

The following is an unofficial English translation of the Notice of Convocation of the 150th Ordinary General Meeting of Shareholders of Sumitomo Corporation (hereinafter referred to as the "Company"). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. Please also refer to "Terms and Conditions of Use" on Sumitomo Corporation website.

#### Cautionary Statement Concerning Forward-Looking Statements

Certain statements contained in this notice relating to our future plans, targets, objectives, expectations, operations, performance and other developments, economic prospects, projections of revenue, income, earnings, expenditures or other financial results and intentions constitute forward-looking statements. The forward-looking statements can be identified by the use of words such as "believes," "expects," "anticipate," "should," "will," "would," "plan," "estimate," "potential," "goal," "outlook," "may," "predicts," "could," "seek," "intend," or the negative of those words and other comparable expressions. The forward-looking statements are based on management's current assumptions and expectations of future events, and are subject to a number of factors and uncertainties that may result in changes in circumstances. Actual results may differ materially from those the Company expected for a wide range of possible reasons, including general industry and market conditions, general international economic conditions and the risk factors identified in our public filings. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The Company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, events or performances. These forward-looking statements are made as of the date of this notice and the Company is under no obligation -- and expressly disclaims any such obligation -- to update or alter its forward-looking statements.

## NOTICE OF CONVOCATION OF THE 150th ORDINARY GENERAL MEETING OF SHAREHOLDERS

April 1, 2017 through March 31, 2018

SUMITOMO CORPORATION

To All Shareholders,

I wish to express my sincere thanks for the exceptional favor you have always given us.

It is my great pleasure to invite you to our 150th Ordinary General Meeting of Shareholders (for the fiscal year from April 1, 2017 to March 31, 2018), to be held on June 22, 2018.

I humbly ask that you review the Notice of Convocation which includes the present status of the Sumitomo Corporation Group during the above fiscal year, and explains the propositions that will be put before the Meeting.

May 2018  
Masayuki Hyodo  
President and Chief Executive Officer

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To All Shareholders

Sumitomo Corporation  
8-11, Harumi 1-chome  
Chuo-ku, Tokyo

NOTICE OF CONVOCATION OF  
THE ORDINARY GENERAL MEETING OF SHAREHOLDERS

We wish to express our sincere thanks for the exceptional favor you have always shown us.

We have the pleasure of extending to you a cordial invitation to attend the 150th Ordinary General Meeting of Shareholders of the Company (hereinafter referred to as the “Meeting”), which will be held as set forth below.

**If you will be unable to attend the Meeting in person, you can exercise your voting rights in writing or by electronic means (the Internet, etc.) (please refer to pages 3 and 4 for more details). Please take the time to examine the Reference Documents for the Meeting on the following pages and exercise your voting rights no later than 5:45 p.m. on Thursday June 21, 2018.**

With highest regards,  
Kuniharu Nakamura  
Representative Director, Chairman of the Board of Directors

- If you attend the Meeting in person, please submit the enclosed Proxy Card to the receptionists.
- If any of the items included in the following Business Report, Consolidated Financial Statements, Financial Statements, or Reference Documents for the Meeting require amendment up to and including the day before the Meeting, the amended items will be posted on the Sumitomo Corporation website.

Sumitomo Corporation Website <https://www.sumitomocorp.com/en/jp/ir/stock/stmt>

**1. Date & Time:** Friday June 22, 2018, at 10:00 a.m. (Open at 9:00 a.m.)

**2. Venue:** Grand Ballroom  
Grand Hyatt Tokyo, 3rd floor  
6-10-3 Roppongi, Minato-ku, Tokyo

**3. Purpose of the Meeting**

**Presentation of Reports:**

No. 1: Business Report, Consolidated Financial Statements, and Audit Reports by the Accounting Auditor and the Audit & Supervisory Board regarding the Consolidated Financial Statements for the 150th Fiscal Year (April 1, 2017 through March 31, 2018)

No. 2: Non-consolidated Financial Statements for the 150th Fiscal Year (April 1, 2017 through March 31, 2018)

**Propositions:**

Proposition No. 1: Distribution of Retained Earnings as Cash Dividends

Proposition No. 2: Partial Amendments to the Articles of Incorporation

Proposition No. 3: Election of Eleven Directors

Proposition No. 4: Election of One Audit & Supervisory Board Member

Proposition No. 5: Issuing Bonuses to the Company's Directors

Proposition No. 6: Revision of Amount of Remuneration for Directors

Proposition No. 7: Determination of Remuneration for Directors under a Restricted Stock-based Remuneration Plan and a Performance Share Unit-based Remuneration Plan

## Guidance Notes on the Exercise of Voting Rights

### 1. Methods

Please refer to the Reference Documents for the General Meeting of Shareholders attached from page 5 onward and exercise your voting rights by any of the following methods:

(1) Attendance at the General Meeting of Shareholders

Date and time: Friday June 22, 2018, at 10:00 a.m. (Open at 9:00 a.m.)

Please bring the enclosed Proxy Card to the meeting and submit it to any of the receptionists.

Please arrive at the venue in plenty of time, since the reception desk will be very congested immediately before the meeting begins.

(2) Exercise of Voting Rights in Writing

Deadline for exercise of voting rights: 5:45 p.m. on Thursday June 21, 2018.

Please indicate your approval or disapproval of each proposition on the enclosed Proxy Card and return it to reach our Registrar of Shareholders no later than the deadline noted above.

(3) Exercise of Voting Rights by “Smart Voting”

Deadline for exercise of voting rights: 5:45 p.m. on Thursday June 21, 2018.

Scan the “Smartphone use voting right exercise website login QR code” on the lower right of the enclosed Proxy Card with a smartphone or tablet. Accessing the URL that appears causes the voting right exercise website screen to appear. There are two methods for exercise of voting rights: (i) Separate indication for each proposition; and (ii) indication of “approval” for all propositions recommended by the Company. Please follow the screen instructions to exercise your voting rights.

(4) Exercise of Voting Rights by Electronic Means (the Internet)

Deadline for exercise of voting rights: 5:45 p.m. on Thursday June 21, 2018.

To exercise your voting rights, please use a personal computer, smartphone, or other Internet-capable device to access the website for exercising voting rights, <https://www.web54.net>, and register your approval or disapproval of each proposition, by using the code and password for the exercise of voting rights indicated on the Proxy Card enclosed herewith and following the directions on the screen.



The website can be accessed from smartphones or other devices equipped with a barcode reader by scanning the QR code on the left.

Notes:

- Provider access fees, telecommunication fees, and any other fees for usage of the

website to exercise voting rights shall be borne by the shareholders.

- Ability to use the website for exercising voting rights may depend on the user's Internet environment, ISP contract, or device model.

## **2. Treatment of Duplicate Exercising of Voting Rights**

- (1) In the event of dual exercising of voting rights both in writing and via the Internet (including "Smart Voting") or other means, only use of the Internet (including "Smart Voting") will be treated as the valid exercising of voting rights.
  
- (2) In the event of multiple exercising of voting rights via the Internet (including "Smart Voting") or other means, only the final exercising of voting rights will be treated as valid.

## **3. Institutional Investors**

If you have already registered for the electronic voting platform operated by ICJ, please exercise your voting rights via this platform.

Please call the following number if you have any questions relating to this guidance.

Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited

Inquiries about exercising voting rights : 0120-652-031 (9:00 a.m.–9:00 p.m., toll-free)

Other inquiries: 0120-782-031 (9:00 a.m.–5:00 p.m. Mon.–Fri., toll free)

## Reference Documents for the General Meeting of Shareholders

### Propositions to be Voted on and Reference Matters Relating thereto

#### Proposition No. 1: Distribution of Retained Earnings as Cash Dividends

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

“Be the Best, Be the One 2017,” the Company’s medium-term management plan addressing the three-year period from fiscal 2015, established the policy of determining the amount of dividends through considerations for basic profit, cash flow and other aspects of performance, targeting a consolidated dividend payout ratio of 25% or more with a minimum annual dividend of 50 yen per share. With profit attributable to owners of the parent gaining 308.5 billion yen for fiscal 2017, it is proposed that the following payments of year-end dividends be made to shareholders pursuant to the aforementioned dividend policy.

(1) Type of dividend assets

Cash

(2) Matters related to the allotment of dividend assets to shareholders and total amount thereof

- 34 yen per common share of the Company

- Total amount: 42,450,091,876 yen

Annual dividends for the fiscal 2017 will be 62 yen per share, which is the sum of the amount of the interim dividend (28 yen per share) and the amount of the said year-end dividend (34 yen per share).

(3) Effective date of distribution of the dividend

June 25, 2018

**Proposition No. 2: Partial Amendments to the Articles of Incorporation**

The Company proposes that its current Articles of Incorporation be amended as follows:

- (1) The location of the Company’s head office as set forth in Article 2 (Location of Head Office) shall be changed from Chuo-ku, Tokyo, to Chiyoda-ku, Tokyo, to coincide with the relocation of the head office. This change shall become effective as of the date of such relocation, which will be determined at a Board of Directors meeting to be held before the 151st Ordinary General Meeting of Shareholders to be held in 2019, and a Supplementary Provision will be added to clarify the said effect. The Supplementary Provision shall be deleted after the effective date of the relocation of the head office.
- (2) Changes shall be made in the business purposes stipulated in Article 3 (Purposes) in order to define the Company’s business purposes in alignment with the current status of the Company’s business.

The specific wording is set out below.

(Changes are underlined)

Current Articles of Incorporation	Proposed Amendments
<p>ARTICLE 2. LOCATION OF HEAD OFFICE The Corporation shall have its head office in <u>Chuo-ku</u>, Tokyo.</p>	<p>ARTICLE 2. LOCATION OF HEAD OFFICE The Corporation shall have its head office in <u>Chiyoda-ku</u>, Tokyo.</p>
<p>ARTICLE 3. PURPOSES The Corporation’s purposes are to engage in the following businesses:</p>	<p>ARTICLE 3. PURPOSES The Corporation’s purposes are to engage in the following businesses:</p>
<p>1.~24. (Omitted)</p>	<p>1.~24. (Unchanged)</p>
<p>25. <u>electricity generating business;</u></p>	<p>25. <u>businesses relating to power generation and water and sewerage treatment;</u></p>
<p>26. electricity and heat supplies;</p>	<p>26. <u>electricity, water</u> and heat supplies;</p>
<p>27.~29. (Omitted)</p>	<p>27.~29. (Unchanged)</p>
<p>(New Regulation)</p>	<p><u>SUPPLEMENTARY PROVISION</u> <u>The change to Article 2 shall become effective as of the date of relocation of the head office, which will be determined at a Board of Directors meeting to be held before the 151st Ordinary General Meeting of Shareholders to be held in 2019. This Supplementary Provision shall be deleted after the effective date of the relocation of the head office.</u></p>

### Proposition No. 3: Election of Eleven Directors

The term of all of the nine incumbent Directors will expire as of the close of the Meeting. Accordingly, this proposition calls for the election of eleven Directors. The candidates for Directors are as described below.

Five of the eleven Director candidates are candidates for the position of Outside Director as provided for in Article 2, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act. All five candidates satisfy the Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Member set by the Company. (Please refer to pages 29 and 30 regarding the standards for appointment of Directors and Audit & Supervisory Board Members [including the Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members].)

Candidate No.	Name		Present Positions	Term as an Director	Nomination and Remuneration Advisory Committee
1	Re-election	Kuniharu Nakamura	Representative Director, Chairman of the Board of Directors	9 years	○
2*	New-election	Masayuki Hyodo	President & Chief Executive Officer	—	○
3*	Re-election	Hideki Iwasawa	Representative Director, Executive Vice President, Chief Administration Officer and Chief Compliance Officer	3 years	—
4*	New-election	Masahiro Fujita	Executive Vice President, General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit	—	—
5*	Re-election	Koichi Takahata	Representative Director, Senior Managing Executive Officer, Chief Financial Officer	2 years	—
6*	New-election	Hideki Yamano	Managing Executive Officer, Chief Strategy Officer and Chief Information Officer	—	—
7	Re-election	Yayoi Tanaka	Outside Director Candidate	3 years	○
			Independent Director		
8	Re-election	Nobuyoshi Ehara	Outside Director Candidate	2 years	◎
			Independent Director		
9	Re-election	Koji Ishida	Outside Director Candidate	1 year	○
			Independent Director		

10	New-election	Kimie Iwata	Outside Director Candidate	—	—	—
			Independent Director			
11	New-election	Hisashi Yamazaki	Outside Director Candidate	—	—	—
			Independent Director			

(Notes)

- Each candidate denoted by an asterisk is supposed to be appointed as Representative Director at the Board of Directors meeting which will be held after this Ordinary General Meeting of Shareholders if this resolution is approved.
- Mr. Masayuki Hyodo served a one-year term as Director from June 2016 to June 2017.
- Mr. Masahiro Fujita served a three-year term as Director from June 2014 to June 2017.
- denotes Member and ◎ denotes Chair (both as of April 1, 2018).

Candidate No. 1	<b>Kuniharu Nakamura</b> (Born August 28, 1950)	Re-election
	Shares owned in the Company	100,600
	Term as a Director	9 years (as of the close of this General Meeting of Shareholders)
	Attendance at Meetings of the Board of Directors in fiscal 2017	21 of 21 meetings (100%)

#### ●Work History, Positions and Responsibilities

- |            |  |
|------------|--|
| April 1974 | Entered the Company  |
| June 2009  | Representative Director & Senior Managing Executive Officer                                    |
| April 2012 | Representative Director & Executive Vice President   |
| June 2012  | Representative Director, President & CEO   |
| April 2017 | Representative Director, President & CEO ( <i>Change in Japanese only; English Unchanged</i> ) |
| June 2017  | Representative Director, President & Chief Executive Officer                                   |
| April 2018 | Representative Director, Chairman of the Board of Directors (present position)                 |

#### ●Reasons for proposing Mr. Kuniharu Nakamura as a candidate for Director

Since entering the Company, Mr. Nakamura has worked primarily in automotive-related businesses in Japan and overseas, serving as General Manager, Corporate Planning & Coordination Group, and General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit, among other roles. From 2012 to March 2018 he served as President & CEO and President & Chief Executive Officer, and in April 2018 he was appointed Chairman of the Board of Directors. Through these roles Mr. Nakamura has accumulated expert knowledge and a wealth of experience, including management experience, and he is also honest in character, as well as highly insightful and capable. Having judged that he will be able to perform his duties properly as Director of the Company, we propose him as a candidate for re-election to that position.

Candidate No. <b>2</b>	<b>Masayuki Hyodo</b> (Born June 26, 1959)	New-election
	Shares owned in the Company	24,400
	Term as a Director	— (*) (* ) Mr. Masayuki Hyodo served a one-year term as Director from June 2016 to June 2017.
	Attendance at Meetings of the Board of Directors in fiscal 2017	—

**●Work History, Positions and Responsibilities**

April 1984	Entered the Company
April 2012	Executive Officer
April 2015	Managing Executive Officer
June 2016	Representative Director & Managing Executive Officer
April 2017	Representative Director & Senior Managing Executive Officer
June 2017	Senior Managing Executive Officer (General Manager, Environment & Infrastructure Business Unit)
April 2018	President & Chief Executive Officer (present position)

**●Reasons for proposing Mr. Masayuki Hyodo as a candidate for Director**

Since entering the Company, Mr. Hyodo has worked primarily in electric power infrastructure-related businesses in Japan and overseas, serving as President and CEO, PT. Sumitomo Indonesia, General Manager, Corporate Planning & Coordination Dept., and General Manager, Environment & Infrastructure Business Unit, among other roles. In April 2018 he was appointed President & Chief Executive Officer. Through these roles Mr. Hyodo has accumulated expert knowledge and a wealth of experience, including management experience, and he is also honest in character, as well as highly insightful and capable. Having judged that he will be able to perform his duties properly as Director of the Company, we propose him as a candidate for election to that position.

Candidate No. <b>3</b>	<b>Hideki Iwasawa</b> (Born November 1, 1954)	Re-election
	Shares owned in the Company	55,800
	Term as a Director	3 years (as of the close of this General Meeting of Shareholders)
	Attendance at Meetings of the Board of Directors in fiscal 2017	21 of 21 meetings (100%)

**●Work History, Positions and Responsibilities**

April 1977	Entered the Company
April 2009	Executive Officer
April 2011	Managing Executive Officer
April 2014	Senior Managing Executive Officer
June 2015	Representative Director & Senior Managing Executive Officer
April 2016	Representative Director & Executive Vice President (Chief Administration Officer)
April 2017	Representative Director & Executive Vice President (Chief Administration Officer and Chief Compliance Officer) (present position)

**●Reasons for proposing Mr. Hideki Iwasawa as a candidate for Director**

Since entering the Company, Mr. Iwasawa has worked primarily in finance and risk management-related operations in Japan and overseas, serving as Assistant General Manager, Financial Resources Management Group and Executive Vice President and CFO of Sumitomo Corporation of America, among other roles. He currently serves as Executive Vice President (Chief Administration Officer and Chief Compliance Officer). Through these roles Mr. Iwasawa has accumulated expert knowledge and a wealth of experience, including management experience, and he is also honest in character, as well as highly insightful and capable. Having judged that he will be able to perform his duties properly as Director of the Company, we propose him as a candidate for re-election to that position.

Candidate No. 4	<b>Masahiro Fujita</b> (Born November 12, 1954)		New-election
	Shares owned in the Company	44,300	
	Term as a Director	— (*) (*) Mr. Masahiro Fujita served a three-year term as Director from June 2014 to June 2017.	
	Attendance at Meetings of the Board of Directors in fiscal 2017	—	

**●Work History, Positions and Responsibilities**

April 1977	Entered Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)
July 2003	Director-General for Energy Conservation and Renewable Energy Department, Agency for Natural Resources and Energy Deputy Director-General for Policy Coordination, Minister's Secretariat Councillor, Cabinet Secretariat Director-General, Kanto Bureau of Economy, Trade and Industry
July 2008	Director-General, Trade and Economic Cooperation Bureau, METI (retired July 2009)
November 2010	Executive Officer, Sumitomo Corporation
April 2012	Managing Executive Officer
April 2014	Senior Managing Executive Officer
June 2014	Representative Director & Senior Managing Executive Officer
April 2017	Representative Director & Executive Vice President (General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit)
June 2017	Executive Vice President (General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit) (present position)

**●Reasons for proposing Mr. Masahiro Fujita as a candidate for Director**

Mr. Fujita entered the Company in 2010 after working in important positions in Japan's Ministry of Economy, Trade and Industry, including the positions of Director-General, Kanto Bureau of Economy, Trade and Industry and Director-General, Trade and Economic Cooperation Bureau. Since entering the Company he has served as Assistant General Manager, Corporate Planning & Coordination Group and Assistant General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit. He currently serves as Executive Vice President (General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit). Through these roles Mr. Fujita has accumulated expert knowledge and a wealth of experience, including management experience, and he is also honest in character, as well as highly insightful and capable. Having judged that he will be able to perform his duties properly as Director of the Company, we propose him as a candidate for election to that position.

Candidate No. 5	<b>Koichi Takahata</b> (Born February 24, 1956)	Re-election
	Shares owned in the Company	33,400
	Term as a Director	2 years (as of the close of this General Meeting of Shareholders)
	Attendance at Meetings of the Board of Directors in fiscal 2017	21 of 21 meetings (100%)

● **Work History, Positions and Responsibilities**

April 1978	Entered the Company
April 2010	Executive Officer
April 2012	Managing Executive Officer
April 2015	Senior Managing Executive Officer
June 2016	Representative Director & Senior Managing Executive Officer (Chief Financial Officer)
April 2017	Representative Director & Senior Managing Executive Officer (Chief Financial Officer) (present position) <i>(Change in Japanese only; English Unchanged)</i>

● **Reasons for proposing Mr. Koichi Takahata as a candidate for Director**

Since entering the Company, Mr. Takahata has worked primarily in accounting-related operations in Japan and overseas, serving as General Manager, Investor Relations Dept., General Manager, Accounting Controlling Dept., and Assistant CFO, among other roles. He currently serves as Senior Managing Executive Officer (Chief Financial Officer). Through these roles Mr. Takahata has accumulated expert knowledge and a wealth of experience, including management experience, and he is also honest in character, as well as highly insightful and capable. Having judged that he will be able to perform his duties properly as Director of the Company, we propose him as a candidate for re-election to that position.

Candidate No. 6	<b>Hideki Yamano</b> (Born February 23, 1960)	New-election
	Shares owned in the Company	5,952
	Term as a Director	—
	Attendance at Meetings of the Board of Directors in fiscal 2017	—

● **Work History, Positions and Responsibilities**

April 1983	Entered the Company
April 2010	General Manager, Wind Power & Water Infrastructure Business Dept. Deputy General Manager, Environment & Infrastructure Project Business Division, General Manager, Renewable Energy Business Dept. No.2 Corporate Officer (General Manager, Environment & Infrastructure Project Business Division) Corporate Officer (General Manager, Environment & Infrastructure Project Business Division, General Manager, Water Infrastructure & Environmental Solution Business Dept.) Corporate Officer (General Manager, Environment & Infrastructure Project Business Division)
April 2016	Executive Officer (General Manager, Corporate Planning & Coordination Dept.)

April 2018 Managing Executive Officer (Chief Strategy Officer and Chief Information Officer) (present position)

**●Reasons for proposing Mr. Hideki Yamano as a candidate for Director**

Since entering the Company, Mr. Yamano has worked primarily in infrastructure-related businesses in Japan and overseas, serving as General Manager, Environment & Infrastructure Project Business Division, and General Manager, Corporate Planning & Coordination Dept., among other roles. He currently serves as Managing Executive Officer (Chief Strategy Officer). Through these roles Mr. Yamano has accumulated expert knowledge and a wealth of experience, including management experience, and he is also honest in character, as well as highly insightful and capable. Having judged that he will be able to perform his duties properly as Director of the Company, we propose him as a candidate for election to that position.

Candidate No. <b>7</b>	<b>Yayoi Tanaka</b> (Born March 20, 1960)	Re-election
		Outside Director Candidate
		Independent Director
	Shares owned in the Company	1,600
	Term as a Director	3 years (as of the close of this General Meeting of Shareholders)
	Attendance at Meetings of the Board of Directors in fiscal 2017	21 of 21 meetings (100%)

**●Work History, Positions and Responsibilities**

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

The institution marked with an asterisk (\*) was renamed “National Institution for Academic Degrees and Quality Enhancement of Higher Education” on April 1, 2016.

**●Significant positions concurrently held**

Outside Director, IHI Corporation

**Reasons for proposing Ms. Yayoi Tanaka as a candidate for Outside Director**

For many years Ms. Tanaka has engaged in specialist research in the fields of evaluation studies and civil society organizational theory at institutions including universities and the National Institution for Academic Degrees and University Evaluation (currently the National Institution for Academic Degrees and Quality Enhancement of Higher Education), and has served on various government committees including the Administrative Reform Promotion Council (private-sector member) and the Ministry of Finance Fiscal System Council (member). Through these roles, Ms. Tanaka has accumulated highly specialized knowledge and a wealth of experience, and she is also honest in character, as well as highly insightful and capable. Ms. Tanaka will contribute to the Company’s aims of ensuring appropriate decision-making from diverse perspectives in board meetings and further enhancing supervisory functions, and is thus judged to be qualified for the role of Outside Director of the Company and to be able to perform her duties properly in that position. For these reasons, we propose her as a candidate for re-election to the position of Outside Director.

Candidate No. <b>8</b>	<b>Nobuyoshi Ehara</b> (Born October 17, 1951)	Re-election
		Outside Director Candidate
		Independent Director
	Shares owned in the Company	0
	Term as a Director	2 years (as of the close of this General Meeting of Shareholders)
	Attendance at Meetings of the Board of Directors in fiscal 2017	20 of 21 meetings (95.2%)

**Work History, Positions and Responsibilities**

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

**Significant positions concurrently held**

Representative Director, Unison Capital, Inc.

**Reasons for proposing Mr. Nobuyoshi Ehara as a candidate for Outside Director**

Mr. Ehara has wide-ranging knowledge and a wealth of experience in finance and business management accumulated through his many years working in important positions at a major US financial institution and managing a private equity firm, among other roles. He is also honest in character, as well as highly insightful and capable. Mr. Ehara will contribute to the Company’s aims of ensuring appropriate decision-making from diverse perspectives in board meetings and further enhancing supervisory functions, and is thus judged to be qualified for the role of Outside Director of the Company and to be able to perform his duties properly in that position. For these reasons, we propose him as a candidate for re-election to the position of Outside Director.

