

# Medium-Term Management Plan 2020

Unceasing Challenge for New Value Creation

May 9, 2018

**Sumitomo Corporation**

- 1. Corporate Vision and Management Principles**
- 2. Material Issues**
- 3. “Medium-Term Management Plan 2020”**
  - 3-1. Overview**
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  - 3-3. Reinforcement of Management Bases**
  - 3-4. Quantitative Targets**
  - 3-5. Dividend Policy**

## **【Agenda】**

Explanation on “Medium-Term Management Plan 2020” which we launched from April 2018

**1. Corporate Vision and Management Principles** Sumitomo Corporation

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**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**



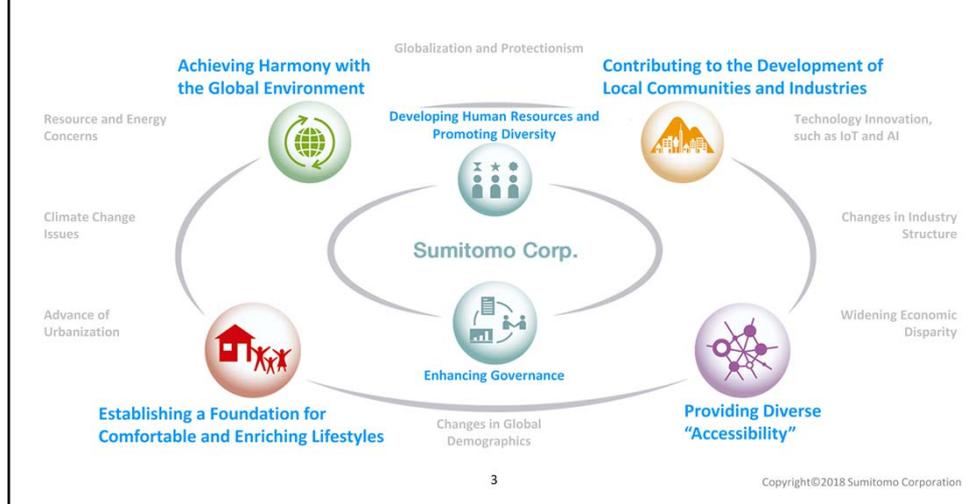
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- SC group's "Corporate Vision" and "Management Principles"
  - ✓ "Corporate Vision"
    - We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society
  - ✓ "Management Principles"
    - To achieve prosperity and realize dreams through sound business activities
    - To place prime importance on integrity and sound management with utmost respect for the individual
    - To foster a corporate culture full of vitality and conducive to innovation

We have been providing corporate activities based on above philosophies.

Moving to **create new value** to face tomorrow's social issues

**Six material issues to achieve sustainable growth with society**

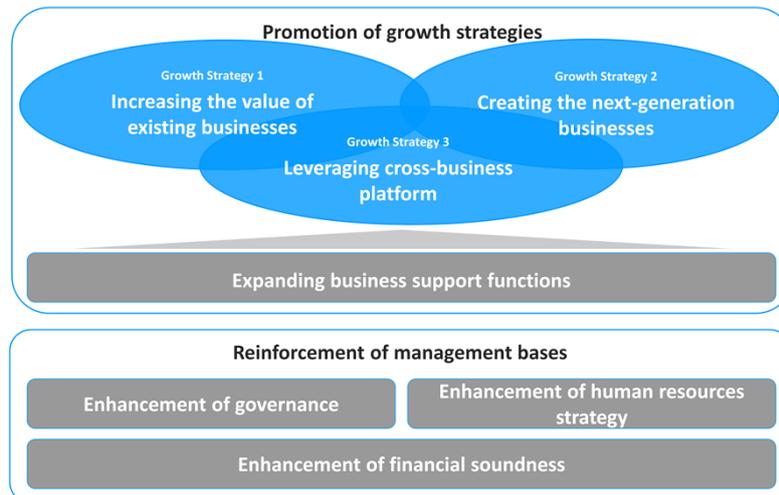


- Increased in the expectation to our role as a corporate citizen to face and solve the social issues in the society
- In April 2017, we announced “Six material issues to achieve sustainable growth with society” capitalizing on our corporate strengths
  - ✓ Created based on corporate vision and management principles
  - ✓ Important factors for our business strategy and management decision on each business
- Responding to future social issues
  - ✓ Need to address these issues for the sustainable growth with society by capitalizing on our corporate strength
  - ✓ Adopting the concept of “Material Issues” in medium term management plan

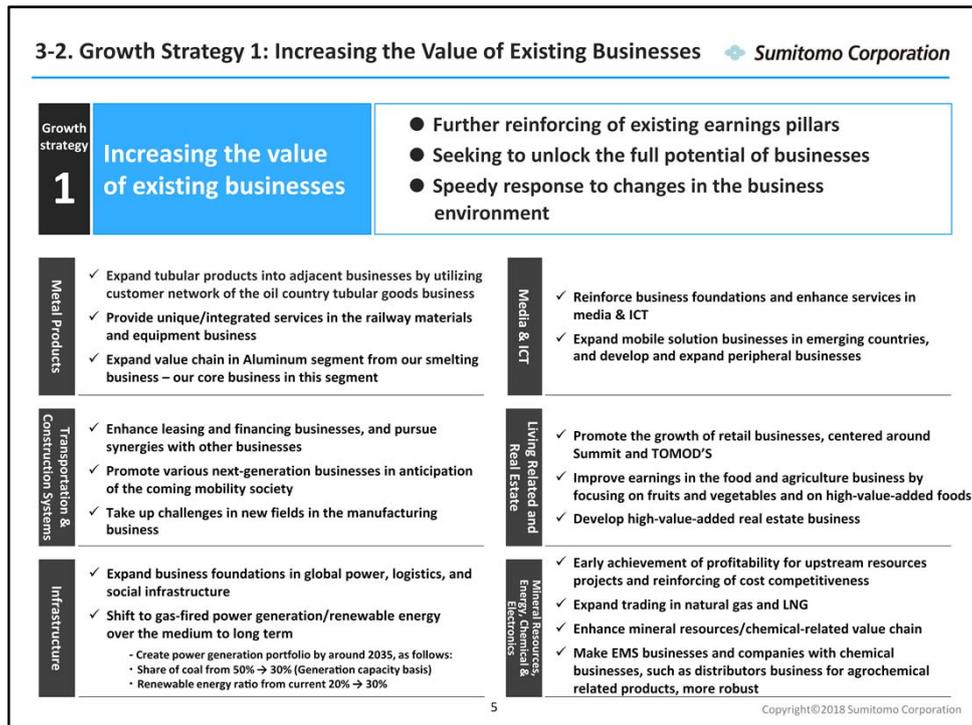
3. "Medium-Term Management Plan 2020"  
3-1. Overview

