from the previous fiscal year, to ¥51.3 billion, on the strong performance of the major domestic group companies and the real estate business.

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 and branded sundries, healthcare-related businesses including pharmacies and drugstore chains, and textile businesses such as apparel and uniform manufacturing in response to diverse consumer needs.	We are developing food distribution businesses dealing in fruits and vegetables, meat, fruit juice, and other fresh and processed foods and businesses handling food materials such as grains, oils, and sweeteners.	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 and logistics facilities, etc.
Strengths	<ul style="list-style-type: none"> • Expertise in retail businesses acquired through the management of Summit, and Tomod's • Expertise in healthcare-related business and drug dispensing acquired through the management of Tomod's • Store network of Summit and Tomod's locations primarily in Tokyo metropolitan area 	<ul style="list-style-type: none"> • Robust global platform for food distribution and sale • Product development and marketing combining customer needs with local features 	<ul style="list-style-type: none"> • Extensive track record of developing and managing comprehensive portfolio of real estate projects in Japan • Development of a top-class construction materials-related business • Strong management capabilities of large-scale wood businesses
Challenges	<ul style="list-style-type: none"> • New retail adjacent business development and new overseas business development • Creating growth opportunities and new businesses in the growing healthcare field • New business creation based on DX 	<ul style="list-style-type: none"> • Strengthening and expanding the food business value chain • Creation of new businesses and new markets through new technologies, functional foods, etc. 	<ul style="list-style-type: none"> • Establishment of biomass fuel manufacturing businesses • Further expansion of timberlands • Expand share of overseas real estate businesses in our portfolio
Opportunities	<ul style="list-style-type: none"> • Expansion of overseas retail market, primarily in emerging countries with growing middle class • 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 • Promotion of DX in retail companies to resolve issues, drive innovation, and introduce new services 	<ul style="list-style-type: none"> • Diversification of the food culture in response to increasing health awareness • Heightened global concerns over SDGs-related issues including food waste and environmental burdens • Evolution of production technologies for foods and agricultural produce through cutting-edge technology 	<ul style="list-style-type: none"> • Growing demand for imported timber products in China, India, and other countries due to natural forest protection policies and economic growth • Rising demand for biomass fuel due to the expansion of renewable energy
Risks	<ul style="list-style-type: none"> • Decline in consumer confidence due to worsening economic conditions • Labor shortages caused by an increasingly competitive business environment 	<ul style="list-style-type: none"> • Extreme weather patterns, infectious diseases, and other factors affecting harvest and sales price in recent years • Changes in global food supply, production, and logistics 	<ul style="list-style-type: none"> • Impact on the real estate market caused by capital market fluctuations • Worsening real estate market conditions due to natural disasters, etc. • Rise in forest valuations

Business Vision

Creating new value and lifestyles to enrich people's daily life

The COVID-19 pandemic is bringing major changes to the way we live. Our business unit has a track record of providing consumer-related products and services essential to daily life. Going forward, we will work to also create new products and lifestyles to match the way we will need to live during this "new normal."

In the lifestyle & retail field, we are developing supermarket and drugstore chains, textiles, and other businesses. We have also launched DX initiatives at our various locations and entered the new healthcare market in Japan and overseas. Through these activities, we help to provide the foundations for comfortable and enriching lifestyles.

In the food & agriculture field, we are working to expand our food distribution business, which focuses mainly on fruits,

vegetables, and meat, and to build a stable operational foundation for grains, sweeteners and other foods. In the medium- to long-term, we will be accelerating joint operations with the retail division.

In the materials and supplies field, we operate forest and biomass businesses in an environment-friendly way, and are working to further expand in order to meet the world's energy needs in a more sustainable manner.

In the real estate field, we are working to achieve further efficiency in the management of assets centered on office buildings, retail facilities, condominiums, logistics facilities, and the real estate fund business. We will also seek to leverage these operations as a business platform.