**Item warranting special mention related to candidacy for Outside Director’s position**

There is no business relationship between the Company and Unison Capital, where Mr. Nobuyoshi Ehara serves as a Representative Director. While the Company holds equity interest in Community Healthcare Coordination Platform, Inc. (CHCP), a corporate entity in which a fund managed by Unison Capital invests, the values of such investments are negligible – less than 0.001% of the Company’s total consolidated assets, and less than 0.1% of the total value of capital managed by the fund. It has therefore been judged that this situation exerts no impact on the independence of Mr. Ehara with respect to the Company.

Candidate No. <b>9</b>	<b>Koji Ishida</b> (Born June 22, 1947)		Re-election
			Outside Director Candidate
			Independent Director
	Shares owned in the Company	0	
	Term as a Director	1 year (as of the close of this General Meeting of Shareholders)	
	Attendance at Meetings of the Board of Directors in fiscal 2017	17 of 17 meetings (100%) (Since appointed Director on June 23, 2017)	

### ●Work History, Positions and Responsibilities

May 1970	Entered The Sumitomo Bank, Limited
June 1997	Director, The Sumitomo Bank, Limited
June 1999	Executive Officer, The Sumitomo Bank, Limited
January 2001	Managing Executive Officer, General Manager of Corporate Planning Dept., The Sumitomo Bank, Limited
April 2001	Managing Executive Officer, General Manager of Corporate Planning Dept., Sumitomo Mitsui Banking Corporation (SMBC)
June 2002	Managing Executive Officer, Head of Tokyo Corporate Banking Division I, SMBC
June 2003	Representative Director, Managing Director, Sumitomo Mitsui Financial Group, Inc. (SMFG)
April 2004	Representative Director, Senior Managing Director, SMFG
June 2005	Standing Corporate Auditor, SMFG (retired in June 2006) Corporate Auditor, SMBC (retired in June 2006)
June 2006	President & CEO, SMBC Leasing Co., Ltd.
October 2007	President, Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL; retired in June 2011) (*)
	(*)In October 2007, SMBC Leasing Co., Ltd. merged with Sumisho Lease Co., Ltd. to become SMFL. Mr. Ishida continued in office as president of SMFL, retiring in June 2011.
June 2011	Member of the Policy Board, the Bank of Japan (retired in June 2016)
June 2017	Outside Director, Sumitomo Corporation (present position)

### ●Significant positions concurrently held

Member of the Public Interest Oversight Committee, KPMG AZSA LLC

### ●Reasons for proposing Mr. Koji Ishida as a candidate for Outside Director

Mr. Ishida has wide-ranging knowledge and a wealth of experience in finance and business management, accumulated through his many years working in important positions in a major financial institution, and serving as a member of the Policy Board at the Bank of Japan, among other roles. He is also honest in character, as well as highly insightful and capable. Mr. Ishida will contribute to the Company's aims of ensuring appropriate decision-making from diverse perspectives in board meetings and further enhancing supervisory functions, and is thus judged to be qualified for the role of Outside Director of the Company and to be able to perform his duties properly in that position. For these reasons, we propose him as a candidate for re-election to the position of Outside Director.

## ●Item warranting special mention related to candidacy for Outside Director's position

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Mr. Koji Ishida served until June 2003 as an executive at Sumitomo Mitsui Banking Corporation (SMBC), one of the Company's principal lenders; until June 2005 as an executive at Sumitomo Mitsui Financial Group, Inc. (SMFG), SMBC's parent company; and until June 2006 as a corporate auditor at SMBC and SMFG. However, more than 12 years have now passed since Mr. Ishida's retirement from his positions as an executive at SMBC and SMFG, and he has not engaged in the execution of operations since his retirement. We have therefore judged that his independence is unaffected.

Mr. Ishida also served until June 2011 as an executive at SMFL, an associated company of the Company. However, more than 6 years have now passed since Mr. Ishida's retirement from that position, and he has not engaged in the execution of operations since his retirement. Furthermore, the value of transactions between SMFL and the Company are negligible, amounting to less than 0.1% of both SMFL's annual consolidated net sales and the Company's annual consolidated revenues. We have therefore judged that his independence is unaffected.

Mr. Ishida also holds a concurrent position as a member of the Public Interest Oversight Committee(\*) at KPMG AZSA LLC, the Company's Accounting Auditor. We have confirmed with KPMG AZSA that it set up the Public Interest Oversight Board as an oversight body with the aim of reinforcing oversight functions from the perspective of public interest, and that Mr. Ishida, as an external third party serving on this committee, is not an executive of KPMG AZSA and is therefore not involved in auditing or non-auditing services for individual companies, including the Company. We have therefore judged that this concurrent position does not affect his independence with respect to the Company.

(\*) The Public Interest Oversight Committee is an oversight body established by KPMG AZSA effective July 1, 2017 in place of its Management Advisory Committee. Mr. Ishida served as a member of the Management Advisory Committee from July 2016 through June 2017. We have confirmed with KPMG AZSA that it had set up the Management Advisory Committee as an advisory body comprising external third-party experts with the aim of reinforcing its governance and enhancing management transparency, and that Mr. Ishida, as an external third-party expert serving on this committee, was not an executive of KPMG AZSA and was therefore not involved in auditing or non-auditing services for individual companies, including the Company. We have therefore judged that this former concurrent position does not affect his independence with respect to the Company.

Candidate No. <b>10</b>	<b>Kimie Iwata</b> (Born April 6, 1947)	New-election
		Outside Director Candidate
		Independent Director
	Shares owned in the Company	0
	Term as a Director	—
	Attendance at Meetings of the Board of Directors in fiscal 2017	—

### ●Work History, Positions and Responsibilities

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

### ●Significant positions concurrently held

Outside Director, Kirin Holdings Company, Limited  
 Outside Director, Stripe International Inc.  
 Audit and Inspection Commissioner, the Tokyo Metropolitan Government

## ●Reasons for proposing Ms. Kimie Iwata

Ms. Iwata served in several key positions for many years at the Ministry of Labour (currently Ministry of Health, Labour and Welfare), and after retiring from the ministry served in various executive and outside director positions for private companies. Through these and other roles, Ms. Iwata has accumulated wide-ranging knowledge and a wealth of experience in business management, corporate governance, corporate social responsibility, and diversity, etc.; she is also honest in character, as well as highly insightful and capable. Ms. Iwata will contribute to the Company's aims of ensuring appropriate decision-making from diverse perspectives in board meetings and further enhancing supervisory functions, and is thus judged to be qualified for the role of Outside Director of the Company and to be able to perform her duties properly in that position. For these reasons, we propose her as a candidate for election to the position of Outside Director.

## ●Item warranting special mention related to candidacy for Outside Director's position

Ms. Kimie Iwata engaged in the execution of operational duties as a Representative Director of Shiseido Company, Limited through March 2012. There are no existing business relationships between the Company and Shiseido Company, Limited.

Ms. Iwata was appointed to serve as an Outside Director of Japan Airlines Co., Ltd. in July 2012, a position that she continues to hold at present. In September 2014, Japan Airlines experienced leaks in customer information due to unauthorized access to its customer information system. Although Ms. Iwata was unaware of this situation until the incident came to light, she had made comments and had given opinions from the perspective of compliance and information security in fulfilling her duties. After the incident surfaced, a verification committee comprised of Japan Airlines independent officers was formed in October of that same year. Appointed chairman of that committee, Ms. Iwata made efforts to prevent the recurrence of such circumstances.

Candidate No. 11	<b>Hisashi Yamazaki</b> (Born November 14, 1948)		New-election	
			Outside Director Candidate	
			Independent Director	
	Shares owned in the Company	0		
	Term as a Director	—		
	Attendance at Meetings of the Board of Directors in fiscal 2017	—		

## ●Work History, Positions and Responsibilities

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

## ●Significant positions concurrently held

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Attorney at Law

Supervisory Board Member, National Federation of Agricultural Cooperative Associations

## ●Reasons for proposing Mr. Hisashi Yamazaki

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Mr. Yamazaki has highly specialized knowledge and a wealth of experience in law based on his career over many years as a judge and attorney at law. He is also honest in character, as well as highly insightful and capable. Mr. Yamazaki will contribute to the Company's aims of ensuring appropriate decision making from diverse perspectives in board meetings and further enhancing supervisory functions, and is thus judged to be qualified for the role of Outside Director of the Company and to be able to perform his duties properly in that position. For these reasons, we propose him as a candidate for election to the position of Outside Director.

(Notes)

1. Special Interest between Candidates and the Company

The Company has an equity interest in Community Healthcare Coordination Platform, Inc. (CHCP), in which a fund managed by Unison Capital, Inc. (Representative Director: Mr. Nobuyoshi Ehara) also has an equity interest, and thus has entered into a shareholder agreement with the shareholders of CHCP (including the said fund) in relation to such equity investment.

In addition, the Company performs transactions associated with agricultural products and related materials with the National Federation of Agricultural Cooperative Associations, where Mr. Hisashi Yamazaki serves as member of its management supervisory board.

None of the other candidates have any particular interests in the Company.

2. Independent Directors

Ms. Yayoi Tanaka, Mr. Nobuyoshi Ehara, Mr. Koji Ishida, Ms. Kimie Iwata and Mr. Hisashi Yamazaki fulfill the standards related to independence set by the financial instruments exchanges that the Company is listed on. The Company has designated Ms. Yayoi Tanaka, Mr. Nobuyoshi Ehara and Mr. Koji Ishida as independent directors under the respective provisions of the exchanges, and the Company also intends to designate Ms. Kimie Iwata and Mr. Hisashi Yamazaki as an independent director under the respective provisions of the exchanges.

3. Conclusion of Limitation of Liability Contracts

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded a limitation of liability contract with each of Ms. Yayoi Tanaka, Mr. Nobuyoshi Ehara and Mr. Koji Ishida limiting the liability of each of them to the amount stipulated by law provided each of them has acted in good faith and without gross negligence. If their elections are approved, the Company will continue said limitation of liability contract with each of them, and will conclude a limitation of liability contract on the same terms and conditions with Mr. Kuniharu Nakamura, Ms. Kimie Iwata and Mr. Hisashi Yamazaki.

**Proposition No. 4: Election of One Audit & Supervisory Board Member**

Of the Company's five incumbent Audit & Supervisory Board Members, Mr. Nobuhiko Yuki will reach the end of his term as of the close of the Meeting. Accordingly, this proposition calls for the election of One Audit & Supervisory Board Member. The candidate for Audit & Supervisory Board Member is as follows.

The Audit & Supervisory Board has given its consent with regard to the submission of this proposition.

Candidate	<b>Toshiaki Murai</b> (Born August 29, 1957)	New-election
	Shares owned in the Company	7,300
	Attendance at Meetings of the Board of Directors and Audit & Supervisory Board in fiscal 2017	—

**● Work History and Positions**

April 1980	Entered the Company
April 2006	General Manager, Carbon Dept. General Manager, Mineral Resources & Energy Group in Sumitomo Corporation North America Group Corporate Officer (General Manager, Mineral Resources Division No.1)
April 2016	Executive Officer (General Manager, Mineral Resources Division No.1)
June 2018	Adviser (present position)

**● Reasons for proposing Mr. Toshiaki Murai as a candidate for Audit & Supervisory Board Member**

Since entering the Company, Mr. Toshiaki Murai has worked primarily in Mineral Resources & Energy-related operations in Japan and overseas, serving as Executive Officer (General Manager, Mineral Resources Division No.1), among other roles. He has a wealth of knowledge and experience in the Company's management and all aspects of business administration and is also honest in character, as well as highly insightful and capable. He is thus judged to be able to perform his duties properly as an Audit & Supervisory Board Member. For these reasons, we propose him as a candidate for election to that position.

(Notes)

1. Special Interest between Candidates and the Company  
Mr. Toshiaki Murai does not have any particular interest with the Company.
2. Conclusion of Limitation of Liability Contracts  
If the election of Mr. Toshiaki Murai is approved, pursuant to Article 427, Paragraph 1 of the Companies Act, the Company intends to conclude a limitation of liability contract with him, limiting his liability to the amount stipulated by law provided he has acted in good faith and without gross negligence.

**Proposition No. 5: Issuing Bonuses to the Company's Directors**

The Company proposes that an amount calculated based on the formula for determining bonuses, being linked to the Company's consolidated performance as determined by the Board of Directors, totaling no more than 174 million yen, be paid as Director's bonuses to the five Directors serving in those posts at the end of fiscal 2017 (excluding the Chairman of the Board of Directors and Outside Directors at the end of the said fiscal year).

**Proposition No. 6: Revision of Amount of Remuneration for Directors**

The current total amount of remuneration for the Company's Directors is "an annual amount of 1.2 billion yen or less (including an annual amount of 60 million yen or less for Outside Directors)", which was approved in the 145th Ordinary General Meeting of Shareholders held on June 21, 2013. This remuneration consists of monthly remuneration, New Share Acquisition Rights, and New Share Acquisition Rights in the Form of Stock Options for a Stock-Linked Compensation Plan for Directors (excluding the Chairman of the Board of Directors and Outside Directors), while the remuneration for the Chairman of the Board of Directors and Outside Directors consists only of monthly remuneration. As bonuses to be paid to Directors (excluding the Chairman of the Board of Directors and Outside Directors) are highly linked to performance, they are paid separately from the foregoing remuneration each year upon approval in the General Meeting of Shareholders.

In light of various circumstances, including plans to increase the number of Outside Directors to further reinforce corporate governance, the Company has recently decided to revise the total amount of remuneration for Outside Directors from an annual amount of 60 million yen or less to an annual amount of 100 million yen or less. The total amount of remuneration for Directors (including Outside Directors) will continue to be an annual amount of 1.2 billion yen or less.

As bonuses to be paid to Directors (excluding the Chairman of the Board of Directors and Outside Directors) are highly linked to performance, they will continue to be paid each year upon approval in the General Meeting of Shareholders. Furthermore, with the aim of offering incentives to seek sustainable improvement of our corporate value as well as promoting efforts to increase our corporate value over medium- to long-term and creating greater shared values with our shareholders, Proposal 7 is submitted for reviewing the remuneration structure of Directors within the range of the aforesaid total amount of remuneration, and introducing a stock remuneration plan for Directors (excluding Outside Directors, but including the Chairman of the Board of Directors).

While the Company currently has 9 Directors (including 3 Outside Directors), the Company will have 11 Directors (including 5 Outside Directors) once Proposal 3 is approved as proposed. (Please refer to pages from 31 to 33 for the "Overview of New Executive Remuneration Plan" upon approval of Proposal 6 and Proposal 7.)

**Proposition No. 7: Determination of Remuneration for Directors under a Restricted Stock-Based Remuneration Plan and a Performance Share Unit-Based Remuneration Plan**

The current amount of remuneration for the Company's Directors is "an annual amount of 1.2 billion yen or less (including an annual amount of 60 million yen or less for Outside Directors)" which was approved in the 145th Ordinary General Meeting of Shareholders held on June 21, 2013. Once Proposal 6 is approved as proposed, the foregoing amount of remuneration will be "an annual amount of 1.2 billion yen or less (including an annual amount of 100 million yen or less for Outside Directors)". The remuneration for Directors (excluding the Chairman of the Board of Directors and Outside Directors) consists of monthly remuneration, New Share Acquisition Rights, and New Share Acquisition Rights in the Form of Stock Options for a Stock-Linked Compensation Plan ("New Share Acquisition Rights" and "New Share Acquisition Rights in the Form of Stock Options for a Stock-Linked Compensation Plan" are hereinafter collectively referred to as the "Stock Options"), while the remuneration for the Chairman of the Board of Directors and Outside Directors consists only of monthly remuneration. As bonuses to be paid to Directors (excluding the Chairman of the Board of Directors and Outside Directors) are highly linked to performance, they are paid separately from the aforesaid total amount of remuneration each year upon approval in the General Meeting of Shareholders.

The Company has recently reviewed its executive remuneration plan, and decided to introduce a restricted stock-based remuneration plan (Restricted Stock Plan)(hereinafter referred to as "Plan I") and a performance share unit-based remuneration plan (Performance Share Unit Plan) (hereinafter referred to as "Plan II", and Plan I and Plan II are hereinafter collectively referred to as the "Plans") for Directors (excluding Outside Directors, but including the Chairman of the Board of Directors; hereinafter referred to as the "Eligible Directors") as follows, with the aim of offering incentives to seek the sustainable improvement of its corporate value as well as promoting efforts to increase its corporate value over medium- to long-term and creating greater shared values with its shareholders.

Accordingly, in substitute for the current Stock Options and within the range of the aforementioned total amount of remuneration, the Company will newly provide monetary remuneration receivables to the Eligible Directors to offer "restricted stock-based remuneration" on the condition of serving as the Company's Director, etc. continuously for a given period of time, and "performance share unit-based remuneration" in which performance-linked requirements (stock price evaluation) are added to the foregoing condition. The monetary remuneration receivables to be provided to the Eligible Directors will be an annual amount of 130 million yen or less for "restricted stock-based remuneration" and an annual amount of 430 million yen or less for "performance share unit-based remuneration" (total annual amount of 560 million yen or less) within the range of the foregoing total amount of remuneration. Furthermore, the specific timing of payment and amount to be paid to the respective Eligible Directors will be determined by the Board of Directors.

Pursuant to the introduction of the Plans, no new Stock Options will be issued in the

future (previously issued Stock Options will continue to be valid), subject to the approval and adoption of this proposal. Additionally, as bonuses to be paid to Directors (excluding the Chairman of the Board of Directors and Outside Directors) are highly linked to performance, they will continue to be paid each year upon approval in the General Meeting of Shareholders.

In order to ensure the appropriateness of the Directors' remuneration and the transparency of the decision process upon introducing the Plans, these matters underwent the deliberation of the Nomination and Remuneration Advisory Committee (chairperson: Outside Director) in which a majority of its members is Outside Directors. The Plans will further promote efforts to increase its corporate value over medium- to long-term and create greater shared values with its shareholders, and it is believed that they are commensurate with these goals.

While the Company currently has 9 Directors (including 3 Outside Directors), the Company will have 11 Directors (including 5 Outside Directors), of which 6 Directors will be Eligible Directors, once Proposal 3 is approved as proposed.

## **[Description of Plan I]**

### **(1) Overview of Plan I**

Under Plan I, in principle, the Eligible Directors will annually pay the entire amount of monetary remuneration receivables to be provided based on this proposal as in-kind contribution to the Company and the Company will thereby issue or dispose the Company's common shares to the Eligible Directors pursuant to the board resolution.

Upon the issuance or disposal of the Company's common shares, the Company and the Eligible Directors will execute a restricted stock allotment agreement (hereinafter referred to as the "Allotment Agreement"), and the Eligible Directors may not transfer, create security interest on, or otherwise dispose the Company's common shares allotted under the Allotment Agreement (hereinafter referred to as the "Allotted Shares") for a given period of time from date that the Allotted Shares are allotted (hereinafter referred to as the "Restriction Period"). Overview of the subject matter of the Allotment Agreement is as described in (4) below.

### **(2) Upper limits on the total amount of monetary remuneration receivables and total number of shares under Plan I**

The total amount of monetary remuneration receivables to be provided to the Eligible Directors shall be an annual amount of 130 million yen or less, and the total number of the Company's common shares to be issued or disposed to the Eligible Directors shall be 120,000 shares or less per year. Nevertheless, if there is a possibility of exceeding the foregoing upper limits, the Company will reduce the number of shares to be granted to the respective Eligible Directors proportionately or by other rational measures to the extent that it does not exceed the foregoing upper limits. If, on or after the date of approval and adoption of this proposal, the Company's common shares are subject to a share split (including allotment of the Company's common shares without contribution) or a consolidation of shares, or there are other circumstances requiring the adjustment of the total number of the Company's common shares to be issued or disposed as

restricted shares, the Company will adjust such total number of shares to a reasonable extent.

**(3) Paid-in amount per share**

The paid-in amount per Allotted Share shall be decided by the Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day prior to the date of the board resolution regarding the allotment of shares (or if the Company's shares are not traded on said date, then the closing price of the most recent trading day preceding said date) to an extent that will not be excessively advantageous for the Eligible Directors.

**(4) Overview of subject matter of the Allotment Agreement**

**(i) Restriction Period**

The Restriction Period shall be the period from the date that the Allotted Shares are granted to the date that the Eligible Directors resign or retire from all their position as the Company's Director, Executive Officer or any other position determined by the Board of Directors, and the Eligible Directors may not transfer, create security interest on, or otherwise dispose the Allotted Shares during the Restriction Period.

**(ii) Measures to be taken upon resignation, etc. during the Service Period**

In the event an Eligible Director resigns or retires from all his/her position as the Company's Director, Executive Officer or any other position determined by the Board of Directors before expiration of the period from the conclusion of the Ordinary General Meeting of Shareholders of each year to the conclusion of the Ordinary General Meeting of Shareholders of the following year (herein after referred to as the "Service Period"), the Company will acquire the Allotted Shares without any compensation as a matter of course, excluding the case of death of such Eligible Director or other reasons deemed legitimate by the Board of Directors.

※ Notwithstanding the provisions of (ii) above, in the event an Eligible Director resigns or retires from all his/her position as the Company's Director, Executive Officer or any other position determined by the Board of Directors after commencement of the Service Period and before being granted the Allotted Shares due to death or other reasons deemed legitimate by the Board of Directors, the Company may, within the range of the foregoing total amount of remuneration under Plan I, pay monies in an amount rationally calculated by the Board of Directors as an amount corresponding to the Allotted Shares in substitute for granting the Allotted Shares.

**(iii) Cancellation of transfer restriction**

Notwithstanding the provisions of (i) above, on the condition that the Eligible Directors continued to serve as the Company's Director, Executive Officer or any other position determined by the Board of Directors during the Service Period, the Company will cancel the transfer restriction of all Allotted Shares as of the expiration of the Restriction Period. Nevertheless, in the event an Eligible Director resigns or retires from all his/her position

as the Company's Director, Executive Officer or any other position determined by the Board of Directors based on any of the reasons deemed legitimate by the Board of Directors set out in (ii) above before the expiration of the Service Period, the Company shall rationally adjust, as needed, the number of the Allotted Shares for which the transfer restriction will be cancelled. The Company will acquire the Allotted Shares, for which the transfer restriction has not been cancelled based on the aforesaid provision as of the expiration of the Restriction Period, as a matter of course, without any compensation.

**(iv) Measures to be taken upon organizational restructuring, etc.**

Notwithstanding the provisions of (i) above, in the event a merger agreement in which the Company will become the absorbed company, a share exchange agreement or a share transfer plan in which the Company will become the wholly-owned subsidiary, or any other matter related to organizational restructuring, etc. is approved in the General Meeting of Shareholders (or if approval in the General Meeting of Shareholders is not required in relation to such organizational restructuring, then the Board of Directors' meeting) during the Restriction Period, the Company will cancel the transfer restriction based on the board resolution prior to the effective date of such organizational restructuring, etc. for the Allotted Shares in number rationally determined in light of the period from the commencement date of the Service Period to the date that such organizational restructuring, etc. is approved. In such case, the Company will acquire the Allotted Shares, for which the transfer restriction has not been cancelled even at the time immediately after the transfer restriction has been cancelled, as a matter of course, without any compensation.

**(v) Other matters to be determined by the Board of Directors**

Other matters related to Plan I shall be determined by the Board of Directors, and constitute a part of the Allotment Agreement.

**[Description of Plan II]**

**(1) Overview of Plan II**

Plan II is a performance-linked stock-based remuneration plan in which a period of 3 years from the month of commencement of the Service Period of each Eligible Director in each year (month in which the Ordinary General Meeting of Shareholders is held each year) is set as the evaluation period (hereinafter referred to as the "Evaluation Period"), and in which the Company's common shares in number calculated according to the Company's stock growth rate during the Evaluation Period are granted to the Eligible Directors. In principle, upon termination of the Evaluation Period, the Company will provide monetary remuneration receivables to the Eligible Directors to allot the performance-linked shares, and issue or dispose the Company's common shares to the Eligible Directors by making them pay the entire amount of such monetary remuneration receivables as contribution in-kind.