## Medium-Term Management Plan 2020

- Unceasing Challenge for New Value Creation -



- New Plan "Medium-Term Management Plan 2020" (3-year plan from fiscal year 2018)
  - ✓ We need to pursue continuously for creating new value under the situation of industrial structure shift (4<sup>th</sup> Industrial Revolution) and the acceleration of Borderless/Complex business environment
  - ✓ The core strategies of this medium term management plan are "Promotion of growth strategies" and "Reinforcement of management bases"
- "Growth Strategies"
  - ✓ SC group's direction towards new value creation
  - ✓ Three pillars for our growth strategies
    - "Increasing the value of existing businesses"
    - "Creating the next-generation businesses"
    - "Leveraging cross-business platform"



## 【Increasing the value of existing businesses】

- Restructuring of business units to 6 core business segment to streamline the infrastructure to execute each growth strategy
  - ✓ Further reinforcing of existing earnings pillars
    - Not to be “*status quo*” on the current business model, but to increase the value by utilizing network and infrastructure on each business
  - ✓ Seeking to unlock the full potential of businesses
    - Enhancement of revenue from food business, the completion and achieving of profitability of mineral resources major upstream business and the maximization of the full potential of each business
  - ✓ Speedy response to changes in the business environment
    - Responding to climate change issues, such as low carbon society
      - (e.g. Infrastructure business: shift to gas-fired and renewables power in the mid-long term)
    - Promoting automotive business in future mobility society

3-2. Growth Strategy 2: Creating the Next-Generation Businesses Sumitomo Corporation

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Growth strategy

2

Creating the next-generation businesses

Commit a total of approx. ¥300 billion in funds to three emerging fields over three years

- (1) Technology x Innovation (the fourth industrial revolution fields)
- (2) Healthcare
- (3) Social infrastructure

Emerging fields	Megatrends/Social issues	Priorities
<p style="font-size: 14px; margin: 0;"><b>(1) Technology x Innovation</b> (the fourth industrial revolution fields)</p>	<ul style="list-style-type: none"> <li>✓ Revolution in industry structure and business models due to the shift to ICT and the disappearance of borders for all industries</li> </ul>	<ul style="list-style-type: none"> <li>✓ Revolution in business models and upgrading of business by the acceleration of digital transformation (DX)</li> <li>✓ Promoting R&amp;D activities as strategic move to build next-generation revenue stream (Set investment fund of ¥20 billion for next-generation businesses)</li> </ul>

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### 【Creating the next-generation businesses】

- Specifying the three emerging fields which we need to address in mid-long term and will invest approx. 300 billion yen in the term of this management plan
  - ✓ In the rapid change of business environment, these were specified by analyzing mega-trends, social issues and our company's capability
  
- “Technology x Innovation”
  - ✓ The acceleration on borderless/complex industry will continue and all industries will be shifted to ICT / connected by innovation in current “4<sup>th</sup> Industrial Revolution”
  - ✓ Need to respond to rapid progress on technologies and innovative business models which can be game-changers for specific industry
  - ✓ Priorities
    - Challenges to upgrading business and change in business models by accelerating of digital transformation
    - Promoting flexible and swift R&D activities to create next-generation revenue stream (allocating fund of 20 billion yen for next-generation businesses)

3-2. Growth Strategy 2: Creating the Next-Generation Businesses ◆ Sumitomo Corporation

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Growth strategy  
**2**  
 Creating the next-generation businesses

Commit a total of approx. ¥300 billion in funds to three emerging fields over three years

(1) Technology x Innovation (the fourth industrial revolution fields)  
 (2) Healthcare  
 (3) Social infrastructure

Emerging fields	Megatrends/Social issues	Priorities
(2) Healthcare	<ul style="list-style-type: none"> <li>✓ Aging of society/Inflation of medical expenses</li> <li>✓ Technology innovation, such as IoT and AI</li> <li>✓ Changes in industry structure</li> </ul>	<ul style="list-style-type: none"> <li>✓ Development of new businesses that lead to greater efficiency in medical expenses</li> <li>✓ Expansion of digital health business utilizing cutting-edge technology</li> <li>✓ Entering market for medical infrastructure installations in emerging countries</li> </ul>
(3) Social infrastructure	<ul style="list-style-type: none"> <li>✓ Population growth/Advance of urbanization</li> <li>✓ Shift to private-sector outsourcing</li> <li>✓ Climate Change Issues</li> </ul>	<ul style="list-style-type: none"> <li>✓ Entering market for infrastructure installations, and urban development/Smart City project</li> <li>✓ Reinforcing eco-friendly businesses utilizing new technology  <small>(Next-generation energy management business, storage batteries, hydrogen business etc.)</small></li> </ul>