Medium-Term Management Plan 2020 (Promotion of growth strategies)

	Lifestyle & Retail	Food & Agriculture	Materials, Supplies & Real Estate
Increasing the value of existing businesses	<ul style="list-style-type: none"> • Summit: Accelerate new store openings, establish city-center small-store formats, and enhance ready-made dishes and delicatessen products offering • Tomod's: Enhance business by leveraging new store development including M&A opportunities 	<ul style="list-style-type: none"> • Fyffes: Strengthen production and distribution base • Strengthen and expand the food business value chain • Stabilize the revenue base for the food material business 	<ul style="list-style-type: none"> • Expand forest products businesses by acquiring higher-quality timberlands • Expand overseas businesses and fund and REIT businesses in the real estate field
Creating the next-generation businesses	<ul style="list-style-type: none"> • Expand overseas presence by leveraging expertise acquired from domestic retail business • Create a foundation for healthcare-related businesses both in Japan and overseas • Promote at-home prescription dispensing services and implement fully automated dispensing 	<ul style="list-style-type: none"> • Enter highly valued food market with functional food • Undertake initiatives in businesses utilizing new technologies including foodtech and agritech 	<ul style="list-style-type: none"> • Increase the procurement capacity for biomass fuel and stabilize processing facilities • Implement initiatives for development of smart cities • Promote overseas urban development and master development projects, supporting social infrastructure development
Leveraging cross-business platform	<ul style="list-style-type: none"> • Leverage our business foundation such as retail store network of Summit and Tomod's stores 	<ul style="list-style-type: none"> • Utilize SC Foods' sales network product planning and proposal capabilities • Strengthen collaboration with our retail business 	<ul style="list-style-type: none"> • Utilize real estate as a business foundation • Leverage new mechanisms for raising funds

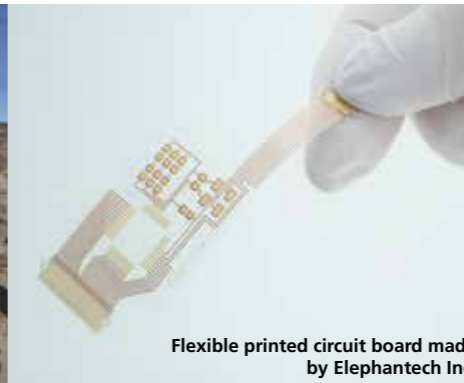
Mineral Resources, Energy, Chemical & Electronics

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

Shingo Ueno
General Manager



The San Cristobal silver, zinc and lead mine (Bolivia)



Flexible printed circuit board made by Elephantech Inc.



Joint cosmetics exhibition with Intercos S.p.A.

FY2019 Summary

In the Mineral Resources, Energy, Chemical & Electronics Business Unit, results were buoyed by the recovery from an impairment loss recorded in the previous fiscal year in the Madagascar nickel business. However, negative factors including a fall in mineral resource prices led to reduced profits in the silver-zinc-lead mining business in Bolivia and the Australian coal-mining business, resulting in a year-on-year decrease of ¥25.3 billion in profit for the year, which came to ¥43.2 billion.

Overview and Analysis of Each Field

Field	Mineral Resources & Energy	Chemicals & Electronics
Overview	Through upstream development and production of mineral resources and energy, we contribute to stable supply to society and the development of local communities. In the mid- to downstream phase, where we engage in manufacturing, processing, and trading operations, 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, cosmetics, fertilizers, and veterinary medicine, we are developing businesses based on our advanced expertise and global networks to contribute to the enrichment of people's daily life.
Strengths	<ul style="list-style-type: none"> • Equity interests in upstream resource operations • Practical management know-how and expertise based on mine operation and business participation • Business-building capabilities based on understanding of the value chain of mid- and downstream businesses and upstream projects 	<ul style="list-style-type: none"> • Global customer base developed over many years in the trading business • High degree of specialization, knowledge, and expertise in the businesses such as electronics manufacturing services, agricultural inputs, and pharmaceuticals, fields in which we have a strong competitive advantage • Sales network for crop protection products in countries worldwide
Challenges	<ul style="list-style-type: none"> • Achievement of stable operation of existing upstream businesses and strengthening of competitiveness through continuous cost reductions • Building of portfolio with medium- to long-term competitiveness by promoting asset replacement and acquisition of high-quality equity interests through upgraded upstream resource strategy • Forward-looking and proactive initiatives in eco-friendly businesses 	<ul style="list-style-type: none"> • Further strengthening of the combination of trading and manufacturing, and promotion of cross-organizational collaboration to secure a stable revenue base • Creating new businesses reflecting structural changes in industry such as the shift to electric vehicles (EVs), energy saving, and the IoT • New business project initiatives that contribute to improving sustainability
Opportunities	<ul style="list-style-type: none"> • Medium- to long-term expansion in demand for mineral resources, which play an important role in the sustainable growth of the world economy and ESG initiatives • Securing of safety, enhanced work conditions, and improved operational efficiency through digital mining and other DX applications • Expansion of opportunities for businesses to help realize a sustainable society, such as decarbonization of energy and CO₂-reducing businesses 	<ul style="list-style-type: none"> • Higher demand due to population growth and economic development in emerging countries • Increase in business opportunities from technological innovations related to energy saving and resource saving • Opportunities for IoT-based agricultural solutions in anticipation of the aging of farming communities • Increasing consumer interest in organic ingredients for cosmetics
Risks	<ul style="list-style-type: none"> • Weak demand resulting from slowing economic growth in China and emerging countries • Risk of oversupply due to factors including competition to increase production among major natural resource companies • Country risks associated with projects 	<ul style="list-style-type: none"> • Slowdown of economic growth and currency depreciation among emerging countries • Market downturns due to weather and other external factors