The initial Evaluation Period is from June 2018 to June 2021, and subsequent

Evaluation Periods will be from June of each year to June 3 years thereafter.

As the providing of monetary remuneration receivables and the granting of the Company's common shares to the Eligible Directors are carried out after the termination of the Evaluation Period, whether or not to provide monetary remuneration receivables or grant the Company's common shares to the respective Eligible Directors and the amount of such monetary remuneration receivables to be provided and the number of Company's common shares to be granted will still be unfixed at the time when Plan II is introduced.

**(2) Upper limits on the total amount of monetary remuneration receivables and total number of shares under Plan II**

The total amount of monetary remuneration receivables to be provided to the Eligible Directors for each Service Period shall be an annual amount of 430 million yen or less, and the total number of the Company's common shares to be issued or disposed to the Eligible Directors for each Service Period shall be 180,000 shares or less per year. Nevertheless, if there is a possibility of exceeding the foregoing upper limits, the Company will reduce the number of shares to be granted to the respective Eligible Directors proportionately or by other rational measures to the extent that it does not exceed the foregoing upper limits. If, on or after the date that this proposal is approved and adopted, the Company's common shares are subject to a share split (including allotment of the Company's common shares without contribution) or a consolidation of shares, or there are other circumstances requiring the adjustment of the total number of the Company's common shares to be issued or disposed as performance-linked shares, the Company will adjust such total number of shares to a reasonable extent.

**(3) Paid-in amount per share**

The paid-in amount per share of the Company's common shares to be allotted under Plan II shall be decided by the Board of Directors based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day prior to the date of board resolution regarding the allotment of shares (or if the Company's shares are not traded on said date, then the closing price of the most recent trading day preceding said date) to an extent that will not be excessively advantageous for the Eligible Directors.

**(4) Calculation method for the number of Company's common shares to be granted to Directors**

Under Plan II, the number of Company's common shares to be granted to the respective Eligible Directors upon termination of the Evaluation Period (hereinafter referred to as the "Number of Granted Shares") shall be determined by multiplying (i) the number of shares determined by the Board of Directors according to the position of each Eligible Director (hereinafter referred to as the "Standard Number of Granted Shares") by (ii) the share grant ratio determined according to the Company's stock growth rate (the "Share Grant Ratio"). The Company's stock growth rate is calculated by dividing the Company's Total Shareholder Return (TSR) during the Evaluation

Period by the growth rate of the Tokyo Stock Exchange Stock Price Index (TOPIX) during the Evaluation Period.

Specifically, the Company's stock growth rate is calculated in accordance with the following calculation formula. Nevertheless, the Company's stock growth rate shall be rationally adjusted in proportion to the Eligible Director's tenure during the Service Period etc. If, on or after the date that this proposal is approved and adopted, the Company's common shares are subject to a share split (including allotment of the Company's common shares without contribution) or a consolidation of shares, or there are other circumstances requiring the adjustment of the following items of calculation, the Company will adjust such items of calculation to a reasonable extent.

<Calculation formula>

Number of Granted Shares = Standard Number of Granted Shares × Share Grant Ratio

Standard Number of Granted Shares : To be determined by Board of Directors according to the position of each Eligible Director Shares

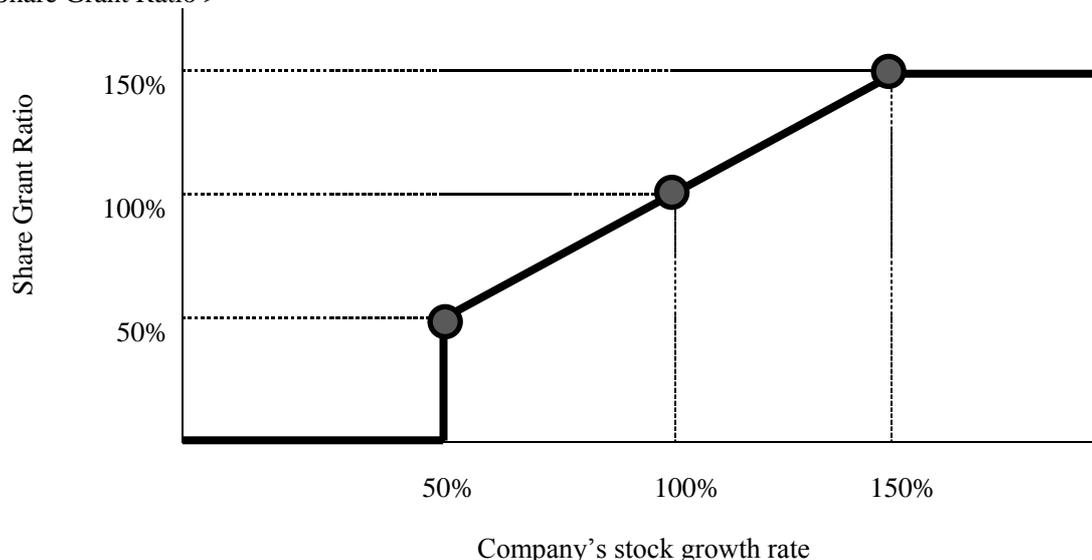
Share Grant Ratio : (i) When Company's stock growth rate is less than 50% : 0%  
 (see graph below) (ii) When Company's stock growth rate is 50% or higher and 150% or less : Company's stock growth rate  
 (iii) When Company's stock growth rate exceeds 150% : 150%

$$\text{Company's stock growth rate} = \frac{\text{Company's TSR (Total Shareholder Return) during Evaluation Period}}{\text{Growth rate of TOPIX during Evaluation Period}}$$

$$= \frac{(B + C) \div A}{E \div D}$$

- A: Simple average of closing price of Company's common shares on Tokyo Stock Exchange in month of commencement of Evaluation Period (June of a particular year)
- B: Simple average of closing price of Company's common shares on Tokyo Stock Exchange in month of termination of Evaluation Period (June 3 years thereafter)
- C: Total amount of dividends per share of surplus during Evaluation Period
- D: Simple average of TOPIX in month of commencement of Evaluation Period (June of a particular year)
- E: Simple average of TOPIX in month of conclusion of Evaluation Period (June 3 years thereafter)

<Share Grant Ratio >



**(5) Grant requirements**

Under Plan II, upon termination of the Evaluation Period and satisfaction of the following requirements for granting the Company's common shares, the Company will provide monetary remuneration receivables to the Eligible Directors and grant the Company's common shares to the Eligible Directors by making them pay the entire amount of such monetary remuneration receivables as in-kind contribution:

- (i) an Eligible Director has served the position as the Company's Director, Executive Officer or any other position determined by the Board of Directors during the Service Period;
- (ii) no prescribed illegal acts were conducted; and
- (iii) other requirements determined by the Board of Directors as necessary.

**(6) Measures to be taken upon resignation, etc. during the Service Period**

- (i) In the event an Eligible Director resigns or retires from all his/her position as the Company's Director, Executive Officer or any other position determined by the Board of Directors during the Service Period, the Company shall grant the common shares in number in proportion to the number of months of tenure up to the time of resignation or retirement. The Company shall also grant the common shares in proportion to the number of months of tenure during the Service Period for any Eligible Director who is newly appointed during the Service Period.
- (ii) Notwithstanding the provisions of (i) above, in the event an Eligible Director resigns or retires from all his/her position as the Company's Director, Executive Officer or any other position determined by the Board of Directors after commencement of the Service Period and before being granted the Company's common shares under Plan II due to death or other reasons deemed legitimate by the Board of Directors, the Company may, within the range of the foregoing total amount of remuneration under Plan II, pay monies in an amount rationally calculated by the Board of Directors as an amount corresponding to the Company's common shares in substitute for granting the Company's common shares.

**(7) Measures to be taken upon organizational restructuring, etc.**

Notwithstanding the provisions of (5) above, in the event a merger agreement in which the Company will become the absorbed company, a share exchange agreement or a share transfer plan in which the Company will become the wholly-owned subsidiary, or any other matter related to organizational restructuring, etc. is approved in the General Meeting of Shareholders (or if approval in the General Meeting of Shareholders is not required in relation to such organizational restructuring, then the Board of Directors' meeting) after commencement of the Service Period, the Company may, based on the board resolution and within the range of the foregoing total amount of remuneration under Plan II, pay monies in an amount rationally calculated by the Board of Directors as an amount corresponding to the Company's common shares in substitute for granting the Company's common shares in number rationally determined in light of the period

from the commencement date of the Service Period to the date that such organizational restructuring, etc. is approved.

**[Reference]**

- (1) The Plans will be introduced as a part of the new remuneration plan for the Company's Directors (excluding Outside Directors) and Executive Officers with the aim of reinforcing its group's governance and increasing its corporate value over medium- to long-term, and promoting the Company's sustainable growth in link with its management strategy, and the Company also plans to introduce a restricted stock-based remuneration plan and a performance share unit-based remuneration plan, which is the same sort of remuneration plan to the Plans, for Executive Officers who are not concurrently serving as Directors. Please refer to pages from 31 to 33 for the "Overview of New Executive Remuneration Plan" upon approval and adoption of Proposal 6 and Proposal 7 as proposed.
- (2) The maximum number of the Company's common shares to be issued or disposed that may be granted to the Eligible Directors under the Plans (300,000 shares per year) corresponds to approximately 0.02% of the Company's total number of outstanding shares (1,250,602,867 shares) (as of March 31, 2018).

**(Reference) Standards for Appointment of Directors and Audit & Supervisory Board Members**

Candidates for internal Directors shall be honest in character, highly insightful and capable, and must have expert business knowledge and extensive experience, including management experience. Candidates for Outside Directors shall be honest in character, highly insightful and capable, and with a view to bringing in diverse perspectives, shall have knowledge of their particular area of business as well as extensive knowledge and experience.

Candidates for internal Audit & Supervisory Board Members shall be honest in character, highly insightful and capable, and must have expert business knowledge and extensive experience. Candidates for Outside Audit & Supervisory Board Members shall be honest in character, highly insightful and capable, and hold a high degree of specialized knowledge and a wealth of experience in specific fields such as law, accounting, business management, and the like.

Gender and nationality etc. shall be of no consequence.

Outside Directors and Outside Audit & Supervisory Board Members are selected in accordance with the Company's internal rules, the Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members, Article 4, as referenced below.

Candidates for Directors and Audit & Supervisory Board Members are deliberated by the Nomination and Remuneration Advisory Committee (comprised of a majority of Outside Directors and chaired by an Outside Director), acting as an advisory body to the Board of Directors, in accordance with the standards for selecting Directors and Audit & Supervisory Board Members established by the Committee. The Board of Directors approves the appointment of nominated Directors and Audit & Supervisory Board Members based on the results of the deliberation reported by the Committee.

**Standards for Appointment and Independence of Outside Directors and  
Outside Audit & Supervisory Board Members**

**Article 4**

- (1) Outside Directors or Outside Audit & Supervisory Board Members of the Company shall be judged to be independent provided none of the following descriptions apply.
  1. A major shareholder of the Company (holding 10% or more of the total voting rights in the Company at the end of the most recent fiscal year) or an individual who serves as an executive in an entity that is a

- major shareholder of the Company
2. An individual for whom the Company is a major business partner or who serves as an executive in an entity for which the Company is a major business partner
  3. An individual who is a major business partner of the Company or who serves as an executive in an entity that is a major business partner of the Company
  4. An accounting auditor of the Company or its consolidated subsidiary, or an individual who is responsible for auditing the Company or its consolidated subsidiary as an employee at an auditing firm
  5. An attorney, judicial scrivener, patent agent, certified public accountant, certified tax accountant, consultant, or other professional who receives more than JPY 10 million in cash or other assets annually from the Company in addition to Director's or Audit & Supervisory Board Member's remuneration (or if the entity receiving such assets is an organization such as a corporation or association, an individual belonging to an entity receiving assets from the Company exceeding 2% of annual income)
  6. A major lender for the Company (a lender whose personal or corporate name is stated as a major lender in the Company's business report for the most recent fiscal year) or who serves as an executive in an entity that is a major lender for the Company
  7. An individual who receives more than JPY 10 million in donations annually from the Company (or if the entity receiving such donations is an organization such as a corporation or association, an individual who serves as an executive in an entity receiving assets from the Company exceeding 2% of annual income).
  8. An individual to whom any of the items numbered 1 to 7 above applied within the last three years
  9. A relative within the second degree of kinship or closer of an individual described in any of the items numbered 1 to 8 above (applies only to key individuals)
  10. A relative within the second degree of kinship or closer of a Director, Executive Officer, Corporate Officer, manager, employee, or accounting advisor (in the case of a corporation, this includes corporate employees required to perform work for the corporation) of the Company or its consolidated subsidiary
  11. A relative within the second degree of kinship or closer of an individual who was a Director, Executive Officer, Corporate Officer, manager, employee, or accounting advisor (in the case of a corporation, this includes corporate employees required to perform work for the corporation) of the Company or its consolidated subsidiary within the last three years
  12. An individual subject to any exceptional circumstances other than those described in the items above that might potentially cause a conflict of interest with the Company or otherwise make it impossible to fulfill duties as an independent Outside Director or Outside Audit & Supervisory Board Member
- (2) Outside Director or Outside Audit & Supervisory Board Member judged to be independent pursuant to this Article shall notify the Company immediately once they no longer qualify as independent.
  - (3) Within this Article "major business partner" denotes a business partner accounting for more than 2% of annual consolidated net sales (or in the case that a business partner adopts the International Financial Reporting Standards, annual consolidated revenues) of that business partner for the most recent fiscal year.

**(Reference) Overview of New Executive Remuneration Plan**

The overview of our executive remuneration plan upon approval and adoption of Proposal 6 and Proposal 7 as proposed in this General Meeting of Shareholders is as follows:

**1. Remuneration of Directors (excluding Outside Directors) and Executive Officers**

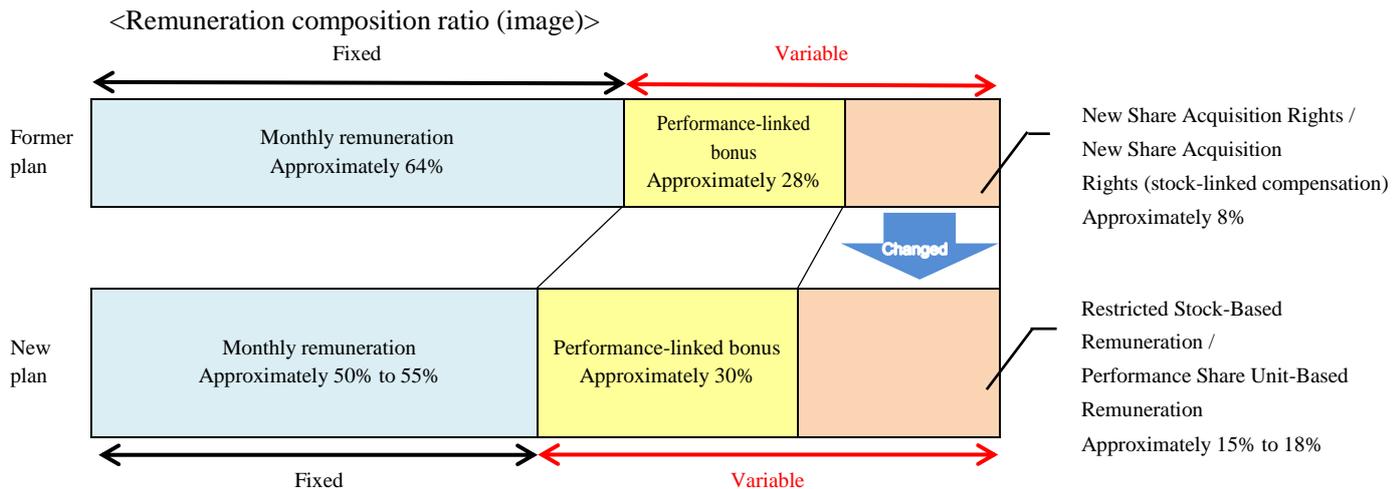
**(1) Objective**

The Company has formulated its executive remuneration plan according to the following basic policy to realize a plan with the aim of reinforcing our group’s governance and increasing our corporate value over medium- to long-term, and promoting the Company’s sustainable growth in link with our management strategy.

- By appropriately setting the ratio of fixed remuneration (monthly remuneration) and variable remuneration (performance-linked bonus which is linked to short-term results and share-based remuneration which is linked to medium- to long-term results and shareholder value), the plan shall function as a robust incentive for achieving sustainable growth.
- By reinforcing the relation between our group’s management strategy and performance-linked bonus, the plan shall promote the execution of duties that coincide with our management strategy and offer strong motivation for achieving specific business objectives.
- By further reinforcing the interrelation with shareholder value regarding the stock remuneration plan, the plan shall promote efforts to improve our corporate value over medium- to long term and create greater shared values with our shareholders.

**(2) Remuneration composition ratio and remuneration level**

The Company has decreased the ratio of monthly remuneration of the total remuneration, and has increased the ratio of performance-linked bonus and share-based remuneration. Furthermore, the Company has set an appropriate remuneration level with reference to objective remuneration market survey data provided by external specialized agencies and in light of the Company’s business environment.



(Note) The aforesaid chart is an image calculated based on a certain level of company performance and stock price, and the above ratios will change according to fluctuations in such company performance and stock price.

## 2. Remuneration of Outside Directors and Audit & Supervisory Board Members

The remuneration of Outside Directors and Audit & Supervisory Board Members consists only of “monthly remuneration” in light of their independence and professional roles, and a fixed amount is paid on a monthly basis.

## 3. Remuneration Governance

The Company has established, as the advisory body of the Board of Directors, the Nomination and Remuneration Advisory Committee (chairperson: Outside Director) in which a majority of its members is Outside Directors. The structure and the level of remuneration of Directors and the total amount of remuneration of Audit & Supervisory Board Members are deliberated in the Nomination and Remuneration Advisory Committee and the results thereof are reported to the Board of Directors meeting as a part of our efforts to further enhance transparency and objectivity.

### [Overall image of executive remuneration plan]

(●, ○, ◎ indicate the persons eligible for each type of remuneration, etc.)

Type of remuneration, etc.		Description of remuneration, etc.	Eligibility			
			Directors / Executive Officers (Note 1)	Chairman of the Board of Directors	Outside Directors	Audit & Supervisory Board Members
Fixed	Monthly remuneration (Note 2)	Fixed amount according to their position is paid on a monthly basis.	●	●	●	○
Variable	Performance-Linked Bonus (Note 3)	From the perspective of reinforcing the relation between our group’s management strategy and performance-linked bonus, a certain rate of “consolidated net income” and “basic profit cash flow” – which are adopted as the performance management index to be emphasized in our medium-term management plan – is equivalent to the total amount to be paid, and it is distributed according to their position and personal evaluation.	◎	-	-	-
	Restricted Stock-Based Remuneration (Notes 2, 4)	In principle, the Company’s common shares subject to transfer restriction are granted each year. In order to realize the sharing of shareholder value, which is one objective of introducing the plan, over medium- to long term, the restriction period is set from the date that such shares are allotted until the date that an eligible person resign or retire from all his/her position as the Company’s Director, Executive Officer or any other position determined by the Board of Directors.	●	●	-	-
	Performance Share Unit-Based Remuneration (Notes 2, 4)	In principle, the Company’s common shares in number determined according to the Company’s stock growth rate (calculated by dividing the Company’s TSR (Total Shareholder Return) by the growth rate of TOPIX (Tokyo Stock Exchange Stock Price Index) during the evaluation period) in a 3-year’s evaluation period are granted each year upon conclusion of such evaluation period.	●	●	-	-

- (Note 1) Excluding the Chairman of the Board of Directors and Outside Directors.
- (Note 2) With regard to the “monthly remuneration”, “restricted stock-based remuneration” and “performance share unit-based remuneration” of Directors (indicated with ● above), upon approval and adoption of Proposal 6 and Proposal 7 as proposed in this General Meeting, the upper limit will be an annual amount of 1.2 billion yen (including annual amount of 100 million yen for Outside Directors), and the amount of remuneration to be actually paid to the respective Directors will be resolved by the Board of Directors based on the aforesaid upper limit. Furthermore, with regard to the “monthly remuneration” of Audit & Supervisory Board Members (indicated with ○ above), the upper limit has been resolved to be an annual amount of 180 million yen in the 145th ordinary general meeting of shareholders held on June 21, 2013. The amount of remuneration to be paid to the respective Audit & Supervisory board members will be decided based on the aforesaid upper limit upon consultation among the Audit & Supervisory Board Members.
- (Note 3) As the “performance-linked bonus” of Directors (indicated with ◎ above) is highly linked to performance, it is paid upon resolution of the General Meeting of Shareholders each year. The Chairman of the Board of Directors and Outside Directors are not eligible for the performance-linked bonus.
- (Note 4) The upper limits of the total amount of monetary remuneration receivables and the total number of common shares to be issued or disposed for granting the share-based remuneration are as follows: The timing of granting the Company’s common shares as the initial “performance share unit-based remuneration” is upon conclusion of the initial Evaluation Period (around August 2021).

	Directors (excluding Outside Directors) and Executive Officers		Directors (excluding Outside Directors) among those indicated on the left	
	Total amount of monetary remuneration receivables	Total number of Company’s common shares	Total amount of monetary remuneration receivables	Total number of Company’s common shares
Restricted Stock-Based Remuneration	Annual amount of 520 million yen or less	490,000 shares or less per year	Annual amount of 130 million yen or less	120,000 shares or less per year
Performance Share Unit-Based Remuneration	Annual amount of 1,700 million yen or less	730,000 shares or less per year	Annual amount of 430 million yen or less	180,000 shares or less per year
Total	Annual amount of 2,220 million yen or less	1,220,000 shares or less per year	Annual amount of 560 million yen or less	300,000 shares or less per year

- The “total amount of monetary remuneration receivables” and “total number of Company’s common shares” (upper limit) in the foregoing “performance share unit-based remuneration” have been set upon anticipating a case where the total number of the Company’s common shares (and the total amount of monetary remuneration receivables to be consequently paid) will be maximum in light of the Company’s stock growth rate during the 3-year’s evaluation period and other factors.

## **Business Report (April 1, 2017 through March 31, 2018)**

### **I. Particulars Regarding the Present Status of the Sumitomo Corporation Group**

#### **1. Course of Operations and Operating Results**

##### **(1) Economic Environment**

The global economy demonstrated increased stability with steady growth. In the United States, the economy continued to grow at a consistent pace under the new administration. In Europe, a strong sign of economic recovery was shown across the region, particularly in Germany. Underpinned by its fiscal policy, China maintained a growth rate exceeding initial expectations, which resulted in a continued recovery trend among other Asian countries.

The Japanese economy remained brisk, backed by an increase in consumer spending due to an improved employment and income climate as well as the execution of the fiscal 2016 supplementary budget. In addition, exports were stabilized on an overall basis due to positive effects from the recovery trend of the global economy and stable foreign exchange rates.

##### **(2) Operating Results and Financial Status**

###### **(A) Operating results**

For fiscal 2017, profit for the year attributable to owners of the parent<sup>1</sup> totaled 308.5 billion yen, representing an increase of 137.6 billion yen from the previous fiscal year.

“Basic profit<sup>2</sup>”, which excludes extraordinary gains and losses including impairment losses, totaled 323.7 billion yen, representing an increase of 97.1 billion yen from the previous fiscal year. The profit from mineral resources businesses increased due to higher mineral resources prices, and tubular products business in North America recovered. In addition, leasing business, construction equipment business as well as the progress of the construction of the projects in power infrastructure business contributed to the profit. One-off profits/losses totaled approximately 23.0 billion yen, representing an increase of approximately 69.0 billion yen from the previous fiscal year when the impairment loss for copper and molybdenum mining business in Chile was posted. In this fiscal year, although there was the impairment loss for the investment in the Indonesian commercial bank, the gains from U.S. tax reform and asset replacements were posted.

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<sup>1</sup> “Profit for the year attributable to owners of the parent” stands for the net profit attributes to the shareholders of Sumitomo Corporation.

<sup>2</sup> “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.