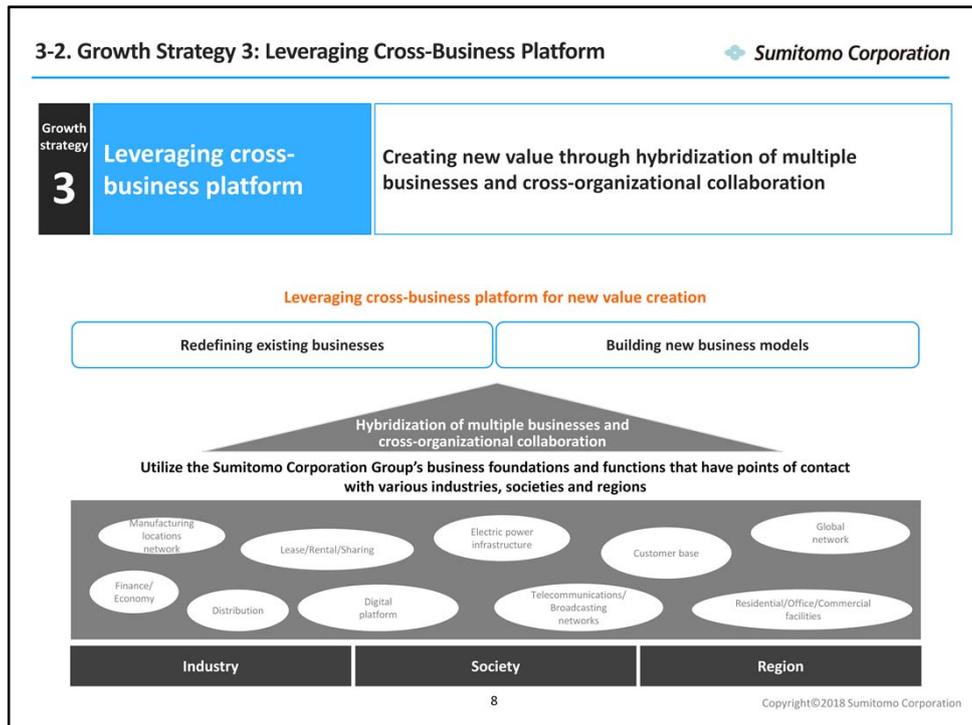
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➤ “Healthcare”

- ✓ Rapid expand in the healthcare market is expected due to issues, such as aging of society and inflation of medical expenses, which are not issues only in Japan but becoming more global issues
- ✓ Accelerating below initiatives by utilizing our business infrastructure and functions:
  - Development of new businesses that lead to greater efficiency in medical expenses
  - Expansion of digital health business utilizing cutting-edge technology (IoT/AI)
  - Entering market for medical infrastructure installation in emerging countries, etc.

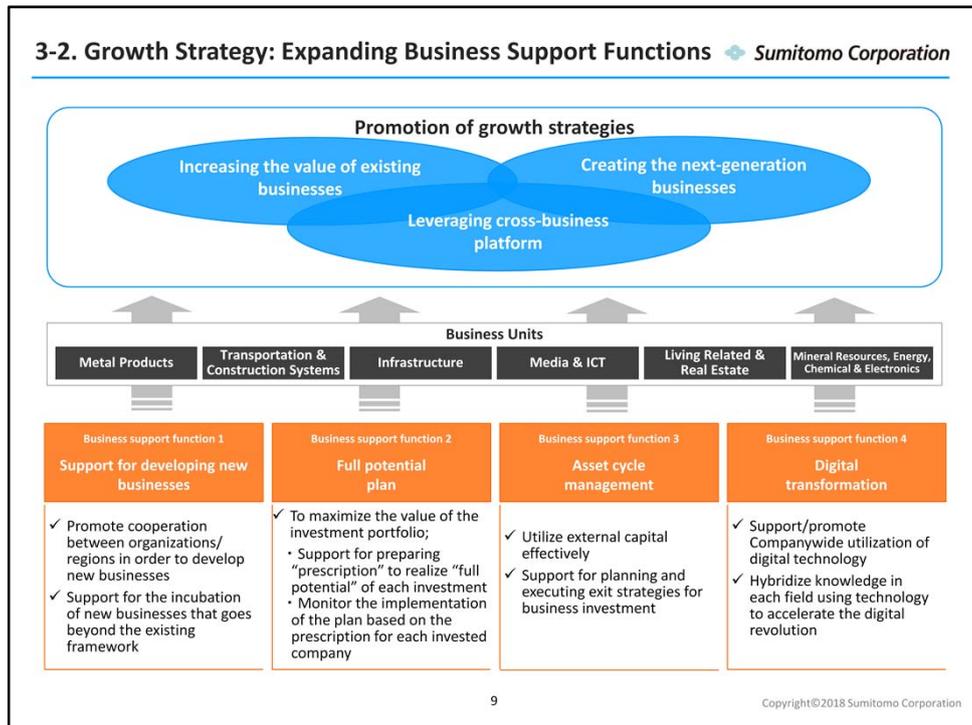
➤ “Social Infrastructure”

- ✓ Prompt respond to global issues, such as population growth, urbanization and climate change, is necessary
- ✓ Under this circumstance, we will address following issues:
  - Entering market for infrastructure installations, and urban development/Smart City Project
  - Reinforcing eco-friendly businesses utilizing new technology, such as next-generation energy management, storage battery and hydrogen business



## 【Leveraging cross-business platform】

- SC Group's business is facing variety of "industry", "society" and "region". In this world all connected to one another and in this borderless/complex world, we have unique position to hold these focal points in which will drive us to create new value
- Utilization of cross-business platform/function as a driver
  - ✓"Customer Base", "telecommunication/broadcasting networks", "Lease/Rental/Sharing", "Digital Platform", etc.
  - ✓By utilizing the above, re-define the existing businesses by hybridization of multiple business and by cross-organizational collaboration, and create new value by establishing new business models