Business Vision

Contributing to an enriched society through the mineral resources and chemicals businesses

The business conditions in this domain remain uncertain, not least due to the impact of the COVID-19 pandemic. What the present crisis has underlined is the social significance of our businesses, and we believe this will grow increasingly important and is something we need to remain conscious of if we are to continue growing sustainably together with society. By engaging in businesses that generate new social value, we aim to make ongoing contributions to enriching people's lives and happiness worldwide.

Our business unit will accelerate both measures for Diversity & Inclusion, which is essential to creating new ideas, and initiatives for digital innovation. By doing so, we will promote harmonization with the global environment,

support the development of local communities and industries, and help build the foundations for comfortable and enriching lifestyles.

In the mineral resources and energy field, based on the improved strategy formulation process for upstream projects, we will proceed with the building of an optimal business portfolio, ensuring a stable supply of mineral resources while responding to climate change and other social issues.

In the chemical and electronics field, through further strengthening of the combination of trading and manufacturing, we will increase value, supporting the sustainable development of society additionally through the challenge of relevant new business projects.

Medium-Term Management Plan 2020 (Promotion of growth strategies)

	Mineral Resources & Energy	Chemicals & Electronics
Increasing the value of existing businesses	<ul style="list-style-type: none"> • Improve profitability for upstream resources projects and reinforce cost competitiveness (nickel mining and refining business in Madagascar; copper and molybdenum mining business in Chile; silver-zinc-lead mining business in Bolivia; and other businesses) • Expand trading in natural gas, LNG, and liquefied petroleum gas (LPG) among the United States, Europe, and Asia 	<ul style="list-style-type: none"> • Strengthen the core business in the Sumitronics Corporation Group, Sumitomo Shoji Chemicals Co., Ltd., and distribution companies of crop protection products (such as Sumi Agro Europe) • Increase the value of the U.S. generic pharmaceutical business (Upsher-Smith Laboratories)
Creating the next-generation businesses	<ul style="list-style-type: none"> • In the upstream resources field, leverage our strengths to uncover and acquire new cost-competitive assets taking megatrends into account • Develop IoT-based mining businesses • Develop LNG infrastructure business and Floating Production, Storage and Offloading (FPSO) owning and chartering business • Conduct hydrogen-related business (production of CO₂-free hydrogen, fuel cell batteries, etc.) • Develop environment-friendly businesses (lithium-ion battery business, carbon fiber composite materials business, etc.), including a shift to EVs 	<ul style="list-style-type: none"> • Undertake initiatives in solutions businesses based on agricultural IoT (agricultural drones, water-level sensors, etc.) • Move into the field of development of formulas and proposal to cosmetic companies • Improve power consumption efficiency and expand materials businesses related to energy saving (silicon carbide wafer business, engineering resin manufacturing business, etc.)
Leveraging cross-business platform	<ul style="list-style-type: none"> • Leverage the customer base of domestic LPG retail businesses to promote new businesses such as electricity retail and housing-related operations • Build an electronic platform to ensure smooth operations of precious metal trading 	<ul style="list-style-type: none"> • Promote the horizontal expansion of the agricultural input and service business • Expand the value chain to the resin molding business by leveraging the Sumitronics Corporation Group's business foundation