(Unit: Billions of yen)	149th year (Fiscal 2016)	150th year (Fiscal 2017)	Increase/ Decrease
Profit for the year (attributable to owners of the parent)	170.9	308.5	+ 137.6
Basic profit (excl. impairment losses)	226.7	323.7	+ 97.1
One-off profits/(losses)	Approx. (46.0)	Approx. + 23.0	Approx. + 69.0

## **(B) Financial Status**

### **(a) Total assets, liabilities, and equity as of March 31, 2018**

Total assets stood at 7,770.6 billion yen, representing an increase of 8.8 billion yen from the previous fiscal year-end, due mainly to an increase of account receivables and inventories which was offset partially by a decrease of assets by Japanese yen appreciation. Equity attributable to owners of the parent<sup>3</sup> totaled 2,558.2 billion yen, increased by 191.7 billion yen from the previous fiscal year-end, due primarily to an increase in retained earnings. Interest-bearing liabilities (net) decreased by 106.4 billion yen from the previous fiscal year-end, to 2,521.5 billion yen. In consequence, the net debt-equity ratio<sup>4</sup> was 1.0.

### **(b) Cash flows**

Net cash provided by operating activities totaled 295.3 billion yen, as our core businesses including major businesses of Media, ICT, Lifestyle Related Goods & Services segment performed well in generating cash.

Net cash used in investing activities totaled 155.8 billion yen. In this fiscal year, we made investments and loans of approx. 280.0 billion yen primarily for the investment in the U.S. generic pharmaceutical business and Brazilian water concession business. On the other hand, we recovered funds of approx. 180.0 billion yen, through asset replacement such as the sale of interests in European automotive retail finance business and partial sale of U.S. office buildings.

As a result, free cash flow totaled 139.5 billion yen inflow.

Net cash used by financing activities totaled 229.6 billion yen, due primarily to debt repayment and dividend payment.

<sup>3</sup> “Equity attributable to owners of the parent” stands for the equity attributable to shareholders of Sumitomo Corporation.

<sup>4</sup> “Debt-equity ratio (net)” is calculated by dividing Interest-bearing liabilities (net) by “equity attributable to owners of the parent”

In consequence of the foregoing, cash and cash equivalents stood at 667.2 billion yen as of March 31, 2018, representing a decrease of 109.3 billion yen from the previous fiscal year-end.

**(C) Dividend policy for the medium-term management plan “Be the Best, Be the One 2017”**

Sumitomo Corporation aims to increase dividends by achieving medium- to long-term earnings growth while adhering to its fundamental policy of paying shareholders a stable dividend over the long term.

In the medium-term management plan with its term for three years from fiscal 2015 (“Be the Best, Be the One 2017 (BBBO2017)”), we decide the dividend amount, considering the situations regarding basic profit and cash flow etc., with 50 yen per share as the minimum amount of annual dividend and a consolidated payout ratio of 25% or more as our reference.

Due to the fact that our consolidated profits for fiscal 2017 resulted 308.5 billion yen, the annual dividend for the fiscal 2017, will be 62 yen per share adopting our policy of maintaining the payout ratio of 25% (Annual dividend of last fiscal year was 50 yen per share). Since the interim dividend was 28 yen per share, the year-end dividend will be 34 yen per share, which will be proposed to the Ordinary General Meeting of Shareholders scheduled in June.

The annual dividend forecast for the fiscal 2018, is projected to be 75 yen per share as we forecast our profit for fiscal 2018 as 320 billion yen. For further details, please refer to page 49 “2.Management Challenges”“(2) Medium-Term Management Plan 2020 - Unceasing Challenge for New Value Creation -” “(E) Dividend policy” .

### (3) Segment Information

#### (A) Profit (loss) for the year (attributable to owners of the parent) of each Segment (Global basis)

[Prepared on the basis of IFRSs]

Sumitomo Corporation and Subsidiaries  
For fiscal 2017 and fiscal 2016

Fiscal 2017:	Billions of Yen	
	Profit (loss) for the year (attributable to owners of the parent)	As of March 31
Segment		
Metal Products	¥	32.4
Transportation & Construction Systems		72.3
Environment & Infrastructure		37.3
Media, ICT, Lifestyle Related Goods & Services		93.5
Mineral Resources, Energy, Chemical & Electronics		78.5
Corporate and Eliminations		(5.4)
Consolidated	¥	308.5

Fiscal 2016:	Billions of Yen	
	Profit (loss) for the year (attributable to owners of the parent)	As of March 31
Segment		
Metal Products	¥	1.8
Transportation & Construction Systems		56.3
Environment & Infrastructure		29.1
Media, ICT, Lifestyle Related Goods & Services		77.0
Mineral Resources, Energy, Chemical & Electronics		(6.6)
Corporate and Eliminations		13.3
Consolidated	¥	170.9

#### Notes:

1. Figures are presented on a global basis starting from fiscal 2016. Figures on a global basis are reference figures calculated after including the results of the Overseas Subsidiaries and Branches segment, which were presented separately until 2015, in the results of each business segment.
2. Profit (loss) for the year (attributable to owners of the parent) figures above are rounded to the nearest tenth. Therefore, the sum of the breakdown figures and the total figure may not necessarily coincide.

## **(B) Activities of Business Units**

### **(a) Metal Products Business Unit**

#### **[Business Overview]**

- Trade of steel products (steel sheets, plates, wires, tubular products such as Oil Country Tubular Goods [OCTG] and line pipes, etc.) and non-ferrous metals (aluminum, titanium, etc.)
- Processing of steel sheets, tubular products, and non-ferrous metals, and other related businesses

#### **[Profit for the Year Attributable to Owners of the Parent]**

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

#### **[Fiscal 2017 Summary]**

In the steel sheet segment, the business unit focused on enhancing the value and strengthening the competitiveness of the steel service center business. As part of such efforts, Sumitomo Corporation concluded an agreement for a strategic business alliance by integrating its steel service center business conducted in the Chugoku region by Summit Steel Co., Ltd. into Hiroshima Steel Center Co., Ltd., a subsidiary of Marubeni-Itochu Steel Inc. In the tubular product segment, Sumitomo Corporation acquired shares of a U.S.-based oil country tubular goods (OCTG) distributor with nationwide locations, a sales and logistics network and a broad customer base with the aim of further enhancing the value chain and expanding services and functions in the tubular product business in North America. In the line pipe business, Sumitomo Corporation acquired certain stake in a startup Dutch manufacturer of thermoplastic composite pipes (TCP) using glass fiber, carbon fiber and resin to enhance the value it provides and expand its customer base by introducing innovative technologies.

### **(b) Transportation & Construction Systems Business Unit**

#### **[Business Overview]**

- Trade of ships, aircraft, railway cars, transportation systems, automobiles, motorcycles, construction and mining equipment, agricultural machinery, and industrial vehicles, and their related equipment and components as well as other associated businesses
- Leasing and financing businesses
- PFI (Private Finance Initiative) businesses

#### **[Profit for the Year Attributable to Owners of the Parent]**

Transportation & Construction Systems Business Unit posted profit of 72.3 billion yen, an

increase of 16.0 billion yen from the previous fiscal year, due to leasing business, construction equipment sales & marketing and rental business showing robust performances, and the gradual recovery of the shipping market.

**[Fiscal 2017 Summary]**

In the ships, aerospace and transportation systems segment, Sumitomo Corporation agreed on the reorganization of Sumitomo Mitsui Finance and Leasing Company, Ltd., a joint venture between Sumitomo Corporation and Sumitomo Mitsui Financial Group, Inc., by adjusting the ownership ratios to 50% each. Under the new structure, the unit will strive to further enhance its competitiveness and achieve sustainable growth of its comprehensive leasing business, aircraft leasing business and auto leasing business. In the automobile segment, the business unit promoted investment and business development in new mobility businesses including electric vehicles (EV), autonomous driving and car sharing, among others, while strengthening its existing broad value chain. In the construction equipment segment, the business unit focused on meeting a variety of needs of the customers of both the construction equipment business and the rental business across the globe. Also, Sumitomo Corporation engaged in business and transactions that will contribute to the economic development of emerging markets, such as the conclusion of an export sales agreement for road construction machinery with the Uganda Ministry of Works & Transport.

**(c) Environment & Infrastructure Business Unit**

**[Business Overview]**

- Social infrastructure businesses such as electric power, water supply, and sewerage systems
- Renewable energy businesses such as solar photovoltaic power generation and wind power generation ventures
- Environmental businesses such as next-generation batteries and recycling
- Industrial infrastructure businesses such as industrial facilities and equipment
- Logistics, insurance, and overseas industrial-park-related businesses

**[Profit for the Year Attributable to Owners of the Parent]**

Environment & Infrastructure Business Unit posted profit of 37.3 billion yen, an increase of 8.2 billion yen from the previous fiscal year, due to stable performance of overseas IPP/IWPP business and progress in construction of large-scale projects in power infrastructure business.

**[Fiscal 2017 Summary]**

Through the development and expansion of infrastructure that meet the needs of each country, society and industry, the business unit has been promoting initiatives that contribute to the creation of a society where people can live in harmony with the global environment and to the

development of industries and local communities across the world. In developed countries, the business unit focused on developing environmentally friendly infrastructure as a key initiative and promoted the renewable energy generation business. In the United Kingdom, progress was made in the construction of two offshore wind farms, while in Japan operations commenced for a biomass power generation plant in Handa City, Aichi Prefecture and solar power generation facilities in Minamisoma City, Fukushima Prefecture. Meanwhile, in emerging economies, the business unit steadily executed a wide range of initiatives in order to respond to the increasing infrastructure demand. Specifically, Sumitomo Corporation made a capital investment in Brazil's largest privately owned water and sewage company while embarking on the construction of a combined-cycle gas turbine power plant in Tunisia and an ultra-super critical coal-fired thermal power plant in Bangladesh.<sup>5</sup> In addition, the unit commenced sales of industrial parks in Chennai City, India.

#### **(d) Media, ICT, Lifestyle Related Goods & Services Business Unit**

##### **[Business Overview]**

- Media businesses in cable television, television programming distribution, and other business segments
- ICT (Information and Communication Technology) businesses in mobile solution, IT service, and other business segments
- Lifestyle/Retail businesses in TV shopping channel, supermarket, drugstore, and other business segments
- Food/food product businesses (including fruits, vegetables, meat and sugar)
- General materials and supplies (including wood, other building materials and biomass materials) and comprehensive real estate ventures

##### **[Profit for the Year Attributable to Owners of the Parent]**

Media, ICT, Lifestyle Related Goods & Services Business Unit posted profit of 93.5 billion yen, an increase of 16.5 billion yen from the previous fiscal year, due to robust performances of domestic major group companies and real estate business, and one-off profit from asset replacement.

##### **[Fiscal 2017 Summary]**

As a business unit providing products and services close to consumers, the Media, ICT, Lifestyle Related Goods & Services Business Unit focused on the reinforcement of Sumitomo Corporation's earning base by ensuring the continued growth of Jupiter Telecommunications Co., Ltd. (cable television), SCSK Corporation (IT services), Jupiter Shop Channel Co., Ltd. (TV

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<sup>5</sup> This high-efficiency power plant equipment generates high-pressure steam and temperatures that realize improved control of fuel consumption and CO<sup>2</sup> emissions, and contributes to reducing environmental impact.

shopping channel), SUMMIT, INC. (supermarket), TOMOD'S INC. (drugstore) and real estate business and so on, with the aim of realizing "comfortable and excitingly enriching lifestyles". Specifically, in the real estate business, in addition to the opening of office/retail facility "GINZA SIX" in the Ginza 6-chome district, the business unit focused on overseas businesses such as the establishment of a fund that target properties located in the United States and the housing business in Asia. In addition, the business unit entered into new business areas which future growths are anticipated. For an example, the business unit participated in the digital media-related business and the healthcare business as well as making capital investment into a Canadian wood pellet manufacturer.

**(e) Mineral Resources, Energy, Chemical & Electronics Business Unit**

**[Business Overview]**

- Businesses related to coal, iron ore, non-ferrous metal materials, petroleum, natural gas, battery materials, carbon-related materials, and their finished products
- Businesses related to synthetic resins, organic/inorganic chemicals, electronic materials, pharmaceuticals, agricultural chemicals and fertilizers

**[Profit for the Year Attributable to Owners of the Parent]**

Mineral Resources, Energy, Chemical & Electronics Business Unit posted profit of 78.5 billion yen, an increase of 85.1 billion yen from the previous fiscal year. San Cristobal silver-zinc-lead mining project in Bolivia and Iron ore mining project in South Africa showed robust performances due mainly to the higher mineral resources prices, in addition to an absence of the impairment loss as posted in Copper and molybdenum mining business in Chile in the previous fiscal year.

**[Fiscal 2017 Summary]**

The Mineral Resources, Energy, Chemical & Electronics Business Unit promoted initiatives that contribute to the sustainable and prosperous growth of industry and communities across the world by providing a stable supply of mineral resources, energy, chemical and electronics in an environmentally conscious manner. In the areas of resources and energy, the business unit continued to focus on the stable operation and cost reduction of existing projects. In addition, Sumitomo Corporation jointly with three other Japanese companies agreed to participate in the FPSO<sup>6</sup> owning and chartering business for oil and gas fields located offshore of Ghana. Through the project, Sumitomo Corporation will endeavor to expand its oil and gas business, while contributing to resolving the country's issue of energy resource shortage. In the life sciences

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<sup>6</sup> FPSO (floating production, storage and offloading) refers to facilities used for offshore crude oil and gas production, that is, for storage of the produced crude oil in a tank and direct offloading onto a tanker.

segment, Sumitomo Corporation participated in the generic pharmaceuticals business in the United States, which constitutes the world's largest pharmaceuticals market. Through this business, Sumitomo Corporation will seek to contribute to promoting physical and mental human health by widely supplying high-quality generic medications in the United States.

#### (4) Overview of medium-term management plan Be the Best, Be the One 2017 (BBBO2017)

Under its three-year medium-term management plan, “Be the Best, Be the One 2017” (BBBO2017), which commenced in fiscal 2015, Sumitomo Corporation has been pursuing measures that include the promotion of managerial reforms and growth strategies based on the theme of making group-wide efforts in overcoming issues and outlining a path toward repositioning itself on a growth trajectory in light of changes in conditions affecting the company's businesses as well as managerial issues.

##### (A) Quantitative targets

Actual results of the quantitative targets for BBBO2017 are as follows:

		Fiscal year / period	Initial plan	Revised plan <sup>7</sup> (May 2016)	Actual results
Profit targets	Consolidated net income	Fiscal 2015	¥230 billion	-	¥74.5 billion
		Fiscal 2016	-	-	¥170.9 billion
		Fiscal 2017	¥300 billion or more	¥220 billion <sup>8</sup> or more	¥308.5 billion
	ROA	Fiscal 2017	3% or more	2.5% or more	4.0%
	Risk-adjusted return ratio	Fiscal 2017	10% or more	9.0% or more	13.4%
	ROE	Fiscal 2017	Around 10%	Around 9.0%	12.5%
Financial policies	Balance between the core risk buffer and risk-adjusted assets	By the end of fiscal 2017	Regain balance	Regain balance	Regain balance
	Free cash flow	3-year total	¥200 billion	¥700 billion	¥818.9 billion
	Post-dividend free cash flow	3-year total	Positive	¥500 billion	¥627.9 billion
Investment plan		3-year total	¥1.2 trillion	¥1.0 trillion	Approx. ¥890 billion

<sup>7</sup> The quantitative targets were revised in May 2016 in light of changes in the surrounding business environment.

<sup>8</sup> Revised to ¥230 billion in May 2017.

Consolidated net income <sup>9</sup> for fiscal 2017 came to 308.5 billion yen, achieving a record high level. In addition, ROA, risk-adjusted return ratio and ROE for fiscal 2017 were 4.0%, 13.4% and 12.5%, respectively, all exceeding the initial targets. In terms of financial policies, the core risk buffer <sup>10</sup> and risk-adjusted assets regained their balance by the end of fiscal 2017, and post-dividend free cash flow for the three-year period of BBBO2017 totaled 627.9 billion yen.

## **(B) Promoting managerial reforms**

Under BBBO2017, we further reinforced our corporate governance, revised the decision-making process, and strengthened and revamped our risk management. We changed the role of the Management Council from that of an advisory body to the President and CEO to a top executive decision-making body, putting in place a system to incorporate multilateral discussions into the process for making decisions on key matters.

As for the Board of Directors, while increasing the number of Outside Directors, we reduced the number of Internal Directors to raise the ratio of Outside Directors within the total number of Directors. At the same time, we amended the standards for matters to be discussed by the Board of Directors and increased the matters to be reported to the Board of Directors including the progress of the management plan and the status of activities by key committees to strengthen the Board's supervisory function over the execution of operations.

Meanwhile, to make the processes for deciding on the nomination and remuneration of Directors more transparent and objective, we established the Nomination and Remuneration Advisory Committee to serve as an advisory body to the Board of Directors. The Nomination and Remuneration Advisory Committee is chaired by an Outside Director and Outside Directors comprise the majority of its members. With regard to the risk management, we established the Business Unit Investment Committee in addition to the Company-wide level Investment Committee, to conduct discussions from a variety of angles at both the initial assessment stage and the execution stage of an investment project. We also revised our hurdle rate for investments and our post-investment monitoring system.

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<sup>9</sup> "Consolidated net income" is equivalent to the "profit attributable to owners of the parent" set out in the International Financial Reporting Standards (IFRSs).

<sup>10</sup> Our core risk buffer represents the sum of "common stock," "additional paid-in capital," "retained earnings" and "exchange difference on translating foreign operation" minus "treasury stock, at cost." Our basic management policy is to keep risk-adjusted assets, which are our maximum possible losses, within our core risk buffer.

**(C) Promoting growth strategies**

Actual investment results during the three-year period of BBBO2017 are as follows:

	Investment		Major Investment
	3-year Plans (15/4-18/3)	Results (15/4-18/3)	
<b>Automobile &amp; Transportation System-related</b>	<b>380.0</b>	<b>250.0</b>	Construction equipment rental business in the U.S., Aircraft engine leasing business, Automotive forged parts manufacturing business in Europe
<b>Lifestyle &amp; Information service</b>	<b>190.0</b>	<b>210.0</b>	Real estate business in Japan and over seas, Capital investments in ICT businesses in Japan, Additional investment in telecommunications business in Myanmar
<b>Infrastructure</b>	<b>140.0</b>	<b>150.0</b>	Off-shore wind power generation business in Europe, Water concession business in Brazil, Biomass power generation business in Japan
<b>Food &amp; Agriculture</b>	<b>100.0</b>	<b>110.0</b>	Produce marketer and distributor in Ireland, Agricultural input & service business in Brazil
<b>Mineral Resources &amp; Energy related (excl. upstream interests)</b>	<b>50.0</b>	<b>30.0</b>	Manganese alloy manufacturing and sales business in Malaysia
<b>Upstream Interests</b>	<b>140.0</b>	<b>140.0</b>	Nickel project in Madagascar
<b>Total</b>	<b>1000.0</b>	<b>890.0</b>	

We made investment, in particular focusing on three strong areas of business: Automobiles and Transportation System-related, Lifestyle and Information Services, and Social Infrastructure. Also, in the energy-related field, the IoT and AI-related field, and other fields with high growth potential we undertook cross-organizational collaboration to participate in these businesses as company-wide projects.

## 2. Management Challenges

### (1) Economic Prospects

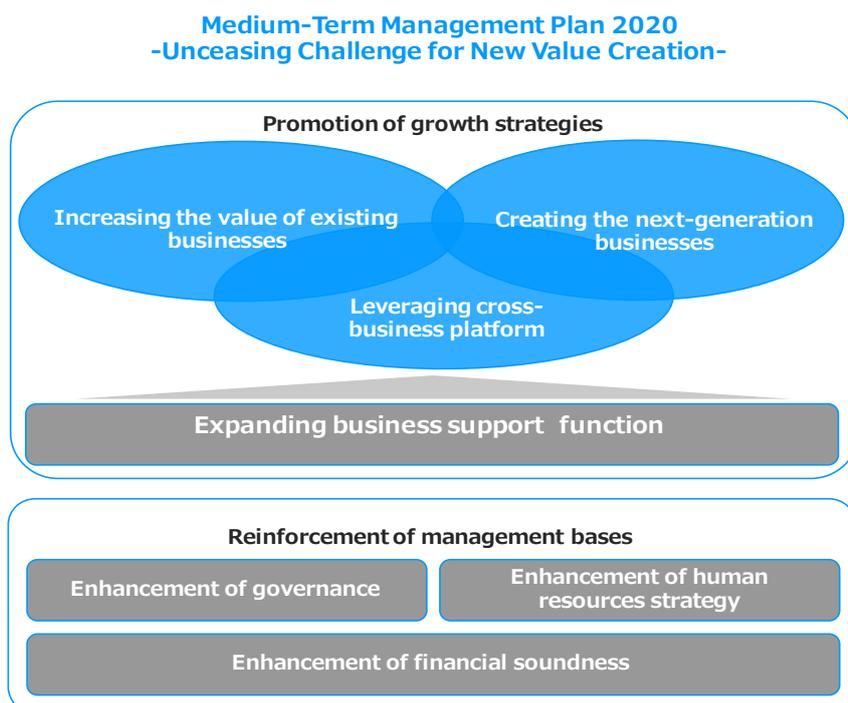
On the global front, the trend of economic recovery is likely to continue both in developed and emerging markets. However, changes in policies in the United States may constrain the growth of some countries in both the developed and emerging world.

The Japanese economy is expected to continue on its recovery path on the back of an improvement in the employment and income environment, with higher consumption activity generated by an increasing number of foreign travelers visiting Japan and increases in corporate capital investment and public investment toward the Tokyo Olympic Games. However, if there are cases such as the deterioration in the economies of the United States and Asia, which are Japan's major export and investment destinations, or further increase in the energy prices, it will pose a risk that may hold the economy back.

### (2) Medium-Term Management Plan 2020 -Unceasing Challenge for New Value Creation-

#### (A) Medium-Term Management Plan 2020

The Company has formulated the “Medium-Term Management Plan 2020,” which will cover the three years from fiscal 2018 to fiscal 2020. Under the plan, we will take on an unceasing challenge to create new value by focusing on the promotion of growth strategies, while continuing to reinforce our management bases in a business environment where all industries have become increasingly borderless and integrated on the back of the rapid development of technologies such as IoT and AI, which has resulted in significant changes in industrial structures.



## **(B) Promotion of growth strategies**

Under the Medium-Term Management Plan 2020, we will promote growth strategies by focusing on the three measures of “Increasing the value of existing businesses” aimed at thoroughly reinforcing existing businesses, “Creating next-generation businesses” from a medium- to long-term perspective, and “Leveraging a cross-business platform” through hybridization of our business foundations and functions with a competitive edge.

### **(a) Increasing the value of existing businesses**

We will pursue and realize business growth potential through the completion and early achievement of profitability for large-scale upstream resources projects and revenue expansion in the food and agriculture business while further reinforcing existing earnings pillars including the tubular goods business, leasing and financing business, and the media business. In addition, we will respond to changes in the business environment in a speedy manner by promoting various next-generation businesses in anticipation of the upcoming mobility society.

### **(b) Creating next-generation businesses**

Amid accelerated changes surrounding our business environment, we will invest our management resources intensively into areas of considerable potential growth. Specifically, we are planning to commit a total of approximately 300 billion yen in funds to three emerging fields of “Technology x Innovation,” “Healthcare” and “Social Infrastructure” over three years.

In the “Technology x Innovation” field, we will work to unleash a business model revolution and upgrade business by the acceleration of digital transformation<sup>11</sup> as well as pursuing new business development that will result in the incubation of next-generation businesses. In the “Healthcare” field, rapid market expansion is anticipated while the aging of society and inflation of medical expenses emerge as global social issues. By leveraging the Sumitomo Corporation Group’s competitive business foundations and functions, we will strengthen our measures for the expansion of digital health business utilizing technological innovations, such as IoT and AI, development of new business models that lead to greater efficiency in medical expenditure, and the installation of healthcare-related infrastructure in emerging market countries. In the “Social Infrastructure” field, we will take on smart city projects, urban development and infrastructure installation as well as developing eco-friendly businesses utilizing new technology in light of challenges such as population growth, the advance of urbanization and climate change issues.

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<sup>11</sup> The evolution of the innovative digital technologies of IoT, Big Data and AI has helped improve the sophistication of existing businesses and led to the development of new businesses that make use of cutting-edge information and communications technology (ICT).