- Expanding business support function (as system to accelerate our growth strategy)
  - ✓ Function 1 : Support to developing new businesses
    - Promote new business development by making collaboration between business units and regional offices by utilizing our global business infrastructure and network
    - Establishing system and promoting of adequate allocation for incubating new-generation business
  - ✓ Function 2 : Full Potential Plan
    - Monitor group companies for improving the quality of company-wide portfolio and improve the profitability of group companies which has growth potential
  - ✓ Function 3 : Asset Cycle Management
    - Support for improving asset efficiency of group companies by utilizing external capital effectively
    - Support for planning and executing exit strategies
  - ✓ Function 4 : Digital Transformation
    - Acceleration of business model transformation by hybridizing knowledge and business infrastructure of multiple businesses together with cross-organizational collaboration (Restructured the organization to strengthen capability to provide ICT function company-wide)

**3-3. Reinforcement of Management Bases** Sumitomo Corporation

Reinforcement of management bases 1	Reinforcement of management bases 2
<b>Enhancement of governance</b>	<b>Enhancement of human resources strategy</b>
<ul style="list-style-type: none"> <li>● <b>Reinforcement of monitoring functions of Board of Directors</b> <ul style="list-style-type: none"> <li>• Periodic monitoring of medium-term management plan and portfolio strategy</li> <li>• Monitoring of concentration risks and climate change response</li> </ul> </li> <li>● <b>Reinforcing Sumitomo Corporation Group governance</b> <ul style="list-style-type: none"> <li>• Enhancing quality of operations and corporate value through internal control</li> </ul> </li> </ul> <p>⇒ <b>Continuous promotion of managerial reform</b></p>	<ul style="list-style-type: none"> <li>● <b>Diversity &amp; Inclusion</b> <p style="text-align: center;"><b>Making diverse strengths a source of competitiveness</b></p> <p><i>“Acknowledging, respecting and accepting individual differences”</i> <i>“Encouraging individuals to rise to the challenge, grow their strengths, and make good use of their strengths”</i></p> <ul style="list-style-type: none"> <li>• Review systems for encouraging individuals to rise to the challenge and to grow their strengths</li> <li>• Promote reform of work practices and health management</li> <li>• Invigorate job rotation so as to create multiple different experiences</li> <li>• Promote allocation of the right person, in the right place, at the right time, for Group human resources on a global basis</li> </ul> </li> </ul>

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### 【Reinforcement of Management Bases to Support Growth Strategy】

- **Enhancement of Governance**
  - ✓ Reinforcement of monitoring functions of Board of Director continuously in this medium term management plan
    - After shareholders’ meeting in June 2018, increasing the number and ratio of outside director from 3 to 5 members
  - ✓ To enhance our group’s governance, improve operational excellence of group companies by promoting internal control
    - ⇒Continuous efforts on implementing managerial reform
- **Enhancement of Human Resources Strategy**
  - ✓ Basic concept: “Diversity and Inclusion –Making diverse strengths a source of competitiveness-”
  - Importance of acknowledging, respecting and accepting individual differences
  - grow strength of individuals and make good use of our global employees’ strength, encourage to challenge for the contribution to promoting our growth strategy in management plan and our sustainable growth

#### [Further Actions]

- To review on Appraisal System
- To promote diverse working style and health management
- To establish system for allocating right person to emerging area in timely manner

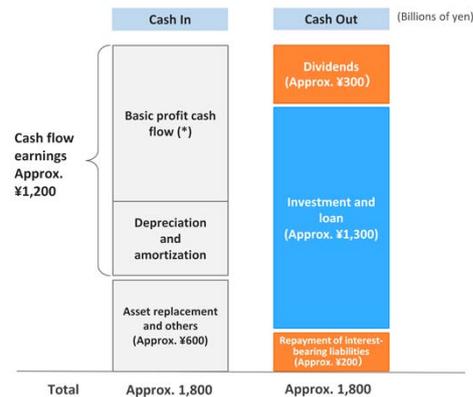
### 3-3. Reinforcement of Management Bases

#### Reinforcement of management bases 3

#### Enhancement of financial soundness

- Continue to focus on cash flow management
- Securing an incremental ¥200 billion or more in three-year total post-dividends FCF, and allocating to repayment of interest-bearing liabilities
  - Expand cash flow earnings power
  - Recover funds through continuous regeneration of business
  - Execute investments in preparation for future
- Maintaining a balance of [Core Risk Buffer] ≥ [Risk-adjusted assets]

Projection of cash allocation during "Medium-Term Management Plan 2020" (three years)



(\*) Basic profit cash flow = Basic profit - Share of profit (loss) of investments accounted for using the equity method + Dividend from investments accounted for using the equity method  
 Basic profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables)  
 + Interest expense, net of interest income + Dividends) × (1 - Tax rate) + Share of profit (loss) of investments accounted for using the equity method