**(c) Leveraging a cross-business platform**

A wide range of business foundations and functions held by the Sumitomo Corporation Group have points of contact with various industries, societies and regions, which becomes a driving force for new value creation. We will strive to create new value through hybridization of multiple businesses and cross-organizational collaboration by utilizing our business foundations and functions such as “Customer base” “Telecommunications/Broadcasting networks” “Lease/Rental/Sharing” and “Digital platform”.

As a scheme for promoting these growth strategies, we will work on the expansion of the four business support functions including “Support for developing new businesses” “Full potential planning” “Asset cycle management” and “Digital transformation” .

As part of “Support for developing new businesses”, we will endeavor to develop a scheme to nurture next-generation businesses from a Group-wide perspective. Under the heading of “Full potential planning”, we will formulate specific measures to maximize the business value of those subsidiaries and associated companies that have room for improvement but have not yet delivered expected results as well as those subsidiaries and associated companies for which further growth is anticipated and thoroughly monitor the implementation of such measures, thereby aiming to further enhance the value of the investment portfolio. As part of “Asset cycle management”, we will provide support to increase the asset efficiency of each business through the utilization of external capital. With regard to “Digital transformation”, we will hybridize knowledge in each field and platform business foundation using technology to accelerate the revolutionary development of our business models.

**(C) Reinforcement of management bases**

**(a) Enhancement of governance**

While the promotion of managerial reform was set as one of the pillars under BBBO2017, we will strive to enhance governance through continuous promotion of managerial reform. Specifically, we will reinforce the monitoring functions of the Board of Directors by increasing reporting on the business portfolio strategy while endeavoring to enhance the quality of operations of subsidiaries and associated companies through internal control with the aim of reinforcing the governance of the Sumitomo Corporation Group.

**(b) Enhancement of human resources strategy**

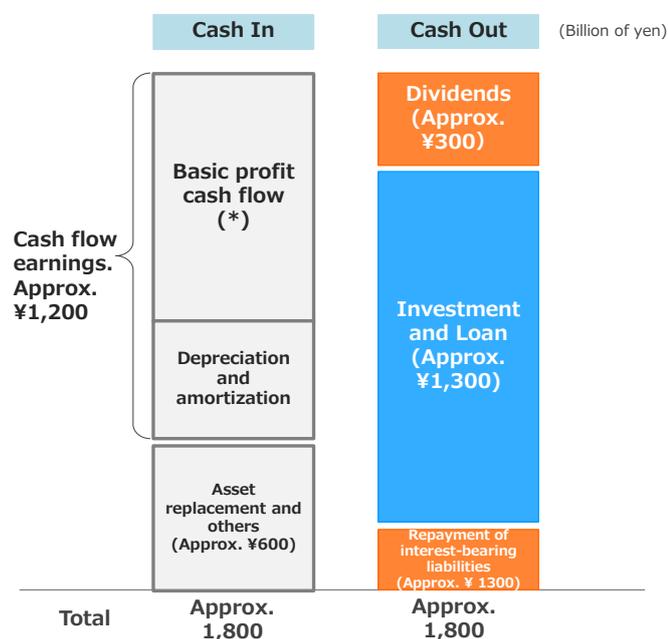
Based on the basic concept of “Diversity & Inclusion—Making diverse strengths a source of competitiveness” we will work on the enhancement of our human resources strategy. In implementing various measures, we will focus on acknowledging and respecting the individuality and diversity of Sumitomo Corporation Group employees while encouraging individuals to rise to the challenge, developing their strengths, and making good use of

those strengths. For example, we will promote the reform of work practices in order to support a wide range of working styles. We will also develop a system to put the right person in the right place at the right time, on a global consolidation basis.

**(c) Enhancement of financial soundness**

With the aim of further reinforcing management bases, we will take measures for the enhancement of financial soundness. In light of a steady increase in our cash-generating capability, we anticipate that cash inflow will be 1,800 billion yen in total through active pursuit of asset replacement. Meanwhile, based on this cash inflow forecast, we plan to execute investments and loans totaling 1,300 billion yen. In addition, by securing an incremental 200 billion yen or more in three-year total post dividends FCF and allocating this to the repayment of interest-bearing liabilities, we will take further steps to enhance our financial soundness. Furthermore, we will continue our efforts for maintaining a balance of core risk buffer and 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.

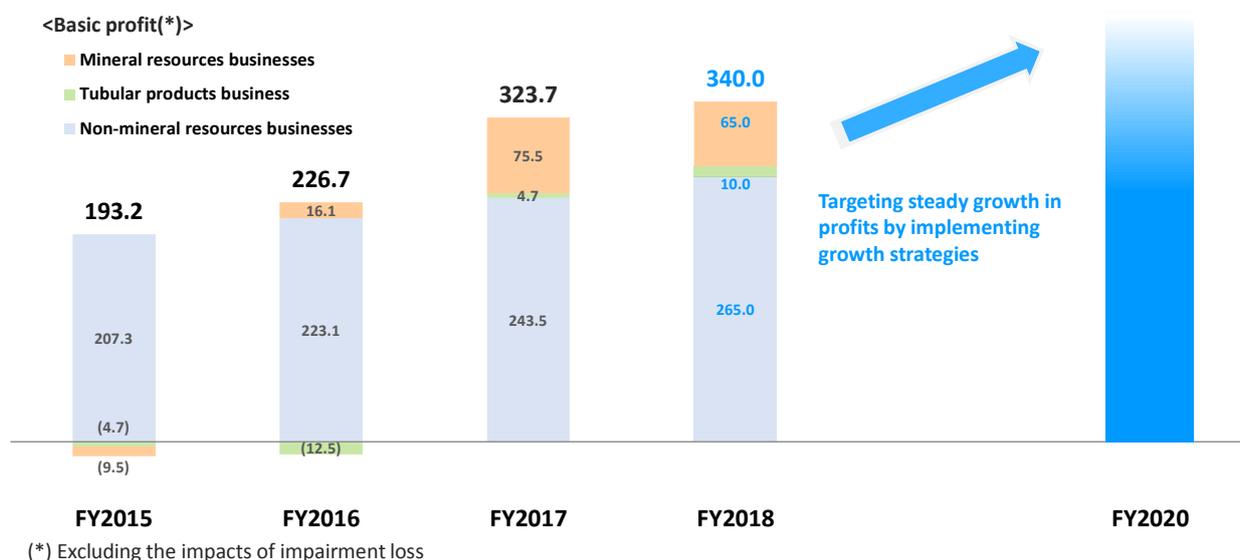
#### (D) Quantitative targets

For fiscal 2018, we plan to achieve a basic profit of 340 billion yen and profit attributable to owners of the parent of 320 billion yen. We also forecast that ROA and ROE will be 4% or higher and 10% or higher, respectively. It is our plan to continue to target steady growth in profits by implementing growth strategies.

(Billions of yen)	FY2017 Results	FY2018 Plan
Profit attributable to owners of the parent	308.5	320.0
Basic profit(*)	323.7	340.0

**Efficiency indicators**

- ROA 4% or higher
- ROE 10% or higher



#### (E) Dividend policy

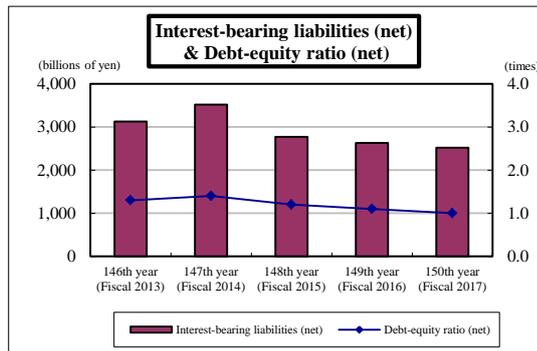
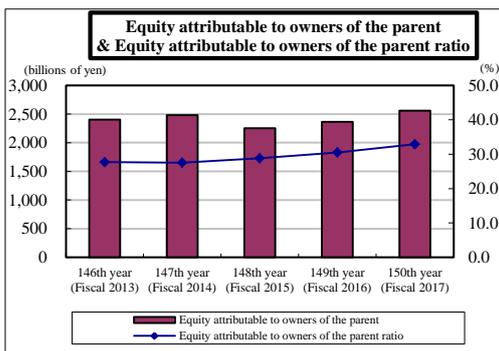
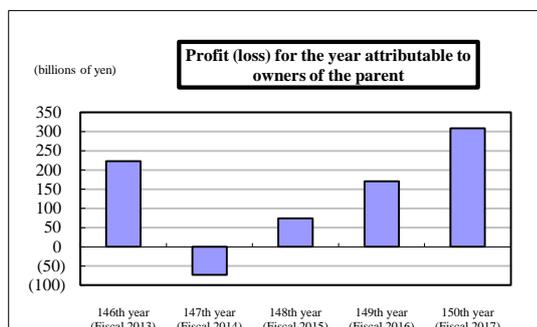
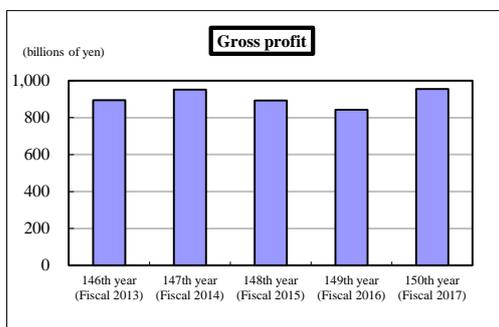
The Company aims to increase dividends by achieving medium- to long-term earnings growth while adhering to its fundamental policy of paying shareholders a stable dividend over the long term. During the period of the Medium-Term Management Plan 2020 we will decide the dividend amount, considering the situation regarding basic profit and cash flow while raising the consolidated payout ratio to 30% as a guideline. The annual dividend forecast for fiscal 2018 is projected to be 75 yen per share (interim dividend: 37 yen, year-end dividend: 38 yen per share) based on our dividend policy during the Medium-Term Management Plan 2020.

We sincerely ask for the further support and encouragement of our shareholders as we take on future challenges.

### 3. Trend of Financial Status and Profit and Loss [Prepared on the basis of IFRSs]

	146th year (Fiscal 2013)	147th year (Fiscal 2014)	148th year (Fiscal 2015)	149th year (Fiscal 2016)	150th year (Fiscal 2017)
Revenues (billions of yen)	3,317.4	3,762.2	4,010.8	3,997.0	4,827.3
Gross profit (billions of yen)	894.4	952.9	894.1	842.7	956.5
Profit (loss) for the year attributable to owners of the parent (billions of yen)	223.1	(73.2)	74.5	170.9	308.5
Earnings (loss) per share attributable to owners of the parent (yen)	178.59	(58.64)	59.73	136.91	247.13
Total assets (billions of yen)	8,668.7	9,021.4	7,817.8	7,761.8	7,770.6
Equity attributable to owners of the parent (billions of yen)	2,404.7	2,481.4	2,251.5	2,366.5	2,558.2
Equity per share attributable to owners of the parent (yen)	1,927.37	1,988.62	1,803.95	1,895.81	2,048.93
ROE (%)	10.0	(3.0)	3.2	7.4	12.5
ROA (%)	2.7	(0.8)	0.9	2.2	4.0
Equity attributable to owners of the parent ratio (%)	27.7	27.5	28.8	30.5	32.9
Interest-bearing liabilities (net) (billions of yen)	3,123.5	3,517.5	2,770.3	2,627.9	2,521.5
Debt-equity ratio (net) (times)	1.3	1.4	1.2	1.1	1.0

- Notes: 1. We have ceased representation of Total trading transactions, which was presented in a manner customarily used in Japan solely for Japanese investors' purposes, and present Revenues in accordance with the International Financial Reporting Standards ("IFRSs") starting from fiscal 2016.
2. Interest-bearing liabilities (net) excludes cash and cash equivalents and time deposits from interest-bearing liabilities.
3. Amounts in billions of yen are rounded to the nearest tenth.



#### 4. Principal Lines of Business (as of March 31, 2018)

Through its worldwide network, the Sumitomo Corporation Group engages in diverse business activities in a wide variety of fields, such as Metal Products; Transportation & Construction Systems; Environment & Infrastructure; Media, ICT, Lifestyle Related Goods & Services; Mineral Resources, Energy, Chemical & Electronics. These activities include engaging in domestic and overseas transactions, import and export of various goods and commodities, providing wide range of services, and investing in businesses.

#### 5. Status of Principal Operating Locations and Work Force (as of March 31, 2018)

##### (1) Domestic

The Company's head office	Chuo-ku, Tokyo	
The Company's regional main offices	6 offices	Hokkaido (Sapporo), Tohoku (Sendai), Chubu (Nagoya), Kansai (Osaka), Chugoku (Hiroshima), Kyushu (Fukuoka)
The Company's branch offices	5 offices	Hamamatsu, Shikoku (Takamatsu), Niihama, Nagasaki, Okinawa (Naha)

Note: In addition to the above, there is 1 sub-branch office of the Company.

The Company's domestic incorporated subsidiaries	3 subsidiaries	Sumitomo Corporation Hokkaido Co., Ltd., Sumitomo Corporation Tohoku Co., Ltd., Sumitomo Corporation Kyushu Co., Ltd.
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Note: There are 9 head, branch or other offices of these 3 domestic incorporated subsidiaries of the Company.

## (2) Overseas

The Company's branch offices and sub-branch offices	4 offices	Johannesburg Branch, Kiev Branch, Almaty Branch, Astana Sub-Branch Office
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Note: In addition to the above, there are 25 overseas representative offices of the Company.

The Company's overseas locally-incorporated subsidiaries	38 subsidiaries	Sumitomo Corporation of Americas (US), Sumitomo Corporation do Brasil S.A., Sumitomo Corporation Europe Holding Limited (UK), Sumitomo Corporation Europe Limited (UK), Sumitomo Corporation Africa Pty. Ltd. (South Africa), Sumitomo Corporation Middle East FZE (UAE), Sumitomo Corporation (Central Eurasia) LLC (Russia), Sumitomo Corporation Asia & Oceania Pte. Ltd. (Singapore), Sumitomo Corporation (China) Holding Ltd., Sumitomo Corporation (Shanghai) Limited, etc.
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Note: There are 79 head, branch or other offices of these 38 overseas locally-incorporated subsidiaries of the Company.

## 6. Status of Work Force (as of March 31, 2018)

### (1) Number of employees of the Sumitomo Corporation Group

	Number of employees
Metal Products	6,320
Transportation & Construction Systems	11,627
Environment & Infrastructure	3,067
Media, ICT, Lifestyle Related Goods & Services	24,478
Mineral Resources, Energy, Chemical & Electronics	5,586
Overseas Subsidiaries and Branches	20,178
Others	1,760
Total	73,016 (increase of 2,116 compared with the end of the previous fiscal year)

### (2) Number of employees of the Company

Total 5,261<sup>12</sup> (decrease of 81 compared with the end of the previous fiscal year)

<sup>12</sup> It includes 170 persons whom overseas offices of the Company employ.

## 7. Status of Important Subsidiaries

### (1) Status of Consolidated Subsidiaries and Other Associated Companies

	147th year (Fiscal 2014)	148th year (Fiscal 2015)	149th year (Fiscal 2016)	150th year (Fiscal 2017)
Number of consolidated subsidiaries	596	577	664	654
Number of associated companies	266	269	286	293

### (2) Status of Major Consolidated Subsidiaries and Associated Companies

	Company name		Major lines of business
Metal Products	Eryngium Ltd.	(C)	Manufacturing, processing and distribution of specialty metals for OCTG market
	Sumisho Metalex Corporation	(C)	Sale of non-ferrous metal products
Transportation & Construction Systems	Sumitomo Mitsui Finance and Leasing Company, Limited	(A)	Leasing business
	Sumitomo Mitsui Auto Service Company, Limited	(A)	Auto leasing business and related services
Environment & Infrastructure	PT. Central Java Power	(C)	Leasing operations of power plants in Indonesia
	Summit Energy Corporation	(C)	Development, ownership and management of power plants, and electric power sales in Japan
Media, ICT, Lifestyle Related Goods & Services	SCSK Corporation	(C)	System integration, IT infrastructure implementation, and IT management
	Jupiter Telecommunications Co., Ltd.	(A)	Integrated cable TV operation and management of TV programming and content providing business for multi-channel broadcasting
Mineral Resources, Energy, Chemical & Electronics	Minera San Cristobal S.A.	(C)	Operation of silver/zinc/lead mine in Bolivia.
	Sumisho Coal Australia Pty Ltd.	(C)	Investment in coal mines in Australia
Overseas Subsidiaries and Branches	Sumitomo Corporation of Americas	(C)	Export, import and wholesale
	Sumitomo Corporation Europe Holding Limited	(C)	Holding company of European subsidiaries

Note: (C) and (A) stand for “consolidated subsidiaries” and “associated companies,” respectively.

## 8. Principal Lenders and Loans Payable (as of March 31, 2018)

Name of lender	Loans payable (in millions of yen)
Development Bank of Japan Inc.	147,683
Meiji Yasuda Life Insurance Company	131,000
Sumitomo Life Insurance Company	128,000
Nippon Life Insurance Company	114,000
Sumitomo Mitsui Banking Corporation	102,482
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	97,734
Sumitomo Mitsui Trust Bank, Limited	83,097
Mizuho Bank, Ltd.	78,851
Mitsubishi UFJ Trust and Banking Corporation	72,907
Shinkin Central Bank	55,000
Others	837,413
Total of loans payable by the Company	1,848,167
Total of loans payable by consolidated subsidiaries of the Company	922,700
Total of consolidated loans payable	2,770,867

Notes: 1. "Others" presented above includes syndicate loans of a total of 97,500 million yen which were arranged by one or plural of banks of Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Bank, Ltd.

2. The Bank of Tokyo-Mitsubishi UFJ, Ltd., has changed its name to MUFG Bank, Ltd., as of April 1, 2018.

## 9. Status of Fund Raising

With respect to fund raising, in addition to using means such as long-term and short-term borrowing and the issuance of commercial paper, the Sumitomo Corporation Group has been issuing unsecured straight bonds as follows:

### By the Company

Issue	Issue Amount (Billions of yen)	Issue Date	Maturity Date	Annual rate (%)
52nd series Unsecured Straight Bond	10	May 2017	May 2027	0.325
53rd series Unsecured Straight Bond	10	July 2017	July 2027	0.330
USD-Dominated Unsecured Straight Bond	55	September 2017	September 2022	2.500
54th series Unsecured Straight Bond	10	January 2018	January 2033	0.656

### By the consolidated subsidiaries

The 10 billion yen unsecured straight bond issued by SCSK Corporation

**10. Status of Important Business Reorganization, etc.**

At the Board of Directors meeting held on January 30, 2018, the Company resolved to enter into absorption-type company split agreements under which one portion of the metals business operated by the Company would be transferred to Sumitomo Corporation Global Metals Co., Ltd. and Sumisho Metalex Corporation, the Company's wholly-owned subsidiaries, respectively. Pursuant to the said agreements, the absorption-type company splits came into force on April 1, 2018.

## II. Particulars regarding the Shares of the Company (as of March 31, 2018)

1. Number of Shares Authorized for Issuance 2,000,000,000 shares  
 2. Number of Issued Shares 1,250,602,867 shares  
 (no change compared with the end of the previous fiscal year/  
 including treasury stock 2,070,753 shares)

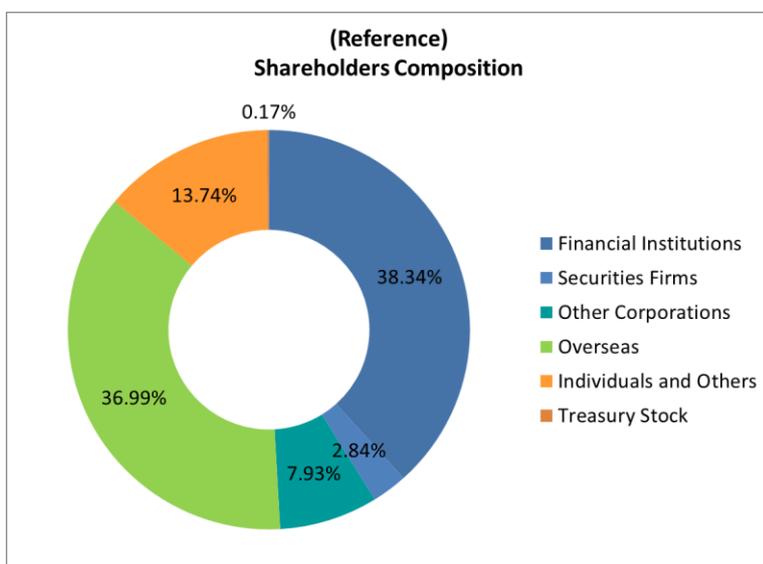
3. Number of Shareholders 138,017 persons  
 (decrease of 17,703 compared with the end of the previous fiscal year)

4. Number of Shares in One Voting Unit 100 shares

### 5. Major Shareholders

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

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



### III. Particulars regarding the New Share Acquisition Rights, etc. of the Company

#### 1. New Share Acquisition Rights Held by the Company's Directors, etc. as of the Final Day of this Fiscal Year

##### (1) New Share Acquisition Rights

##### (A) Summary of the new share acquisition rights

Date issued	Total number of the new share acquisition rights	Type and number of shares subject to the new share acquisition rights	Number of shares for each new share acquisition right	Issuing price	Exercise price per share	Exercise period
July 31, 2013 (the 12 <sup>th</sup> )	350 rights	Common Shares 35,000 shares	100 shares	Issued without consideration	¥1,312	From April 1, 2014 to June 30, 2018
August 1, 2014 (the 13 <sup>th</sup> )	680 rights	Common Shares 68,000 shares	100 shares	Issued without consideration	¥1,441	From April 1, 2015 to June 30, 2019
July 31, 2015 (the 14 <sup>th</sup> )	1,054 rights	Common Shares 105,400 shares	100 shares	Issued without consideration	¥1,532	From April 1, 2016 to June 30, 2020
August 2, 2016 (the 15 <sup>th</sup> )	1,630 rights	Common Shares 163,000 shares	100 shares	Issued without consideration	¥1,124	From April 1, 2017 to June 30, 2021
July 31, 2017 (the 16 <sup>th</sup> )	2,030 rights	Common Shares 203,000 shares	100 shares	Issued without consideration	¥1,516	From April 1, 2018 to June 30, 2022

- Notes: 1. The amount to be paid for exercising a new share acquisition right shall be the exercise price per share, multiplied by the number of shares for every right.
2. "Total number of the new share acquisition rights" presented above does not include the new share acquisition rights which the holders do not satisfy the condition required to exercise by reason of retirement, etc.

**(B) Total number of persons holding the new share acquisition rights and rights held by such persons (breakdown)**

Date issued	Directors (excluding those who are Outside Directors concurrently)		Executive Officers (excluding those who are Directors concurrently)		Employees (Corporate Officers under the Company's qualification system)	
	Total number of persons holding the new share acquisition rights	Total number of the new share acquisition rights held by persons	Total number of persons holding the new share acquisition rights	Total number of the new share acquisition rights held by persons	Total number of persons holding the new share acquisition rights	Total number of the new share acquisition rights held by persons
July 31, 2013 (the 12 <sup>th</sup> )	1 person	10 rights	14 persons	230 rights	11 persons	110 rights
August 1, 2014 (the 13 <sup>th</sup> )	2 persons	120 rights	24 persons	440 rights	12 persons	120 rights
July 31, 2015 (the 14 <sup>th</sup> )	5 persons	224 rights	30 persons	640 rights	19 persons	190 rights
August 2, 2016 (the 15 <sup>th</sup> )	4 persons	250 rights	39 persons	970 rights	41 persons	410 rights
July 31, 2017 (the 16 <sup>th</sup> )	5 persons	320 rights	39 persons	1,160 rights	55 persons	550 rights

Note: "Total number of the new share acquisition rights" presented above does not include the new share acquisition rights which the holders do not satisfy the condition required to exercise by reason of retirement, etc.