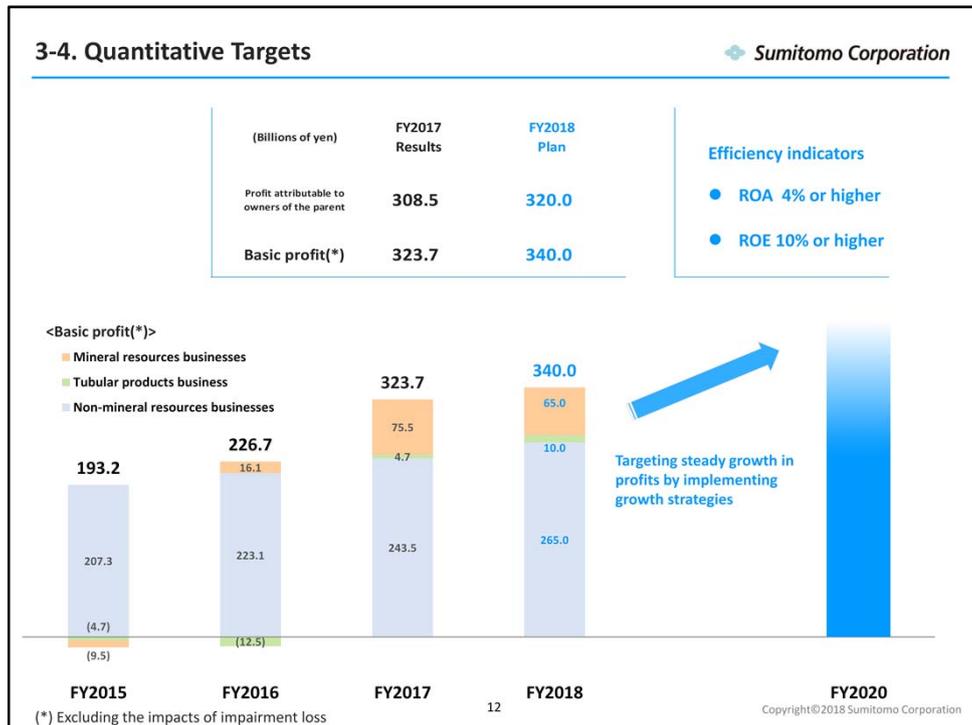
## ➤ Enhancement of Financial Soundness

### [Previous Management Plan]

- ⇒ Secured financial soundness by generating 630 billion yen of post-dividends FCF and allocated it to repayment of interest-bearing liabilities

### [New Management Plan]

- ⇒ To strengthen our management base, improve our financial soundness further in this management plan
  - Cash In : 1,800 billion yen (plan)  
Steady Increase in cash earning power & maintain aggressive asset recycling
  - Investment/Loan : 1,300 billion yen (plan)  
Implementation of investment with above cash
  - Dividend : 300 billion yen (plan for 3 years)
- ✓ Continue to focus on cash flow management
- ✓ Further improvement on financial leverage
  - Secure more than 200 billion yen of post-dividends FCF for 3 years and allocated it to repayment of interest-bearing liabilities
- ✓ Maintaining a balance of [core risk buffer] and [risk-adjusted assets]



## 【Quantitative Targets】

- FY2018 Plan
  - ✓ Profit attributable to owners of the parent : 320 billion yen
  - ✓ Basic Profit : 340 billion yen
- Efficiency Indicators (for 3 years in new management plan)
  - ✓ ROA 4% or more, ROE 10% or more
- Towards the final year of the plan (FY2020), target to grow steadily by promoting growth strategies as well as reinforcing the management base

3-5. Dividend Policy		Sumitomo Corporation
<b>Basic policy</b>	To increase dividends by achieving mid-long term earnings growth while adhering to the Company's fundamental policy of paying shareholders a stable dividend over the long term	
<b>"Medium-Term Management Plan 2020" dividend policy</b>	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	
<b>FY2018 dividends</b>	¥75/share (plan) (interim ¥37/share, year-end ¥38/share)	

## 【Dividend Policy】

- To increase dividends by achieving mid-long term earnings growth while adhering to the Company's fundamental policy of paying shareholders a stable dividend over the long term (no change in policy)
- Increase the consolidated payout ratio to 30% as a guideline (formerly 25% or more)
  - ✓ Because we could secured certain financial soundness during the term of previous management plan and established stable revenue sources, we decided to change the ratio taking into consideration future investment plan and cash demand
  - ✓ We decide the dividend amount based on the situation of basic profit and cash flow
- FY2018 Dividend amount (Plan) : 75 yen per share (based on the plan on FY2018 profit of 320 billion yen)

## “Unceasing Challenge for New Value Creation”

No Dream, No Success

Aim high, act on the principles and execute

- Sumitomo Corporation will celebrate its centennial year in 2019. Since its foundation in 1919, Sumitomo Corporation Group has made steady growth together with stakeholders such as business partners and clients across industries all over the world, while enhancing its ability to create new value through all alliances and collaboration that transcend industrial and organizational barriers.
- We will work hand-in-hand to enrich not only our lives but also others. Through our business, we will strive to make our society more exciting. Our challenges and dreams will not end. Responding promptly to the needs of a changing society and creating new value is the Sumitomo Corporation Group’s mission.
- In our “Medium-Term Management Plan 2020”, we have subtitle as “Unceasing challenge for new value creation”. In addition to increasing the value in our existing business, we need to promote full utilization of our business platform and digital transformation assertively. We will create new business as source of future revenue for next generation.
- No dream, no success. Aim high, act on our principles and execute. Sumitomo Corporation Group will act as one in unceasing challenges for new value creation to realize our dreams
- We will continue to move forward. Shape the future, staying ahead.

# Appendix

- ✓ Investments by Segment
- ✓ Medium-to long-term strategies and forecasts by Segment
- ✓ Historical Data for Medium-Term Management Plan
- ✓ Shareholders' Composition

## Investments by Segment

	Investment (bil.yen)	Major Investments
	3 year Plan (18/4-21/3)	
Metal Products	40	<ul style="list-style-type: none"> <li>• Tubular products related business</li> <li>• Railway and automotive related business, etc.</li> </ul>
Transportation & Construction Systems	180	<ul style="list-style-type: none"> <li>• Next-generation mobility related business</li> <li>• Manufacturing business, etc.</li> </ul>
Infrastructure	290	<ul style="list-style-type: none"> <li>• Overseas/domestic power infrastructure business (including renewable energy)</li> <li>• Water concession project, industrial park, etc.</li> </ul>
Media & ICT	80	<ul style="list-style-type: none"> <li>• Overseas Telecommunications Business</li> <li>• Additional Investment to existing business, etc.</li> </ul>
Living Related & Real Estate	220	<ul style="list-style-type: none"> <li>• Overseas/domestic real estate business</li> <li>• Additional investment to existing business, etc.</li> </ul>
Mineral Resources, Energy, Chemical & Electronics	190	<ul style="list-style-type: none"> <li>• New investments to mineral resources &amp; energy</li> <li>• Agriculture related business</li> <li>• Additional investment to existing business, etc.</li> </ul>
Strategic Investment Fund	300	
<b>Total</b>	<b>1,300</b>	

## Medium-to long-term Strategies and Forecasts

<Contents>

- 1 Metal Products
- 2 Transportation & Construction Systems
- 3 Infrastructure
- 4 Media & ICT
- 5 Living Related & Real Estate
- 6 Mineral Resources, Energy, Chemical & Electronics

# 1 Metal Products

## Segment Strategy

- ✓ To enhance our Tubular products business
  - through our strong OCTG<sup>(\*)</sup> customer network, which is our core competence, and (\*) Oil Country Tubular Goods
  - by upgrading our supply chain management services with digitalization and new technologies.
- ✓ To provide unique/integrated services for Railway segment (rail, wheel, axles, and maintenance services) where stable economic growth is expected.
- ✓ To expand value chain in Aluminum segment from smelting business in Malaysia - our core business in this segment.
- ✓ To capture demand for Steel products generated by
  - urbanization and improvement of living standard in emerging countries, and
  - replacement and upgrading of infrastructure in advanced countries.
- ✓ To strengthen earning power in Automotive manufacturing segment by merging Transportation & Construction Systems Business Unit's "comprehensive view of automotive industry's value chain" and our business unit's "expertise on materials".

[Segment Strategy and Material Issues]

"Contributing to the Development of Local Communities and Industries"

- Meeting our customers' diverse needs through collaboration with our business partners (Tubular products, Railway, Aluminum, Steel sheets, and Automotive manufacturing)

"Achieving Harmony with the Global Environment"

- Reducing CO2 emission by contributing to promotion of
  - EV and lightweight metal (Aluminum and Automotive manufacturing),
  - mass transportation (Railway),
  - efficiency and innovation in oil&gas drilling activity (Tubular products)

"Providing Diverse Accessibility"

- Contributing to acceleration of modal shift through value chain from material/equipment to maintenance (Railway)

# 1 Metal Products

**【 FY18 Forecasts : 37.0 billion yen 】**  
**(1.6 billion yen increase from FY17)**

- Recovery in earnings of tubular products business in North America
- Stable performance of the operation of overseas steel service centers
- Impact of U.S. tax reform in FY17 : approx. -6.0 billion yen

(unit: billions of yen)	(Ref.) FY17 Results	FY18 Forecasts
<b>Global Basis</b>		
Profit for the year attributable to owners of the parent	35.4	37.0

**【Results of major subsidiaries and associated companies】**

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17 Results	FY18 Forecasts
• Aluminum smelting business in Malaysia :	3.2	2.0
• Sumisho Metalex Corporation :	0.8	1.4
• Edgen Group :	0.2	1.0
• ERYNGIUM Ltd. :	-2.1	-0.1

### Segment Strategy

#### Creating new values by capturing changes in the business environment caused by the fourth industrial revolution

✓ **To enhance the function of leasing and financing business and make synergies with other businesses**

We agreed with SMFG(Sumitomo Mitsui Financial Group, Inc.) about restructuring of SMFL (Sumitomo Mitsui Finance and Leasing Company, Limited) to be 50/50 ownership, respectively, for the purpose of strengthening the competitiveness of our entire leasing businesses including general leasing, aircraft leasing, and auto leasing. In addition, by crossing over our platform businesses such as above mentioned leasing businesses and Indonesian finance businesses, with other business units and overseas subsidiaries, or with other start-up investments, we will develop new businesses and create customer value.

✓ **To promote various businesses in the coming mobility society**

We will further strengthen our existing wide value-chain while making investments and developing businesses in new domains in the coming mobility society such as electric vehicles, autonomous driving and car sharing. Also, we will aim at creating new business values by crossing over new technologies / business models of startup companies with our platform businesses, such as SMAS (Sumitomo Mitsui Auto Service Company, Limited) that has wide customer base in Japan or TBC that has wide tire sales network in the US.

✓ **Challenging to new areas of manufacturing business**

Responding to changes in the business model caused by the fourth industrial revolution, we aim at expanding our manufacturing business centered on R&D functions, taking advantage of digital transformation. In addition, working together closely with the Metal Products Business Unit, we realize innovation in our manufacturing business by incorporating new technologies and latest developments in materials.

✓ **Human resources management**

We will continuously develop human resources who can lead businesses and create new business opportunities, and promote diversification of human resources.

## 2 Transportation & Construction Systems



**[FY18 Forecasts : 73.0 billion yen ]**  
**(2.2 billion yen increase from FY17)**

- Stable performance by leasing business
- Stable performance in automotive financing business in Indonesia
- Robust performance in construction equipment rental business and sales & marketing business
- Impact of U.S. tax reform in FY17 : approx. -13.0 billion yen

(unit: billions of yen)	(Ref.) FY17 Results	FY18 Forecasts
<b>Global Basis</b>		
Profit for the year attributable to owners of the parent	70.8	73.0

### [Results of major subsidiaries and associated companies]

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17 Results	FY18 Forecasts
• Sumitomo Mitsui Finance and Leasing Company, Limited (SMFL) <sup>*1</sup> :	34.8	23.6
• Automotive Financing Business in Indonesia :	4.5	5.4
• Sumitomo Mitsui Auto Service Company, Limited :	3.8	4.4
• Sumisho Machinery Trade Corporation <sup>*1</sup> :	1.9	0.8
• TBC Corporation <sup>*2</sup> :	2.1	-
• PT, Bank Tabungan Pensiunan Nasional Tbk (BTPN) <sup>*1,3</sup> :	-13.0	-

<sup>\*1</sup> Equity in earnings for companies marked with asterisk are amounts for company-total including other segments. The percentage of each company for this segment is as follows:  
 SMFL:35% (out of 40% company-total), BTPN:17.79% (out of 20.33% company total),  
 Sumisho Machinery Trade Corporation: 60% (out of 100% company-total)

<sup>\*2</sup> We refrain from disclosing forecasts of FY18, due to reorganization.

<sup>\*3</sup> We refrain from disclosing forecasts of FY18 since BTPN does not disclose those.