**(2) New Share Acquisition Rights in the Form of Stock Options for a Stock-Linked Compensation Plan**

**(A) Summary of the new share acquisition rights**

Date issued	Total number of the new share acquisition rights	Type and number of shares subject to the new share acquisition rights	Number of shares for each new share acquisition right	Issuing price	Exercise price per share	Exercise period
July 31, 2006 (the 1 <sup>st</sup> )	6 rights	Common Shares 6,000 shares	1,000 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer
July 31, 2007 (the 2 <sup>nd</sup> )	144 rights	Common Shares 14,400 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer
July 31, 2008 (the 3 <sup>rd</sup> )	297 rights	Common Shares 29,700 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer
July 31, 2009 (the 4 <sup>th</sup> )	571 rights	Common Shares 57,100 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer
July 31, 2010 (the 5 <sup>th</sup> )	836 rights	Common Shares 83,600 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer

July 31, 2011 (the 6 <sup>th</sup> )	803 rights	Common Shares 80,300 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer
July 31, 2012 (the 7 <sup>th</sup> )	1,139 rights	Common Shares 113,900 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer
July 31, 2013 (the 8 <sup>th</sup> )	992 rights	Common Shares 99,200 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer
August 1, 2014 (the 9 <sup>th</sup> )	1,105 rights	Common Shares 110,500 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer
July 31, 2015 (the 10 <sup>th</sup> )	1,134 rights	Common Shares 113,400 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer
August 2, 2016 (the 11 <sup>th</sup> )	1,695 rights	Common Shares 169,500 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer
July 31, 2017 (the 12 <sup>th</sup> )	1,370 rights	Common Shares 137,000 shares	100 shares	Issued without consideration	¥1	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer

Note: The amount to be paid for exercising a new share acquisition right shall be the exercise price per share, multiplied by the number of shares for every right.

**(B) Total number of persons holding the new share acquisition rights and rights held by such persons (breakdown)**

Date issued	Directors (excluding those who are Outside Directors concurrently)		Audit & Supervisory Board Members (excluding those who are Outside Audit & Supervisory Board Members concurrently)		Executive Officers (excluding those who are Directors concurrently)		Employees or others	
	Total number of persons holding the new share acquisition rights	Total number of the new share acquisition rights held by persons	Total number of persons holding the new share acquisition rights	Total number of the new share acquisition rights held by persons	Total number of persons holding the new share acquisition rights	Total number of the new share acquisition rights held by persons	Total number of persons holding the new share acquisition rights	Total number of the new share acquisition rights held by persons
July 31, 2006 (the 1 <sup>st</sup> )	1 person	1 right	1 person	1 right	0 person	0 right	2 persons	4 rights
July 31, 2007 (the 2 <sup>nd</sup> )	2 persons	43 rights	1 person	20 rights	0 person	0 right	4 persons	81 rights
July 31, 2008 (the 3 <sup>rd</sup> )	2 persons	61 rights	0 person	0 right	0 person	0 right	8 persons	236 rights
July 31, 2009 (the 4 <sup>th</sup> )	3 persons	191 rights	1 person	72 rights	0 person	0 right	6 persons	308 rights
July 31, 2010 (the 5 <sup>th</sup> )	4 persons	215 rights	2 persons	100 rights	1 person	34 rights	7 persons	487 rights
July 31, 2011 (the 6 <sup>th</sup> )	4 persons	232 rights	2 persons	109 rights	3 persons	106 rights	6 persons	356 rights
July 31, 2012 (the 7 <sup>th</sup> )	4 persons	314 rights	0 person	0 right	9 persons	277 rights	9 persons	548 rights
July 31, 2013 (the 8 <sup>th</sup> )	4 persons	290 rights	0 person	0 right	10 persons	342 rights	9 persons	360 rights
August 1, 2014 (the 9 <sup>th</sup> )	5 persons	309 rights	0 person	0 right	13 persons	420 rights	10 persons	376 rights
July 31, 2015 (the 10 <sup>th</sup> )	5 persons	369 rights	0 person	0 right	17 persons	489 rights	7 persons	276 rights
August 2, 2016 (the 11 <sup>th</sup> )	5 persons	542 rights	0 person	0 right	24 persons	1,033 rights	3 persons	120 rights

July 31, 2017 (the 12 <sup>th</sup> )	5 persons	391 rights	0 person	0 right	31 persons	979 rights	0 person	0 right
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Note: The Company does not grant new share acquisition rights in the form of stock options for a stock-linked compensation plan to Outside Directors or Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members) or employees or others. The new share acquisition rights held by the above Audit & Supervisory Board Members and employees or others are rights granted to them when they assumed the position of Directors or Executive Officers.

## 2. New Share Acquisition Rights Issued to the Company's Employees, etc. during this Fiscal Year

	New share acquisition rights	New share acquisition rights in the form of stock options for a stock-linked compensation plan
Date issued	July 31, 2017 (the 16 <sup>th</sup> )	July 31, 2017 (the 12 <sup>th</sup> )
Total number of new share acquisition rights	1,730 rights	979 rights
Total number of the persons to which the new share acquisition rights are issued and rights held by such persons	Executive Officers (excluding those who are Directors concurrently) 39 persons 1,160 rights	Executive Officers (excluding those who are Directors concurrently) 31 persons 979 rights
	Employees (Corporate Officers under the Company's qualification system) 57 persons 570 rights	Employees (Corporate Officers under the Company's qualification system) 0 person 0 right
Type and number of shares subject to the new share acquisition rights	Common shares 173,000 shares	Common shares 97,900 shares
Number of shares for each new share acquisition right	100 shares	100 shares
Issuing price	Issued without consideration	Issued without consideration
Exercise price per share	¥1,516	¥1
Exercise period	From April 1, 2018 to June 30, 2022	10 years from the day following the day on which the person allocated the new share acquisition right becomes neither a Director nor an Executive Officer

- Notes: 1. The amount to be paid for exercising a new share acquisition right shall be the exercise price per share, multiplied by the number of shares for every right.
2. In addition to the above, the Company has issued 320 new share acquisition rights (the 16<sup>th</sup>) and 391 new share acquisition rights (in the form of stock options for a stock-linked compensation plan) (the 12<sup>th</sup>) to 5 Directors (excluding Chairman of the Board of Directors and Outside Directors).

#### IV. Particulars regarding the Company's Directors and Audit & Supervisory Board Members

##### 1. Name and Other Particulars of the Directors and Audit & Supervisory Board Members (as of March 31, 2018)

Name	Position in the Company	Particulars of important posts concurrently held (for Outside Directors, including relationships between the Company and the relevant organizations)
Kazuo Ohmori	Chairman of the Board of Directors	
Kuniharu Nakamura	Representative Director, President and Chief Executive Officer	
Naoki Hidaka	Representative Director, Executive Vice President	
Hideki Iwasawa	Representative Director, Executive Vice President	
Koichi Takahata	Representative Director, Senior Managing Executive Officer	
Masao Tabuchi	Representative Director, Senior Managing Executive Officer	
Yayoi Tanaka	Outside Director <sup>*1</sup>	<p>Outside Director, IHI Corporation</p> <p>( Relationships between the Company and the Relevant Organization)</p> <p>The Company has dealings regarding steel pipe, power plant construction works and other fields with IHI Corporation.</p>

Nobuyoshi Ehara	Outside Director <sup>*1</sup>	<p>Representative Director, Unison Capital, Inc.</p> <p>( Relationships between the Company and the Relevant Organization)</p> <p>No special relationship exists between the Company and Unison Capital, Inc. However, the Company has an equity interest in Community Healthcare Coordination Platform, Inc. (CHCP), in which a fund managed by Unison Capital also has an equity interest, and thus has entered into a shareholders agreement with the shareholders of CHCP (including the said fund) in relation to such equity investment.</p>
Koji Ishida	Outside Director <sup>*1</sup>	<p>Member of the Public Interest Oversight Committee, KPMG AZSA LLC</p> <p>( Relationships between the Company and the Relevant Organization)</p> <p>KPMG AZSA LLC is the Company's accounting auditor.</p>
Takuro Kawahara	Senior Audit & Supervisory Board Member (full-time)	
Nobuhiko Yuki	Audit & Supervisory Board Member (full-time)	
Haruo Kasama	Outside Audit & Supervisory Board Member <sup>*2</sup>	Attorney at Law
Toshio Nagai	Outside Audit & Supervisory Board Member <sup>*2</sup>	<p>Attorney at Law</p> <p>Outside Audit &amp; Supervisory Board Member, Toray Industries, Inc.</p> <p>(Relationships between the Company and the Relevant Organization)</p> <p>The Company has dealings in such items as coal with Toray Industries, Inc.</p>

Yoshitaka Kato	Outside Audit & Supervisory Board Member *2	<p>Certified Public Accountant Outside Audit &amp; Supervisory Board Member, Sumitomo Chemical Company, Limited Outside Audit &amp; Supervisory Board Member, Mitsui Fudosan Co., Ltd.</p> <p>(Relationships between the Company and the Relevant Organizations) The Company has dealings in such items as chemicals with Sumitomo Chemical Company, Limited.</p> <p>No special relationship exists between the Company and Mitsui Fudosan Co., Ltd.</p>
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- Notes:
1. Individuals marked with \*1 meet the requirements of an Outside Director specified by Article 2 Item 15 of the Companies Act. The individuals marked with \*1 also meet the criteria for independence set by the Tokyo Stock Exchange and other exchanges on which the Company is listed, and in the Company's internal rules "Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members"(please refer to pages 29 and 30). The Company has designated all these individuals as independent directors based on the exchanges' respective provisions.
  2. Individuals marked with \*2 meet the requirements of an Outside Audit & Supervisory Board Member specified by Article 2 Item 16 of the Companies Act. The individuals marked with \*2 also meet the criteria for independence set by the Tokyo Stock Exchange and other exchanges on which the Company is listed, and in the Company's internal rules "Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members" (please refer to pages 29 and 30). The Company has designated all these individuals as independent Audit & Supervisory Board Members based on the exchanges' respective provisions.
  3. Mr. Masao Tabuchi assumed the position of Advisor of SCSK Corporation on April 1, 2018. Mr. Tabuchi is planned to be appointed as the Representative Director and Chairman of SCSK at the ordinary general meeting of shareholders of that company scheduled to be held in June of 2018.
  4. Mr. Koji Ishida resigned from his position as a member of the Management Advisory Committee of KPMG AZSA LLC on June 30, 2017, thereby assuming the position as a member of the Public Interest Oversight Board of KPMG AZSA LLC (established in place of the said Management Advisory Committee) from July 1 of the same year.
  5. Mr. Haruo Kasama resigned from his position as an outside member of the Audit & Supervisory Board of Sompo Holdings, Inc. on June 26, 2017. No special relationship exists between the Company and Sompo Holdings, Inc. Mr. Kasama likewise resigned from his position as an outside member of the Audit & Supervisory Board of Kewpie Corporation on February 27, 2018. The Company has dealings in such items as ingredients for food with Kewpie Corporation.
  6. Mr. Yoshitaka Kato is qualified as a certified public accountant, and thus has a respectable degree of knowledge regarding finance and accounting.

## 2. Total Amount of Remuneration of the Company's Directors and Audit & Supervisory Board Members in this Fiscal Year

Classification	Number of payees	Total amount of remuneration pertaining to this fiscal year	Breakdown		
			Monthly remuneration	Bonuses	New Share Acquisition Rights
Directors	15 persons	¥810 million	¥571 million	¥174 million	¥64 million
(particulars relating to Outside Directors)	(5 persons)	(¥41 million)	(¥41 million)	(-)	(-)
Audit & Supervisory Board Members	5 persons	¥124 million	¥124 million	-	-
(particulars relating to Outside Audit & Supervisory Board Members)	(3 persons)	(¥38 million)	(¥38 million)	(-)	(-)

- Notes:
1. The numbers in the table above include one Outside Director who passed away (and thus effectively departed) on April 6, 2017 and one Outside Director who resigned on April 30, 2017.
  2. As of the end of this fiscal year, we had 9 Directors and 5 Audit & Supervisory Board Members (including 3 Outside Directors and 3 Outside Audit & Supervisory Board Members).
  3. No Director of the Company is concurrently an employee of the Company.
  4. The amounts in the Bonuses above are the upper limit of the total payments to be proposed at the 150th Ordinary General Meeting of Shareholders scheduled on June 22, 2018.
  5. The above stock options are the total amounts recorded as expenses in this fiscal year for granting the Sixteenth New Share Acquisition Rights (issued on July 31, 2017), the Eleventh New Share Acquisition Rights (stock-linked compensation) (issued on August 2, 2016) and the Twelfth New Share Acquisition Rights (stock-linked compensation) (issued on July 31, 2017).
  6. The maximum amount of remuneration to Directors comprising monthly remuneration, new share acquisition rights in the form of stock options, and new share acquisition rights in the form of stock options for a stock-linked compensation plan is 1.2 billion yen per year (the maximum amount of remuneration to Outside Directors is 60 million yen per year), as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.
  7. The maximum amount of monthly remuneration to Audit & Supervisory Board Members is 180 million yen per year, as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.
  8. The figures for breakdown of director remuneration have been rounded up or down to the nearest million yen. Therefore, the sum of those figures does not add up to the "Total amount of remuneration" for directors.

## 3. Summary of the agreement regarding the exemption of liability

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded a limitation of liability contract with each of the Directors (excluding executive directors, etc) and Audit & Supervisory Board Members limiting the liability of each of them to the amount stipulated by law provided each of them has acted in good faith and without gross negligence.

#### 4. Particulars regarding the Outside Directors and Outside Audit & Supervisory Board Members

Classification	Name	Attendance in meetings of the Board of Directors (Attendance rate)	Attendance in meetings of Audit & Supervisory Board (Attendance rate)	Main activities during this fiscal year
Outside Director	Yayoi Tanaka	21 of 21 meetings (100%)	—	<p>Ms. Yayoi Tanaka asked questions and made comments as necessary from an objective and independent perspective based on her broad knowledge and long years of experience in such fields as research activities mainly in the evaluation studies and the civil society organizational theory, and as a member of government committees.</p> <p>She also served as a member of the Nomination and Remuneration Advisory Committee, in which she played an important role.</p>
Outside Director	Nobuyoshi Ehara	20 of 21 meetings (95.2%)	—	<p>Mr. Nobuyoshi Ehara asked questions and made comments as necessary from an objective and independent perspective based on his broad knowledge and many years of experience in the fields of finance and business management accumulated mainly through working at a financial institution and managing a private equity firm.</p> <p>He also served as the chairman of the Nomination and Remuneration Advisory Committee, in which he played an important role.</p>
Outside Director	Koji Ishida	17 of 17 meetings (100%)	—	<p>Mr. Koji Ishida asked questions and made comments as necessary from an objective and independent perspective based on his broad knowledge and many years of experience in the fields of finance and business management accumulated mainly through managing a financial institution and serving as a member of the Policy Board at the Bank of Japan.</p> <p>He also served as a member of the Nomination and Remuneration Advisory Committee, in which he played an important role.</p>

Classification	Name	Attendance in meetings of the Board of Directors (Attendance rate)	Attendance in meetings of Audit & Supervisory Board (Attendance rate)	Main activities during this fiscal year
Outside Audit & Supervisory Board Memberr	Haruo Kasama	19 of 21 meetings (90.5%)	14 of 14 meetings (100%)	Mr. Haruo Kasama asked questions and made comments as necessary from an objective and independent perspective based on his broad knowledge and many years of experience mainly as a public prosecutor and attorney at law.
Outside Audit & Supervisory Board Member	Toshio Nagai	21 of 21 meetings (100%)	14 of 14 meetings (100%)	Mr. Toshio Nagai asked questions and made comments as necessary from an objective and independent perspective based on his broad knowledge and many years of experience mainly as a judge and attorney at law.
Outside Audit & Supervisory Board Member	Yoshitaka Kato	21 of 21 meetings (100%)	14 of 14 meetings (100%)	Mr. Yoshitaka Kato made questions and comments as necessary from an objective and independent perspective based on his broad knowledge and many years of experience mainly as a certified public accountant.

Note: Of the above, the status of activities of Mr. Koji Ishida apply from June 23, 2017.

## 5. Name and Other Particulars of the Company's Executive Officers (as of April 1, 2018)

Positions in the Company	Name	Areas of responsibility in the Company
President and Chief Executive Officer	Masayuki Hyodo	Chief Executive Officer
Executive Vice President *1	Hideki Iwasawa	Chief Administration Officer and Chief Compliance Officer, Corporate Group
Executive Vice President	Masahiro Fujita	General Manager, Mineral Resources, Energy, Chemical & Electronics Business Unit
Senior Managing Executive Officer *1	Koichi Takahata	Chief Financial Officer, Corporate Group
Senior Managing Executive Officer	Masao Sekiuchi	General Manager for Asia & Oceania
Senior Managing Executive Officer	Masato Sugimori	Director, Executive Vice President, Jupiter Telecommunications Co., Ltd.
Senior Managing Executive Officer	Akira Satake	Director, Senior Managing Executive Officer, Sumitomo Precision Products Co., Ltd.
Senior Managing Executive Officer	Makoto Horie	General Manager, Metal Products Business Unit
Senior Managing Executive Officer	Toshikazu Nambu	General Manager, Media & ICT Business Unit
Senior Managing Executive Officer	Fumihiko Koba	General Manager for East Asia
Senior Managing Executive Officer	Shingo Ueno	General Manager for the Americas
Managing Executive Officer	Hiroki Inoue	General Manager for Japan Region, General Manager, Kansai Office
Managing Executive Officer	Kiyoshi Sunobe	President and CEO, Sumitomo Corporation Global Research Co. Ltd.
Managing Executive Officer	Michihiko Hosono	Assistant CAO, General Affairs & Legal, Corporate Group
Managing Executive Officer	Hideo Ogawa	Assistant CFO, Risk Management, Corporate Group
Managing Executive Officer	Daisuke Mikogami	Representative Director, Executive Vice President, SCSK Corporation
Managing Executive Officer	Shoichiro Oka	General Manager, Transportation & Construction Systems Business Unit
Managing Executive Officer	Tsutomu Akimoto	General Manager, Infrastructure Business Unit
Managing Executive Officer	Masato Ishida	General Manager for Europe, Middle East, Africa & CIS
Managing Executive Officer	Nobuki Ando	General Manager, Living Related & Real Estate Business Unit
Managing Executive Officer	Hideki Yamano	Chief Strategy Officer and Chief Information Officer, Corporate Group
Executive Officer	Shuichi Suzuki	General Manager, Energy Division
Executive Officer	Tsuyoshi Oikawa	General Manager, Planning & Coordination Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit
Executive Officer	Takeshi Murata	Managing Director, Sumitomo Mitsui Finance and Leasing Company, Limited
Executive Officer	Keiji Tanaka	President and CEO, Jupiter Shop Channel Co.,Ltd.
Executive Officer	Reiji Morooka	Managing Director, Sumitomo Mitsui Finance and Leasing Company, Limited
Executive Officer	Takayuki Seishima	Assistant CAO, Secretary & Human Resources, Corporate Group

Executive Officer	Toyoaki Funakoshi	General Manager, Planning & Coordination Dept., Infrastructure Business Unit
Executive Officer	Masaki Nakajima	Assistant General Manager for the Americas, Executive Vice President and CFO of Sumitomo Corporation of Americas Group, Executive Vice President and CFO of Sumitomo Corporation of Americas
Executive Officer	Keigo Shiomi	General Manager, Metal Products for Automotive Industry Division
Executive Officer	Masatoshi Deguchi	General Manager, Internal Auditing Dept.
Executive Officer	Koji Tamefusa	Director, Senior Managing Executive Officer, SCSK Corporation
Executive Officer	Yasushi Fukuda	General Manager, Logistics Insurance Business Division
Executive Officer	Yoshiyuki Sakamoto	General Manager, Basic Chemicals & Electronics Division
Executive Officer	Kei Sato	General Manager, Lifestyle & Retail Business Division
Executive Officer	Norihiko Nonaka	General Manager, Global Power Infrastructure Business Division
Executive Officer	Masaru Shiomi	Assistant CFO, Finance, Corporate Group
Executive Officer	Iehisa Nakamura	General Manager, Media Division
Executive Officer	Bin Haga	General Manager, Corporate Planning & Coordination Dept.
Executive Officer <sup>*2</sup>	Kenji Shinmori	General Manager, Corporate Communications Dept.
Executive Officer <sup>*2</sup>	Shinji Nakano	Assistant General Manager for Asia & Oceania, Sumitomo Corporation Asia & Oceania Group, President and CEO, Sumitomo Corporation Thailand, Ltd., President, Sumi-Thai Holdings Limited, President and CEO, Sumi-Thai International Limited
Executive Officer <sup>*2</sup>	Mitsuhiro Takeda	Assistant General Manager for the Americas, Executive Vice President and Deputy CFO of Sumitomo Corporation of Americas Group, Executive Vice President and Deputy CFO of Sumitomo Corporation of Americas
Executive Officer <sup>*2</sup>	Shinichi Kato	General Manager, Automobility Business Division
Executive Officer <sup>*2</sup>	Hirokazu Higashino	General Manager, Materials, Supplies & Real Estate Division

- Notes: 1. Individuals marked with \*1 are Directors (Representative Directors).  
2. Individuals marked with \*2 are Executive Officers who were newly elected and each of them assumed his duty as of April 1, 2018.

## V. Particulars regarding the Company's Accounting Auditor

### 1. Name of the Accounting Auditor

KPMG AZSA LLC

### 2. Total Remuneration, etc. to Be Paid to the Accounting Auditor

(A) Audit remuneration and other fees to be paid to Accounting Auditors by the Company	¥513 million
(B) Total amount of cash and other financial benefits payable by the Company and its consolidated subsidiaries to Accounting Auditors (including (A))	¥1,062 million

- Notes:
1. In line with the "Practical Guidelines for Collaboration with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, the Company's Audit & Supervisory Board checks the details of auditing plans, the performance of duties during the preceding fiscal year, the calculation bases for remuneration estimates, etc., and gives due consideration to these findings when approving compensation, etc. for the Accounting Auditor, as stipulated in Article 399, Paragraph 1 of the Companies Act.
  2. The Company pays remuneration to the Accounting Auditor for accounting advisory services, etc. in addition to the service defined in Article 2, Paragraph 1 of the Certified Public Accountants Act.
  3. The subsidiaries abroad such as Sumitomo Corporation of Americas and Sumitomo Corporation Europe Holding Limited, etc. of the major consolidated subsidiaries described in "I. 7. Status of Important Subsidiaries," is audited by audit firms other than the Company's Accounting Auditor.
  4. The audit agreement between the Company and the Accounting Auditor does not differentiate audit remuneration and other fees based on the Companies Act from audit remuneration and other fees based on the Financial Instruments and Exchange Act, and the two types of remuneration cannot actually be differentiated. Therefore, the above amounts show the total of these two types of remuneration and other fees.

### 3. Policy for the Determination of the Dismissal or Non-reappointment of the Accounting Auditor

In the event of a significant adverse effect on the adequate execution of the Company's Accounting Auditor's duties due to reasons such as the emergence of causes detrimental to the eligibility or independence of said Accounting Auditor, and the Audit & Supervisory Board judges that there is no expectancy for such a situation to be resolved, the Audit & Supervisory Board's policy is to dismiss or refuse to reappoint said Accounting Auditor and to decide on an agenda for the election of a new Accounting Auditor. Based on the decision, the Board of Directors shall submit said agenda to the General Meeting of Shareholders.

In addition, in the event the Company's Accounting Auditor falls under any of the situation stipulated in each clause of Article 340, Paragraph 1 of the Companies Act, and the Board Audit & Supervisory Board judges that there is no expectancy for such situation to be remedied, the Audit & Supervisory Board's policy is to dismiss such Accounting Auditor, with the consent of all the Audit & Supervisory Board Members.

## VI. Systems Necessary to Ensure the Properness of Operations of the Company (Internal Control Systems)

The Company's Board of Directors determines and implements the systems (internal control systems) set forth in the Companies Act, Article 362, Paragraph 4, Item 6 to achieve effective internal control. In addition, the Company assesses the implementation of the internal control systems annually and endeavors to establish systems in line with requests made from time to time based on ongoing reevaluations.

An overview of the Company's internal control systems and their implementation status as of March 31, 2018, is provided below. Moreover, in a February 2018 meeting the Internal Control Committee assessed the implementation of the internal control systems during 2017, confirmed that these internal control systems were functioning effectively, and reported this fact at the Board of Directors' meeting held in March 2018.

Further details regarding the internal control systems are posted on the Sumitomo Corporation website ([https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/internal\\_control\\_system.pdf?la=en](https://www.sumitomocorp.com/jp/-/media/Files/hq/about/governance/detail/internal_control_system.pdf?la=en)).