## 3 Infrastructure

### Segment Strategy

“Stay Ahead, Shape the Future”

- ✓ We value diversity and form attractive functional Business Unit in which every one of members enjoy their work.
- ✓ We make broad contributions to the development of society, by staying a step ahead in dealing with changes, and create new values that meet the needs of each region and customers.
  
- ✓ We create businesses that provide values unique to Sumitomo Corporation in each field, and achieve the goal as a whole.
- ✓ We make sizable effort to achieve sustainable growth, through good understanding over the trend of market, customer, and policy and change in society from long-term perspective.

[Trends of social issues in relation to our strategies and the values we can offer for the solution.]

In the recent movements, there has been a significant growth on the environmental awareness and the efforts to reduce greenhouse gas emissions. On top of that, the development of social infrastructure has been urgent matters because of the rapid urbanization and the population growth, especially in emerging countries.

Under such circumstances, we focus on

- development of eco-friendly infrastructures in developed countries, and
- contributions to social development and constructions of infrastructure for living, through improving shortage of electricity and water, and designing logistics networks in emerging countries.

## 3 Infrastructure

**【 FY18 Forecasts : 53.0 billion yen 】**  
**(17.3 billion yen increase from FY17)**

- Power infrastructure business (overseas):

IPP/IWPP business : stable  
 Large-scale EPC\* projects : progress in construction

- Impact of U.S. tax reform : approx. -1.0 billion yen in FY17

\*EPC: Engineering, Procurement & Construction

(unit: billions of yen)	(Ref.) FY17 Results	FY18 Forecasts
<b>Global Basis</b>		
Profit for the year attributable to owners of the parent	35.7	53.0

**【Results of major subsidiaries and associated companies】**

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17 Results	FY18 Forecasts
• Sumisho Global Logistics Co., Ltd. :	2.6	2.3
• Summit Southern Cross Power Holdings Pty Ltd :	2.0	0.9

### Segment Strategy

- ✓ To contribute promoting the company-wide initiative, “Digital Transformation” by leveraging advanced technologies/know-how and by developing human resources with expertise
- ✓ To contribute establishing foundation for comfortable and enriching lifestyles by providing products and services meeting with consumers demand globally and by creating new distinctive values and lifestyles through our businesses

[Main Initiatives]

#### ○Enhancement of core businesses

- J:COM: To enhance 3 main services and to upgrade services by strengthening of its infrastructure
- Jupiter Shop Channel: To strengthen foundation by continuous capital expenditure and to expand customer base by enhancing marketing practices
- SCSK: To transform revenue model by expanding its product line-up and by shifting to service-oriented businesses
- T-GAIA/Telecommunications business in Myanmar(MPT) : To increase the value of existing businesses and to provide new services by making most of the leading positions in the market

#### ○Creating the next-generation businesses

- Accelerating the deployment of digital media business, Global expansion of video content-related businesses
- Promotion of SC Group's digital transformation with SCSK and utilizing advanced technologies
- Contribution to the development of local societies and industries by expanding telecommunication infrastructure and extending various services in emerging countries focused on Southeast Asia

#### ○Utilizing the platforms

- Development of various new services based on J:COM/MPT's customer base and telecommunication infrastructure as platforms
- Upgrading our group's businesses and creating new values by integrating “Enabler functions” such as finance and logistics with SCSK's IT technology

## 4 Media & ICT

**[ FY18 Forecasts : 46.0 billion yen ]**  
**(13.0 billion yen decrease from FY17)**

- Increase in costs of capital investment by domestic major group companies
- One-off profit from asset replacement in FY17

(unit: billions of yen)	(Ref.) FY17 Results	FY18 Forecasts
<b>Global Basis</b>		
Profit for the year attributable to owners of the parent	59.0	46.0

**[Results of major subsidiaries and associated companies]**

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17 Results	FY18 Forecasts
• Jupiter Telecommunications Co., Ltd. :	35.6	34.0
• SCSK Corporation :	22.6	12.5
• Jupiter Shop Channel Co., Ltd.* :	8.8	8.3
• T-Gaia Corporation :	4.2	4.3

\* Equity in earnings for Jupiter Shop Channel Co., Ltd. is amount for company-total including other segment. The percentage of this company for this segment is as follows: 30% (out of 45% company-total) in FY18 forecasts.

### Segment Strategy

✓ To contribute establishing foundation for comfortable and enriching lifestyles by providing products and services meeting with consumers demand globally and by creating new distinctive values and lifestyles through our businesses

✓ To contribute promoting the company-wide initiative, "Digital Transformation" by leveraging advanced technologies/know-how and by developing human resources with expertise

[Main Initiatives]

#### ○Enhancement of core business

- Summit (supermarket) : Acceleration of new store opening, development of new small store format, enhancement of ready made dishes such as delicatessen products
- TOMOD'S (drugstore) : To enhance its business by leveraging new store development including M&A opportunities, and by enlarging at-home prescription dispense service
- Real estate business : To expand overseas business and fund business
- Leveraging the foundation of core business including Summit/TOMOD'S/SC Foods/Real estate business

#### ○Development of existing business

- Fyffes : Increase of the value of existing business and acceleration of supply source integration

#### ○Creation and enhancement of business in emerging fields

- Creating foundation for domestic and overseas healthcare business
- Expansion of wood resources business through acquisition of high quality forest asset
- Increase of the procurement capacity for biomass fuel and expansion of biomass manufacturing
- Initiatives for Smart City project by utilizing our integrated corporate strength

## 5 Living Related & Real Estate

### 【 FY18 Forecasts : 45.0 billion yen 】 (10.5 billion yen increase from FY17)

- Stable performance of real estate business
- Higher commodity price in fresh produce business
- Impact of U.S. tax reform in FY17: approx. -2.0 billion yen

(unit: billions of yen)	(Ref.) FY17 Results	FY18 Forecasts
<b>Global Basis</b>		
Profit for the year attributable to owners of the parent	34.5	45.0

### 【Results of major subsidiaries and associated companies】

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17 Results	FY18 Forecasts
• Summit, Inc. :	4.7	4.4
• SC Foods Co., Ltd. :	2.8	2.6
• Fyffes Limited* :	0.1	2.2
• TOMOD'S Inc. :	1.6	1.7
• SUMMIT FORESTS NEW ZEALAND LIMITED :	1.1	1.1
• S.C.Cement Co., Ltd. :	1.0	1.0
• Sumisho Realty Management Co., Ltd. :	0.8	1.0
• Sumifru Singapore Pte. Ltd. :	-1.6	0.7
• Grain business companies in Australia :	0.1	0.2

\* We started to disclose the equity in earnings from this quarter due to the completion of Purchase Price Allocation after the acquisition.