Internal Control Systems	Current Implementation Status
<p>1. <u>Systems for ensuring that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation</u></p>	
<ul style="list-style-type: none"> <li>● Ensuring full compliance with laws and regulations under the Corporate Mission Statement of the Sumitomo Corporation Group</li> <li>● Drawing up Compliance Guiding Principles</li> <li>● Preparing the Compliance Manual and distributing it to all officers and employees</li> <li>● Requiring all officers and employees to provide a written Confirmation of Compliance</li> <li>● Appointing/creating the Chief Compliance Officer, the Compliance Committee, Compliance Leaders, and the Speak-Up System</li> </ul>	<ul style="list-style-type: none"> <li>➤ We included compliance with laws and regulations and maintenance of the highest ethical standards in the Corporate Mission Statement of the Sumitomo Corporation Group, and we are making officers and employees aware of the mission statement.</li> <li>➤ We are instilling the Compliance Guiding Principles throughout our organization by distributing the Compliance Manual to all officers and employees, as well as posting it on the company intranet.</li> <li>➤ We are raising awareness of compliance and providing relevant education through such means as training tailored to various trainee types, and seminars responding to the needs of different business units, subsidiaries, and other consolidated companies.</li> <li>➤ We require all officers and employees to provide a written Confirmation of Compliance when they join the Company and when companywide training is conducted, among other occasions.</li> <li>➤ In 2017, we took various measures to inform officers and employees of the Speak-Up System and promote its active use, including posting a Q&amp;A about the system on the intranet.</li> <li>➤ The Compliance Committee was convened two times during 2017. Matters reported and discussed at the committee meetings included details of activities undertaken in 2016, as well as compliance measures for 2017 and their</li> </ul>

Internal Control Systems	Current Implementation Status
	implementation status. As one such compliance measure, a seminar on prevention of insider trading was held.
<u>2. Systems for retaining and managing information pertaining to the Directors' execution of their duties</u>	
<ul style="list-style-type: none"> <li>● Properly preserving and managing important documents including minutes of meetings of the Board of Directors and information pertaining to the execution of duties and decision-making</li> <li>● Implementing measures to prevent divulgence of information to third parties or other misuse of information</li> <li>● Making important documents pertaining to the Directors' execution of their duties available for review in a timely manner when requested by an Audit &amp; Supervisory Board Member</li> </ul>	<ul style="list-style-type: none"> <li>➤ We preserve and manage the important documents and information described to the left properly in accordance with internal rules. In addition, the Basic Rules for Information Management stipulate steps to prevent divulgence of information to third parties, which we implement. These include developing an information security system and managing confidential information.</li> <li>➤ We submit documents for review by delivering to Audit &amp; Supervisory Board Members any documents they request.</li> <li>➤ On October 1, 2017, we released an Information Security Policy outlining the Company's basic policy and approach to information security.</li> <li>➤ During 2017, as in previous years, we sought to prevent divulgence of information to third parties and other misuse of information by arranging an information security audit by an external organization and raising awareness among officers and employees through, for example, training on targeted email attacks, among other measures.</li> </ul>
<u>3. Rules and other systems pertaining to the management of risk of loss</u>	
<ul style="list-style-type: none"> <li>● Managing the various risks associated with the Company's business by categorizing them into "quantifiable risk" and "non-quantifiable risk"</li> <li>● Building a framework, conducting monitoring, and implementing necessary improvements regarding risk management through measures such as setting internal rules and formulating risk management policies, methods, and guidelines</li> <li>● Establishing the Internal Control Committee</li> <li>● Establishing the Company-wide Loan and Investment Committee as an advisory organ to the Management Council</li> <li>● Formulating plans for restoration of operations in the event of disaster</li> <li>● Establishing the Internal Auditing Department as an independent body under the direct supervision of the President and Chief Executive Officer and ensuring the results of internal auditing are reported to the President and Chief Executive Officer as well as the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>➤ The situation regarding quantifiable risks as described to the left is regularly reported at meetings of the Board of Directors.</li> <li>➤ We have built a framework, and are conducting monitoring and implementing necessary improvements regarding risk management at the company-wide level through measures such as setting internal rules and formulating risk management policies, methods, and guidelines. In addition, we are improving risk management through the preparation and distribution of manuals and conducting training activities as appropriate.</li> <li>➤ In April 2017, we released the Sumitomo Corporation Group Anti-Corruption Policy outlining our basic policies on prevention of corruption and also continued internal seminars and other awareness-raising activities from previous years.</li> <li>➤ In April 2017, we established Sumitomo Corporation Group guidelines for addressing risks</li> </ul>

Internal Control Systems	Current Implementation Status
	<p>related to money scams, such as spoof emails; and have implemented specific measures.</p> <ul style="list-style-type: none"> <li>➤ The Internal Control Committee was convened three times during 2017; it reviewed the Company's internal control systems and progress with internal control activities.</li> <li>➤ We are enhancing the quality of decision-making in the Management Council by means of the Company-wide Loan and Investment Committee.</li> <li>➤ We have made various efforts to enhance our ability to respond in the event of a disaster, including formulating operational recovery plans and holding regular meetings for first-responder teams. Notably, in 2017 we created a manual providing instructions for those who stand by or stay behind at the Company, and held meetings to explain the manual to personnel in charge of disaster management.</li> <li>➤ We established an Internal Auditing Department and the results of its internal auditing are reported to the President and Chief Executive Officer as well as to the Board of Directors.</li> </ul>
<b>4. Systems for ensuring the efficient execution of the Directors' duties</b>	
<ul style="list-style-type: none"> <li>● Making the number of Directors sufficient to enable full discussions and speedy and reasonable decision-making in the Board of Directors</li> <li>● Electing two or more Outside Directors so that their diverse perspectives can enhance decision-making and supervisory functions</li> <li>● Introducing a system of Executive Officers in order to clarify responsibility and authority for the execution of operations and strengthen the supervisory functions of the Board of Directors</li> <li>● Adopting the business unit system</li> <li>● Term of office for Directors: one year</li> <li>● Terms of office for the Chairman and the President and Chief Executive Officer: not exceeding six years, in principle</li> <li>● Establishing the Nomination and Remuneration Advisory Committee composed of a majority of Outside Directors as an advisory organ to the Board of Directors</li> <li>● Establishing the Management Council as a decision-making body, various committees as advisory organs, and various other conferences for the exchange of information</li> <li>● Specifying in writing the agenda items requiring discussion by the Board of Directors and the decision-making authority of officers and employees</li> </ul>	<ul style="list-style-type: none"> <li>➤ The number of Directors is sufficient to enable a variety of proposals and full discussions in the Board of Directors and we are ensuring speedy and appropriate decision-making and strengthening supervisory functions.</li> <li>➤ The term of office for Directors is set at one year and the terms of office for the Chairman and the President and Chief Executive Officer do not exceed six years.</li> <li>➤ The Nomination and Remuneration Advisory Committee is chaired by an Outside Director. In 2017 the committee deliberated, in addition to the nomination of candidates for Director, Management Council, and Audit &amp; Supervisory Board Member positions, the structure and level of remuneration and bonuses of Directors and Executive Officers, among other matters, and reported the results of its deliberations to the Board of Directors.</li> <li>➤ In addition to establishing the Management Council as a decision-making body, we have established various other conferences to discuss and share information. In addition, we have established committees including the Medium-term Management Plan Promotion Support Committee as</li> </ul>

Internal Control Systems	Current Implementation Status
regarding important matters	<p>advisory organs to the Management Council.</p> <ul style="list-style-type: none"> <li>➤ The Board of Directors Regulations and other internal rules specify agenda items requiring discussion by the Board of Directors, the job responsibilities of each officer and employee, and the decision-making authority of officers and employees regarding important matters.</li> </ul>
<u>5. Systems for ensuring the properness of operations by the corporate group comprising the Company and its subsidiaries</u>	
<ul style="list-style-type: none"> <li>● Using the Corporate Mission Statement of the Sumitomo Corporation Group, which promotes compliance with laws and regulations, to share values to be respected throughout the Group and to guide the development of compliance systems</li> <li>● Determining matters on which subsidiaries and other consolidated companies are to report to and consult with the Company regarding “important management issues” at these companies. In addition, managing subsidiaries and other consolidated companies through Audit &amp; Supervisory Board Members and other personnel dispatched from the Company</li> <li>● Supporting subsidiaries and other consolidated companies in implementing internal controls and in constructing a framework for risk management and making improvements thereto</li> <li>● Setting an internal rule to require internal auditing for subsidiaries and other consolidated companies of which the Company is the managing entity</li> <li>● Ascertaining and managing consolidated performance on a monthly basis</li> </ul>	<ul style="list-style-type: none"> <li>➤ We are raising awareness of compliance and providing relevant education by informing everybody in the Group about the Corporate Mission Statement and providing training tailored to various trainee types, among other initiatives.</li> <li>➤ We have determined internal procedures for the implementation of important management issues at each consolidated company. We also provide training for Audit &amp; Supervisory Board Members we dispatch and share information with them, having clearly defined the criteria for determining the subsidiaries and consolidated companies to which Audit &amp; Supervisory Board Members will be dispatched, the procedures for their selection, and the minimum duties to be performed by them.</li> <li>➤ We support subsidiaries and other consolidated companies in a variety of ways, including: educating and raising awareness regarding internal control at subsidiaries; requiring subsidiary employees to participate in risk management training; providing samples of documentation such as selections of rules, and compliance manuals, for subsidiaries to use as examples; and promoting the introduction of Speak Up Systems.</li> <li>➤ The results of auditing subsidiaries and other consolidated companies subject to internal auditing are reported to the President and Chief Executive Officer as well as to the Board of Directors.</li> </ul>
<u>6. Matters regarding personnel assigned to support the operations of Audit &amp; Supervisory Board Members</u>	
<ul style="list-style-type: none"> <li>● Establishing the Audit &amp; Supervisory Board Members’ Administration Department to support the Audit &amp; Supervisory Board Members and assigning several full-time staffers to this department</li> <li>● Specifying in writing those persons authorized to issue instructions to the Audit &amp; Supervisory Board Members’ Administration Department and the department’s responsibilities, and clearly defining its purpose as an organization for assisting the Audit &amp; Supervisory Board Members</li> </ul>	<ul style="list-style-type: none"> <li>➤ We have assigned several full-time staffers to the Audit &amp; Supervisory Board Members’ Administration Department.</li> <li>➤ We have specified in writing that the Audit &amp; Supervisory Board Members are authorized to issue instructions to General Manager of the Audit &amp; Supervisory Board Members’ Administration Department and that the Audit &amp; Supervisory Board Members’ Administration Department’s area</li> </ul>

Internal Control Systems	Current Implementation Status
<ul style="list-style-type: none"> <li>● Conducting personnel evaluations of members of the Audit &amp; Supervisory Board Members' Administration Department by an Audit &amp; Supervisory Board Member. Consulting in advance with an Audit &amp; Supervisory Board Member regarding transfers of the department's personnel</li> </ul>	<p>of operational responsibility is assisting the Audit &amp; Supervisory Board Members in their duties.</p> <ul style="list-style-type: none"> <li>➤ An Audit &amp; Supervisory Board Member appointed by the Audit &amp; Supervisory Board conducts the personnel evaluations of members of the Audit &amp; Supervisory Board Members' Administration Department. An advance consultation is conducted with an Audit &amp; Supervisory Board Member appointed by the Audit &amp; Supervisory Board to obtain the Audit &amp; Supervisory Board Member's consent regarding transfers of the department's personnel.</li> </ul>
<p><u>7. Systems for reporting to Audit &amp; Supervisory Board Members</u></p>	
<ul style="list-style-type: none"> <li>● Developing a system that enables Audit &amp; Supervisory Board Members to attend all meetings, including those of the Management Council</li> <li>● Delivering to the Audit &amp; Supervisory Board Members important materials pertaining to the execution of operations involving the Company, its subsidiaries and other consolidated companies, and arranging for officers and employees to report and give briefings to the Audit &amp; Supervisory Board Members</li> <li>● Developing a system to ensure that persons submitting the aforementioned reports and persons making contact via the Speak-Up System will not be subjected to adverse treatment due to such reports/contact</li> </ul>	<ul style="list-style-type: none"> <li>➤ In addition to meetings of the Board of Directors, Audit &amp; Supervisory Board Members attend other important meetings including those of the Management Council, the Company-wide Loan and Investment Committee, the Internal Control Committee, and the Compliance Committee.</li> <li>➤ We deliver important materials pertaining to the execution of operations when requested to do so by Audit &amp; Supervisory Board Members, and arrange for officers and employees to report and give briefings.</li> <li>➤ We ensure that persons submitting the aforementioned reports to Audit &amp; Supervisory Board Members are not subjected to adverse treatment due to such reports/contact. In addition, we have specified in the internal rules that persons making contact via the Speak-Up System should not be subjected to adverse treatment.</li> </ul>
<p><u>8. Other systems for ensuring that auditing will be carried out effectively by the Audit &amp; Supervisory Board Members</u></p>	
<ul style="list-style-type: none"> <li>● Appointing experts on law, accounting, and the like, as external Audit &amp; Supervisory Board Members</li> <li>● Maintaining close contact between the Internal Auditing Department and the Audit &amp; Supervisory Board Members to contribute to effective auditing, such as by reporting internal auditing plans and results to the Audit &amp; Supervisory Board Members</li> <li>● Exchanging information between the Audit &amp; Supervisory Board Members and the Accounting Auditor to improve the efficiency and quality of audit activities</li> <li>● Exchanging information between the Company's Audit &amp; Supervisory Board Members and subsidiaries' Audit &amp; Supervisory Board Members</li> <li>● Clearly stipulating the methods for handling the expenses and liabilities incurred by Audit &amp;</li> </ul>	<ul style="list-style-type: none"> <li>➤ The Internal Auditing Department interacts closely with the Audit &amp; Supervisory Board Members, submitting an internal auditing plan to them prior to the start of the business year and sharing internal audit results with them in a timely manner.</li> <li>➤ Audit &amp; Supervisory Board Members conduct regular meetings with the Accounting Auditor, as well as liaison meetings and small-group meetings with standing Audit &amp; Supervisory Board Members at subsidiaries. During 2017, as in previous years, they held several small-group meetings, interacting and exchanging information with standing auditors at subsidiaries and associated companies.</li> <li>➤ Expenses and liabilities incurred by Audit &amp; Supervisory Board Members in the execution of</li> </ul>

<b>Internal Control Systems</b>	<b>Current Implementation Status</b>
Supervisory Board Members in the execution of their duties	their duties are handled in accordance with internal rules, including by drawing up budgets and managing their implementation.

Note: Amounts in billions of yen and those in millions of yen in the business report are rounded to the nearest billion and the nearest million respectively. Also, numbers of shares shown per a unit of thousand shares are rounded down to the nearest thousand.

## Consolidated Statements of Financial Position [Prepared on the basis of IFRSs]

Sumitomo Corporation and Subsidiaries

As of March 31, 2018 and 2017

	Millions of Yen	
	March 31, 2018	March 31, 2017
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	¥ 667,152	¥ 776,464
Time deposits	15,187	13,996
Marketable securities	1,361	4,647
Trade and other receivables	1,266,782	1,206,398
Other financial assets	66,885	66,550
Inventories	877,808	830,871
Advance payments to suppliers	137,675	169,084
Assets classified as held for sale	247,677	-
Other current assets	196,759	253,165
Total current assets	3,477,286	3,321,175
<b>Non-current assets:</b>		
Investments accounted for using the equity method	1,994,366	1,870,935
Other investments	462,841	437,162
Trade and other receivables	381,120	472,462
Other financial assets	80,214	91,937
Property, plant and equipment	750,226	795,857
Intangible assets	264,477	357,359
Investment property	278,026	311,115
Biological assets	16,057	12,536
Prepaid expenses	23,817	23,498
Deferred tax assets	42,202	67,758
Total non-current assets	4,293,346	4,440,619
Total assets	¥ 7,770,632	¥ 7,761,794

Note:

The Consolidated Statement of Financial Position as of March 31, 2017 is not required to be included under the Companies Act, and is included solely for the convenience of shareholders.

## Consolidated Statements of Financial Position [Prepared on the basis of IFRSs]

Sumitomo Corporation and Subsidiaries  
As of March 31, 2018 and 2017

	Millions of Yen	
	March 31, 2018	March 31, 2017
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Bonds and borrowings	¥ 603,249	¥ 659,257
Trade and other payables	1,038,657	1,029,294
Other financial liabilities	59,413	53,264
Income tax payables	39,639	20,737
Accrued expenses	89,778	105,164
Advances from customers	159,896	223,584
Provisions	5,711	4,490
Liabilities associated with assets classified as held for sale	74,207	-
Other current liabilities	87,599	80,129
Total current liabilities	2,158,149	2,175,919
<b>Non-current liabilities:</b>		
Bonds and borrowings	2,600,616	2,759,069
Trade and other payables	104,108	121,126
Other financial liabilities	33,853	40,599
Accrued pension and retirement benefits	27,362	28,076
Provisions	40,503	33,210
Deferred tax liabilities	111,720	116,840
Total non-current liabilities	2,918,162	3,098,920
Total liabilities	5,076,311	5,274,839
<b>Equity:</b>		
Common stock	219,279	219,279
Additional paid-in capital	265,126	263,937
Treasury stock	(2,796)	(3,113)
Other components of equity	248,564	309,094
Retained earnings	1,827,987	1,577,288
Equity attributable to owners of the parent	2,558,160	2,366,485
<b>Non-controlling interests</b>	136,161	120,470
Total equity	2,694,321	2,486,955
Total liabilities and equity	¥ 7,770,632	¥ 7,761,794

Note:

The Consolidated Statement of Financial Position as of March 31, 2017 is not required to be included under the Companies Act, and is included solely for the convenience of shareholders.

## Consolidated Statements of Comprehensive Income [Prepared on the basis of IFRSs]

Sumitomo Corporation and Subsidiaries  
For the years ended March 31, 2018 and 2017

	Millions of Yen	
	2018	2017
<b>Revenues:</b>		
Sales of tangible products	¥ 4,333,190	¥ 3,504,159
Sales of services and others	494,133	492,815
<b>Total revenues</b>	<b>4,827,323</b>	<b>3,996,974</b>
<b>Cost:</b>		
Cost of tangible products sold	(3,581,975)	(2,951,459)
Cost of services and others	(288,875)	(202,817)
<b>Total cost</b>	<b>(3,870,850)</b>	<b>(3,154,276)</b>
<b>Gross profit</b>	<b>956,473</b>	<b>842,698</b>
<b>Other income (expenses):</b>		
Selling, general and administrative expenses	(731,616)	(693,759)
Impairment losses on long-lived assets	(7,226)	(18,803)
Gain (loss) on sale of long-lived assets, net	2,859	(876)
Other, net	9,419	(20,132)
<b>Total other income (expenses)</b>	<b>(726,564)</b>	<b>(733,570)</b>
<b>Finance income (costs):</b>		
Interest income	27,530	26,009
Interest expense	(33,297)	(27,738)
Dividends	10,652	9,372
Gain (loss) on securities and other investments, net	27,767	12,873
<b>Finance income (costs), net</b>	<b>32,652</b>	<b>20,516</b>
<b>Share of profit (loss) of investments accounted for using the equity method</b>	<b>149,734</b>	<b>83,457</b>
<b>Profit before tax</b>	<b>412,295</b>	<b>213,101</b>
<b>Income tax expense</b>	<b>(78,385)</b>	<b>(25,896)</b>
<b>Profit for the year</b>	<b>333,910</b>	<b>187,205</b>
<b>Profit for the year attributable to:</b>		
Owners of the parent	¥ 308,521	¥ 170,889
Non-controlling interests	25,389	16,316
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Financial assets measured at fair value through other comprehensive income	21,073	22,771
Remeasurements of defined benefit pension plans	3,219	10,884
Share of other comprehensive income of investments accounted for using the equity method	1,292	(541)
<b>Total items that will not be reclassified to profit or loss</b>	<b>25,584</b>	<b>33,114</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translating foreign operations	(77,122)	(47,621)
Cash-flow hedges	(2,722)	2,495
Share of other comprehensive income of investments accounted for using the equity method	2,399	6,061
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>(77,445)</b>	<b>(39,065)</b>
<b>Other comprehensive income, net of tax</b>	<b>(51,861)</b>	<b>(5,951)</b>
<b>Comprehensive income for the year</b>	<b>282,049</b>	<b>181,254</b>
<b>Comprehensive income for the year attributable to:</b>		
Owners of the parent	¥ 256,329	¥ 169,715
Non-controlling interests	25,720	11,539

Note:

The Consolidated Statement of Comprehensive Income for the year ended March 31, 2017 is not required to be included under the Companies Act, and is included solely for the convenience of shareholders.

## Consolidated Statements of Changes in Equity [Prepared on the basis of IFRSs]

Sumitomo Corporation and Subsidiaries

For the years ended March 31, 2018 and 2017

	Millions of Yen	
	2018	2017
<b>Equity:</b>		
<b>Common stock:</b>		
Balance, beginning of year	¥ 219,279	¥ 219,279
Balance, end of year	219,279	219,279
<b>Additional paid-in capital:</b>		
Balance, beginning of year	263,937	256,500
Acquisition (disposal) of non-controlling interests, net	102	8,865
Others	1,087	(1,428)
Balance, end of year	265,126	263,937
<b>Treasury stock:</b>		
Balance, beginning of year	(3,113)	(3,344)
Acquisition (disposal) of treasury stock, net	317	231
Balance, end of year	(2,796)	(3,113)
<b>Other components of equity:</b>		
Balance, beginning of year	309,094	311,880
Other comprehensive income for the year	(52,192)	(1,174)
Transfer to retained earnings	(8,338)	(1,612)
Balance, end of year	248,564	309,094
<b>Retained earnings:</b>		
Balance, beginning of year	1,577,288	1,467,194
Transfer from other components of equity	8,338	1,612
Profit for the year attributable to owners of the parent	308,521	170,889
Cash dividends	(66,160)	(62,407)
Balance, end of year	1,827,987	1,577,288
<b>Equity attributable to owners of the parent</b>	<b>¥ 2,558,160</b>	<b>¥ 2,366,485</b>
<b>Non-controlling interests:</b>		
Balance, beginning of year	120,470	140,436
Cash dividends to non-controlling interests	(7,697)	(20,117)
Acquisition (disposal) of non-controlling interests and others, net	(2,332)	(11,388)
Profit for the year attributable to non-controlling interests	25,389	16,316
Other comprehensive income for the year	331	(4,777)
Balance, end of year	136,161	120,470
<b>Total equity</b>	<b>¥ 2,694,321</b>	<b>¥ 2,486,955</b>
<b>Comprehensive income for the year attributable to:</b>		
Owners of the parent	256,329	169,715
Non-controlling interests	25,720	11,539
<b>Total comprehensive income for the year</b>	<b>¥ 282,049</b>	<b>¥ 181,254</b>

Note:

The Consolidated Statement of Changes in Equity for the year ended March 31, 2017 is not required to be included under the Companies Act, and is included solely for the convenience of shareholders.