## 6 Mineral Resources, Energy, Chemical & Electronics Sumitomo Corporation

### Segment Strategy

- ✓ In the mineral resources and energy field, we aim to fulfill stable supply to industry with a business portfolio which can contribute to earnings significantly over the medium to long term and is effectively diversified against risk.
- ✓ In the chemical and electronics field, we aim to provide differentiated, highly profitable and value added services and raw materials in growing industries.

The global macro trends such as population growth, increasing incomes and urbanization change the demand-supply mineral resources, energy and food, and the industrial structure of IoT. Considering those changes, we aim to accomplish following material issues: Achieving harmony with the global environment; Contributing to the development of local communities and industries; Developing human resources and promoting diversity of colleagues working in the field around the world; and Establishing a foundation for comfortable and enriching lifestyles.

#### [Mineral Resources & Energy]

- Improve profitability of existing large projects.
- Acquire cost competitive assets in medium to long term view.
- In mid-downstream business, we will create high value-added business by pursuing synergies with upstream business and utilizing derivative functions. We will expand our existing business and explore new business models.

#### [Chemical & Electronics]

- Strengthen our earnings base through the combination of the trading and manufacturing businesses, as well as corporation between organizations.
- We will utilize our specialty, knowledge and knowhow to strengthen the earnings base of existing businesses in the area where we have competitiveness, such as in Electronics Manufacturing Service, crop protection product, and pharmaceutical products. We will also add values to existing projects that we recently invested in.
- Create new businesses considering the change in industrial structures such as EV, Energy-saving and IoT.

## 6 Mineral Resources, Energy, Chemical & Electronics Sumitomo Corporation

**【 FY18 Forecasts : 66.0 billion yen 】**  
**(12.5 billion yen decrease from FY17)**

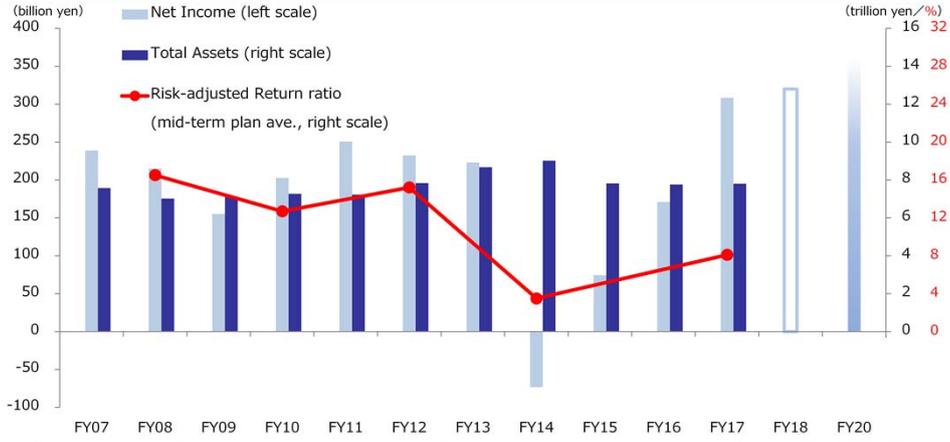
- Silver, zinc and lead mining business in Bolivia :  
Decrease in earnings
- Posted one-off profits in FY17

	(Ref.) FY17 Results	FY18 Forecasts
<i>(unit: billions of yen)</i>		
<b>Global Basis</b>		
Profit for the year attributable to owners of the parent	78.5	66.0

### 【Results of major subsidiaries and associated companies】

Company	Equity in earnings of the segment <i>(unit: billions of yen)</i>	
	FY17 Results	FY18 Forecasts
• Silver, zinc and lead business companies in Bolivia :	27.8	18.8
• Oresteel Investments (Proprietary) Limited :	15.4	14.5
• Companies related to coal business in Australia :	10.1	13.7
• SC Minerals America, Inc. :	4.4	4.9
• Sumitronics group :	3.1	3.9
• Sumitomo Shoji Chemicals Co., Ltd. :	2.6	3.1
• SMM Cerro Verde Netherlands B.V. :	1.5	2.8
• LNG Japan Corporation :	2.3	2.3
• Iron ore mining business in Brazil :	3.7	1.4
• Companies with oil field interests in the North Sea :	0.9	1.4
• Summit Rural Western Australia Pty. Ltd. :	0.4	0.5
• Shale gas business in the U.S. :	0.2	-0.1
• Copper and molybdenum mining business in Chile :	-0.8	-1.1
• Nickel mining and refining business in Madagascar :	-14.1	-9.8

## Historical Data for Medium-Term Management Plan ◆ Sumitomo Corporation



GG Plan (2 year)	FOCUS'10 (2 year)	<i>f(x)</i> (2 year)	BBBO2014 (2 year)	BBBO2017 (3 year)	Medium-Term Management Plan 2020 (3 year)
Pursuit of further improvement of quality heading for a new stage of growth	A growth scenario on a new stage	Growth across regional, generational and organizational boundaries	Heading for an even higher level of profit growth by thorough enhancement of our earning power	To make group-wide efforts in overcoming issues and to outline a path toward the realization of "What We Aim to Be"	<b>Unceasing challenge for new value creation</b>

## Shareholders' Composition

Sumitomo Corporation