## Condensed Consolidated Statements of Cash Flows [Prepared on the basis of IFRSs]

Sumitomo Corporation and Subsidiaries  
For the years ended March 31, 2018 and 2017  
(Unaudited)

	Millions of Yen			
	2018		2017	
<b>Operating activities:</b>				
Profit for the year	¥	333,910	¥	187,205
Adjustments to reconcile profit for the year to net cash provided by operating activities:				
Depreciation and amortization		118,907		114,266
Impairment losses on long-lived assets		7,226		18,803
Finance (income) costs, net		(32,652)		(20,516)
Share of (profit) loss of investments accounted for using the equity method		(149,734)		(83,457)
(Gain) loss on sale of long-lived assets, net		(2,859)		876
Income tax expense		78,385		25,896
Increase in inventories		(126,008)		(8,866)
(Increase) decrease in trade and other receivables		(70,468)		21,169
Increase in prepaid expenses		(5,939)		(2,221)
Increase in trade and other payables		90,793		105,028
Other, net		(16,925)		(61,680)
Interest received		26,882		25,799
Dividends received		128,723		114,333
Interest paid		(32,079)		(26,999)
Income tax paid		(52,898)		(63,848)
Net cash provided by operating activities		295,264		345,788
<b>Investing activities:</b>				
Proceeds from sale of property, plant and equipment		4,929		17,773
Purchase of property, plant and equipment		(97,762)		(73,004)
Proceeds from sale of investment property		10,083		7,838
Purchase of investment property		(4,341)		(57,947)
Proceeds from sale of other investments		59,239		65,840
Acquisition of other investments		(163,446)		(177,974)
Collection of loan receivables		110,901		146,404
Increase in loan receivables		(75,369)		(109,603)
Net cash used in investing activities		(155,766)		(180,673)
<b>Financing activities:</b>				
Net increase in short-term debt		(10,974)		36,090
Proceeds from issuance of long-term debt		342,344		358,743
Repayment of long-term debt		(484,871)		(547,643)
Cash dividends paid		(66,160)		(62,407)
Capital contribution from non-controlling interests		348		974
Payment for acquisition of subsidiary's interests from non-controlling interests		(2,778)		(20,120)
Payment of dividends to non-controlling interests		(7,697)		(20,117)
(Acquisition) disposal of treasury stock, net		178		32
Net cash used in financing activities		(229,610)		(254,448)
<b>Net decrease in cash and cash equivalents</b>		<b>(90,112)</b>		<b>(89,333)</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>776,464</b>		<b>868,755</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(14,688)</b>		<b>(2,958)</b>
<b>Net decrease in cash and cash equivalents included in assets classified as held for sale</b>		<b>(4,512)</b>		<b>-</b>
<b>Cash and cash equivalents at the end of year</b>	¥	<b>667,152</b>	¥	<b>776,464</b>

Note:

The Condensed Consolidated Statements of Cash Flows are not required to be included under the Companies Act, and are included solely for the convenience of shareholders.

## Notes to Consolidated Financial Statements (For the year ended March 31, 2018)

### Basic Significant Matters Regarding Preparation of Consolidated Financial Statements

1. Accounting standards of consolidated financial statements	The consolidated financial statements including consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of changes in equity have been prepared on the basis of International Financial Reporting Standards ("IFRSs"), in compliance with Article 120, paragraph 1 of the Company Accounting Regulations. In compliance with the second sentence of the same paragraph, certain disclosures required on the basis of IFRSs are omitted.
2. The scope of the consolidation	
Number of consolidated subsidiaries	654
Names of principal consolidated subsidiaries	Sumitomo Corporation of Americas SCSK Corporation
3. The application of equity method	
Number of associated companies	293
Names of principal associated companies	Sumitomo Mitsui Finance and Leasing Company, Limited Jupiter Telecommunications Co., Ltd.
4. Significant accounting principles	
(1) Valuation basis and method for assets	
(A) Valuation basis and method for financial assets	The Company and its subsidiaries (the "Companies") apply International Financial Reporting Standard No. 9 <i>Financial Instruments</i> ("IFRS 9").
Financial assets measured at amortized cost	Financial assets measured at amortized cost are initially measured at fair value (plus directly attributable transaction costs). Subsequently, the carrying amount of the financial assets measured at amortized cost is calculated using the effective interest method, less impairment loss when necessary. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate, and recognized in profit or loss.
Financial assets which are measured at fair value through profit or loss ("FVTPL")	Financial assets other than equity instruments that do not meet the conditions about amortized cost are measured at FVTPL. Equity investments are measured at fair value with gains or losses on re-measurement recognized in profit or loss unless the Companies make an irrevocable election to measure equity investments at fair value through other comprehensive income on initial recognition. Financial assets measured at FVTPL are initially measured at fair value and transaction costs are recognized in profit or loss when they occur.
Financial assets which are measured at fair value through other comprehensive income ("FVTOCI")	Financial assets measured at FVTOCI are initially measured at their fair value (including directly attributable transaction costs). Subsequently, they are measured at fair value, and gains and losses arising from changes in fair value are recognized in other comprehensive income and presented as "Financial assets measured at fair value through other comprehensive income" in other components of equity. The amount of other components of equity is transferred directly to retained earnings, not to profit or loss, when the equity investment is derecognized or the decline in its fair value compared to its acquisition cost is significant and other-than-temporary. However, dividends on financial assets measured at FVTOCI are recognized in profit or loss as finance income.
(B) Valuation basis and method for non-financial assets	
Inventories	Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated costs of completion and the estimated costs necessary to make the sale. Inventories acquired with the purpose of generating profits from short-term fluctuations in price are measured at fair value less costs to sell, and changes in fair value are recognized in profit or loss. The cost of inventories other than acquired with the purpose of generating profits from short-term fluctuations in price is determined based on either specific identification basis when inventories are not ordinarily interchangeable, or mainly moving average basis when inventories are ordinarily interchangeable.
Property, plant, equipment and investment property	Property, plant, equipment and investment property are measured at cost less any accumulated depreciation and accumulated impairment losses.
Intangible assets	Intangible assets are measured at cost less any accumulated amortization and accumulated impairment losses.

Impairment	<p>At the end of each reporting period, the carrying amounts of non-financial assets, excluding inventories, biological assets and deferred tax assets, are assessed whether there is any indication of impairment. If any such indication exists, the recoverable amount of the non-financial asset is estimated.</p> <p>Regarding goodwill and intangible assets with indefinite useful lives, and intangible assets not yet available for use, the recoverable amount is estimated at the same time every year.</p>
(2) Non-current assets held for sale	<p>If the carrying amount of non-current assets or disposal groups will be recovered principally through a sale transaction rather than through continuing use, the Company classifies such non-current assets or disposal groups as held for sale, and reclassifies them into current assets.</p> <p>Non-current assets or disposal groups classified as held for sale are measured at the lower of their carrying amount of fair value less costs to sell.</p>
(3) Depreciation and amortization method of assets	
(A) Property, plant and equipment	<p>Buildings, leasehold improvements, machinery and equipment Mining rights</p> <p>Depreciation is principally computed by the straight-line method. Depreciation is computed by the unit-of-production method.</p>
(B) Intangible assets except goodwill	<p>Amortization is computed by the straight-line method.</p>
(C) Investment property	<p>Depreciation is principally computed by the straight-line method.</p>
(4) Provisions	<p>Provisions are recognized when the Companies have present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations. Provisions are discounted to their present value using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.</p>
(5) Defined benefit plans	<p>The Companies' net defined benefit obligations are calculated separately for each plan by estimating the future amount of benefit that employees have earned in exchange for their service for the previous years. The benefits are discounted to determine the present value, and fair value of plan assets is deducted. When plan amendments are made, the change in defined benefit obligations related to past service by employees is recognized in profit or loss immediately.</p> <p>The Companies recognize remeasurements of the net defined benefit liability (asset) in other comprehensive income and immediately reclassify them from other components of equity to retained earnings.</p>
(6) Derivatives including hedge accounting	<p>At the initial designation of the hedging relationship, the Companies document the relationship between the hedging instrument and the hedged item, along with their risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed.</p> <p>At the inception of the hedge and on an ongoing basis, the Companies assess whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated.</p> <p>To qualify as a cash flow hedge of a forecast transaction, the transaction must be highly probable. Derivatives are initially recognized at fair value with transaction costs recognized in profit or loss when they occur. Subsequently derivatives are measured at fair value, and gains and losses arising from changes in the fair values are accounted for as follows:</p>
(A) Fair value hedges	<p>The changes in the fair value of the hedging instrument are recognized in profit or loss. The carrying amounts of the hedged items are measured at fair value and the gains or losses on the hedged items attributable to the hedged risks are recognized in profit or loss.</p>
(B) Cash flow hedges	<p>When derivatives are designated as hedging instrument to hedge the exposure to variability in cash flows that are attributable to a particular risk associated with recognized assets or liabilities or a highly probable forecast transactions which could affect profit or loss, the effective portion of changes in the fair value of derivatives is recognized in other comprehensive income and included in cash flow hedges in the other components of equity. The balances of cash flow hedges are reclassified to profit or loss from other comprehensive income in the periods when the cash flows of hedged items affect profit or loss, in the same line items of the consolidated statement of comprehensive income as those of hedged items. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.</p>
(C) Hedges of a net investment in foreign operations	<p>Exchange differences arising from the retranslation of financial instruments designated as hedging instruments for a net investment in foreign operations are recognized in other comprehensive income to the extent that the hedge is effective, and are presented as "Exchange differences on translating foreign operations" in other components of equity.</p>
(7) Consumption tax	<p>Consumption tax is accounted for by the segregated method under which consumption tax is excluded from presentation of sales, cost of sales and expenses.</p>

**Notes to changes in accounting estimates**

The significant change in accounting estimate for the year ended March 31, 2018 is described in "Notes to Consolidated Statements of Comprehensive Income 1. Impairment loss".

**Notes to Consolidated Statements of Financial Position**

(Millions of yen)

## 1. Pledged assets and secured liabilities

Pledged assets		Secured liabilities	
Cash and deposits	82,977	Bonds, borrowings and others	253,118
Marketable securities and investments	185,709		
Trade and other receivables	335,881		
Inventories	21,681		
Property, plant and equipment	85,671		
Investment property	6,829		
Total	718,748	Total	253,118

## 2. Allowance for doubtful receivables directly deducted

from trade and other receivables

21,768 millions of yen

## 3. Assets classified as held for sale

Liabilities associated with assets classified as held for sale

On January 2, 2018, we concluded a definitive agreement regarding capital restructuring of TBC Corporation (100% owned subsidiary of Sumitomo Corporation of Americas) and its operation in a 50-50 joint venture, with Michelin North America Inc. As a result, related assets and liabilities were classified as held for sale at the end of this fiscal year. In addition, the deal was closed on April 5, 2018, as assignment of stock was completed after obtaining approvals from related authorities both domestically and internationally.

## 4. Tax receivables included in other current assets

34,253 millions of yen

## 5. Accumulated depreciation and impairment losses of property, plant and equipment

673,763 millions of yen

## 6. Accumulated depreciation and impairment losses of investment property

47,308 millions of yen

## 7. Guarantees of indebtedness

(Millions of yen)

Associated companies	82,892
Others	47,449
Total	130,341

**Notes to Consolidated Statements of Comprehensive Income**

## 1. Impairment loss

The significant impairment loss for the year ended March 31, 2018 is as follow.

The Company recognized the impairment loss of 15,069 millions of yen relating to Indonesian commercial bank PT. Bank Tabungan Pensiunan Nasional Tbk as a result of revising the long-term business plan.

The impairment loss is included in "Share of profit (loss) of investments accounted for using the equity method" in the Consolidated Statements of Comprehensive Income.

(Reference)

The significant impairment loss for the year ended March 31, 2017 was as follow.

Copper and molybdenum mining business in Chile 33,601 millions of yen

The impairment loss was included in "Share of profit (loss) of investments accounted for using the equity method" in the Consolidated Statements of Comprehensive Income.

## Notes to Consolidated Statements of Changes in Equity

1. Number of issued shares (Common shares)		1,250,602,867 shares
2. Dividends for the year ended March 31, 2018	<p>The year-end ordinary dividends were resolved in the ordinary general meeting of shareholders held on June 23, 2017 as follows:</p> <p>Total amount of dividends (yen) 31,206,679,375  Dividends per share (yen) 25  Record date March 31, 2017  Effective date June 26, 2017</p> <p>The interim dividends were resolved by the board of directors on November 6, 2017 as follows:</p> <p>Total amount of dividends (yen) 34,954,590,328  Dividends per share (yen) 28  Record date September 30, 2017  Effective date December 1, 2017</p>	
3. Dividends after March 31, 2018	<p>The year-end ordinary dividends will be resolved in the ordinary general meeting of shareholders held on June 22, 2018 as follows:</p> <p>Total amount of dividends (yen) 42,450,091,876  Source of dividends Retained earnings  Dividends per share (yen) 34  Record date March 31, 2018  Effective date June 25, 2018</p>	
4. Number of shares subject to new share acquisition rights authorized by the ordinary general meeting of shareholders or the board of directors	<p>In the ordinary general meeting of shareholders held on June 23, 2006 (Stock-Linked compensation plan) 6,000 shares</p> <p>In the ordinary general meeting of shareholders held on June 22, 2007 (Stock-Linked compensation plan) 14,400 shares</p> <p>In the ordinary general meeting of shareholders held on June 20, 2008 (Stock-Linked compensation plan) 29,700 shares</p> <p>In the ordinary general meeting of shareholders held on June 19, 2009 (Stock-Linked compensation plan) 57,100 shares</p> <p>In the ordinary general meeting of shareholders held on June 22, 2010 (Stock-Linked compensation plan) 83,600 shares</p> <p>In the ordinary general meeting of shareholders held on June 24, 2011 (Stock-Linked compensation plan) 80,300 shares</p> <p>In the ordinary general meeting of shareholders held on June 22, 2012 (Stock-Linked compensation plan) 113,900 shares</p> <p>In the ordinary general meeting of shareholders held on June 21, 2013 35,000 shares</p> <p>In the ordinary general meeting of shareholders held on June 21, 2013 (Stock-Linked compensation plan) 99,200 shares</p> <p>In the meeting of the board of directors held on July 31, 2014 68,000 shares</p> <p>In the meeting of the board of directors held on July 31, 2014 (Stock-Linked compensation plan) 110,500 shares</p> <p>In the meeting of the board of directors held on July 30, 2015 105,400 shares</p> <p>In the meeting of the board of directors held on July 30, 2015 (Stock-Linked compensation plan) 113,400 shares</p> <p>In the meeting of the board of directors held on August 1, 2016 163,000 shares</p> <p>In the meeting of the board of directors held on August 1, 2016 (Stock-Linked compensation plan) 169,500 shares</p> <p>In the meeting of the board of directors held on July 28, 2017 203,000 shares</p> <p>In the meeting of the board of directors held on July 28, 2017 (Stock-Linked compensation plan) 137,000 shares</p> <p>Total <u>1,589,000 shares</u></p>	

"Total" includes 867,700 shares for which the exercise period has not commenced at March 31, 2018.

## Notes to Financial Instruments

### 1. Qualitative information of financial instruments

The Companies' basic policy for fund raising activities is to secure stable, medium- to long-term funds and liquidity for our operations.

Marketable securities and other investments are mainly strategic investments in stocks and others issued by financial institutions, customers and suppliers. The Companies are exposed to equity price risk inherent in these securities. On a continuous basis, but no less frequently than at the end of each quarterly period, the Companies evaluate the cost basis of these securities for possible impairment.

Trade and other receivables are mainly accounts receivable and loans from customers. Credit risk of customers is managed through the credit line approved by management and by monitoring the credibility of counterparties periodically based on the internal credit rating model. On a continuous basis, but no less frequently than at the end of each quarterly period, the Companies make provisions for doubtful receivables based on assessments about the possibility of collection.

The Companies operate internationally, exposing them to the risk of changes in foreign exchange rates, interest rates and commodity prices. Derivative financial instruments are comprised principally of foreign exchange contracts, foreign currency swaps, interest rate swaps and commodity future contracts utilized by the Company and certain of its subsidiaries to reduce these risks. The Companies assess foreign currency exchange rate risk, interest rate risk and commodity price risk by continuously monitoring changes in these exposures and by evaluating hedging opportunities. The Companies hold or issue commodity derivatives for trading purposes.

Management has been monitoring liquidity risk by setting various worst case scenarios including financial market turmoil. The Companies secure necessary liquidity from the cash flows from operations and borrowing from financial institutions. The Companies deposit these funds at the highly creditable financial institutions.

### 2. Fair values of financial instruments

Carrying amounts of financial instruments, fair values and the differences as of March 31, 2018 are as follows:

#### Financial instruments measured at amortized cost

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Assets :			
Securities and other investments	6,523	6,523	—
Trade and other receivables	1,624,153	1,635,323	11,170
Liabilities :			
Bonds and borrowings	3,203,865	3,213,812	9,947
Trade and other payables	1,050,977	1,051,022	45

#### Financial instruments measured at fair value

	(Millions of yen)		
	Carrying amount	Fair value	Difference
Assets :			
Securities and other investments	457,679	457,679	—
Trade and other receivables	23,749	23,749	—
Other financial assets	147,099	147,099	—
Liabilities :			
Trade and other payables	91,788	91,788	—
Other financial liabilities	93,266	93,266	—

The fair values of financial assets and liabilities are determined as follows:

Quoted market prices, if available, are used as fair values of financial instruments. If quoted market prices are not available, fair values for such financial instruments are measured by using appropriate measurement techniques such as a discounted future cash flow method or others.

#### (1) Cash and cash equivalents, time deposits and marketable securities

The carrying amounts of these instruments approximate their fair value due to their short-term maturities.

#### (2) Other investments

The fair values of marketable securities are estimated using quoted market prices.

Fair values of unlisted investments in common stock are determined by discounted future cash flow method, valuation models based on revenue, profitability and net assets of investees, market values of comparable companies, and other valuation approaches.

#### (3) Trade and other receivables, trade and other payables

The fair values of current and non-current trade receivables and payables, except for loans with floating rates whose carrying amounts approximate fair value, are estimated by discounted future cash flow analysis, using interest rates currently being offered for loans or accounts receivables with similar terms to borrowers or customers of similar credit quality and remaining maturities.

#### (4) Bonds and borrowings

The fair values of bonds and borrowings, except for debt with floating rates whose carrying amount approximates fair value, are estimated by discounted future cash flow analysis using interest rates currently available for similar types of borrowings with similar terms and remaining maturities.

#### (5) Other financial assets, other financial liabilities

The fair values of interest rate swaps, currency swap agreements and currency option contracts are estimated by obtaining quotes from brokers and other appropriate valuation techniques based on information available to the Companies.

The fair values of foreign exchange forward contracts are estimated based on quoted market prices for contracts with similar terms.

The fair values of interest rate future contracts, bond future contracts, commodity forwards, futures and swap contracts are estimated by using quoted market prices and others.

**Notes to Investment Property**

1. Qualitative information of investment property

The Companies own office buildings for rent in Tokyo, and other areas.

2. Fair values of investment property

(Millions of yen)

Carrying amount	Fair value
278,026	327,930

Notes: 1. Investment property is measured at cost less any accumulated depreciation and accumulated impairment losses.

2. The fair value as of March 31, 2018 is based on valuation conducted by independent valuation appraisers having recent experience in the locations and categories of the investment property being valued and the appropriate and recognized professional qualifications, such as a registered appraiser. The valuation, which conforms to the standards of the country where the investment property is located, is based on market evidence of transaction prices for similar properties.

**Notes to per Share Information**

1. Equity per share attributable to owners of the parent

2,048.93 yen

2. Earnings per share attributable to owners of the parent

247.13 yen

**Note to Significant Subsequent Events**

There are no significant subsequent events to be disclosed.

Note : Consolidated results' amounts in millions of yen are rounded to the nearest million.

# Non-consolidated Balance Sheets

Sumitomo Corporation

[Prepared on the basis of accounting principles generally accepted in Japan]

(Unit: millions of yen)

Assets	As of March 31, 2018	As of March 31, 2017	Liabilities and net assets	As of March 31, 2018	As of March 31, 2017
<b>Current assets</b>	<b>1,437,601</b>	<b>1,533,854</b>	<b>Current liabilities</b>	<b>1,152,763</b>	<b>1,165,461</b>
Cash and deposits	210,499	188,213	Notes payable, trade	10,219	9,653
Notes receivable, trade	18,313	16,061	Accounts payable, trade	473,747	457,831
Accounts receivable, trade	484,361	480,535	Short-term loans	242,116	239,070
Marketable securities	57,034	211,006	Commercial paper	17,000	-
Merchandise	104,820	102,319	Bonds and notes (Due within one year)	15,000	35,000
Real estate held for development and resale	122,151	96,097	Accrued expenses	18,605	17,415
Advances to suppliers	197,072	162,405	Income taxes	621	942
Prepaid expenses	15,291	14,815	Advances from customers	197,656	184,417
Short-term loans receivable	109,206	118,452	Deposits received	149,959	188,305
Deferred tax assets	4,145	4,139	Deferred income	1,033	1,368
Other current assets	115,504	140,509	Other current liabilities	26,803	31,456
Allowance for doubtful receivables	(800)	(700)			
<b>Fixed assets</b>	<b>2,790,178</b>	<b>2,618,739</b>	<b>Long-term liabilities</b>	<b>1,967,313</b>	<b>2,025,005</b>
Tangible fixed assets, at cost less accumulated depreciation	256,333	260,069	Long-term loans	1,606,050	1,731,372
Buildings	53,426	58,247	Bonds and notes	318,058	250,000
Other structures	1,128	1,271	Other long-term liabilities	43,204	43,632
Machinery and equipment	576	649			
Vehicles and transportation equipment	214	197	<b>Total liabilities</b>	<b>3,120,076</b>	<b>3,190,466</b>
Furniture and fixtures	2,961	2,850			
Land	192,755	193,032	<b>Shareholders' equity</b>	<b>959,146</b>	<b>831,931</b>
Construction in progress	5,270	3,821	Common stock	219,278	219,278
Intangible fixed assets	14,571	14,038	Capital surplus	230,430	230,412
Software	8,762	8,219	Additional paid-in capital	230,412	230,412
Other intangible fixed assets	5,809	5,819	Other capital surplus	17	-
Investments and other assets	2,519,273	2,344,630	Retained earnings	512,201	385,352
Investment securities	370,059	346,968	Appropriated for legal reserve	17,696	17,696
Investment securities in subsidiaries and associated companies	1,421,024	1,340,000	Other retained earnings	494,504	367,656
Other investment securities in subsidiaries and associated companies	1,249	5,066	General reserve	65,042	65,042
Other equity interests	7,633	8,106	Retained earnings brought forward	429,462	302,613
Other equity interests in subsidiaries and associated companies	484,975	368,656	Treasury stock	(2,763)	(3,112)
Long-term loans receivable	165,683	178,978	<b>Difference of appreciation and conversion</b>	<b>147,360</b>	<b>129,094</b>
Long-term trade receivables, over due	20,391	109,674	Net unrealized holding gains on securities and others	146,907	134,721
Long-term prepaid expenses	46,731	52,572	Net deferred profits on hedges	452	(5,627)
Deferred tax assets	5,432	34,910	<b>New shares acquisition rights</b>	<b>1,196</b>	<b>1,101</b>
Other investments and assets	47,990	45,738			
Allowance for doubtful receivables	(51,899)	(146,044)	<b>Total net assets</b>	<b>1,107,703</b>	<b>962,127</b>
<b>Total assets</b>	<b>4,227,780</b>	<b>4,152,593</b>	<b>Total liabilities and net assets</b>	<b>4,227,780</b>	<b>4,152,593</b>

Note:

The Non-consolidated Balance Sheet as of March 31, 2017 is not required to be included under the Companies Act, and is included solely for the convenience of shareholders.

# Non-consolidated Statements of Income

## Sumitomo Corporation

[Prepared on the basis of accounting principles generally accepted in Japan]

(Unit : millions of yen)

	For the years ended March 31	
	2018	2017
Sales	2,816,180	2,523,023
Cost of sales	(2,674,380)	(2,400,136)
Gross trading profit	141,800	122,887
Selling, general and administrative expenses	(175,175)	(167,494)
Operating loss	(33,375)	(44,607)
Non-operating income	271,464	227,233
Interest income	15,798	12,278
Dividends	230,710	181,694
Gain on sale of investment securities	13,504	27,325
Reversal of provision for bad debts reserve of affiliates and others	5,332	-
Other non-operating income	6,118	5,934
Non-operating expense	(29,877)	(80,770)
Interest expense	(9,727)	(8,887)
Loss on sale of investment securities	(714)	(1,876)
Valuation loss on investment securities	(9,466)	(57,013)
Provision for bad debts reserve of affiliates and others	-	(8,741)
Other non-operating expense	(9,969)	(4,250)
Ordinary income	208,211	101,855
Extraordinary gain	2,085	72
Gain on sale of fixed assets	2,085	72
Extraordinary loss	(295)	(2,375)
Loss on sale of fixed assets	(295)	(2,375)
Net income before income taxes	210,001	99,552
Income taxes-current	4,600	7,300
Income taxes-deferred	(21,592)	5,100
Net income	193,009	111,952

Note:

The Non-consolidated Statement of Income for the year ended March 31, 2017 is not required to be included under the Companies Act, and is included solely for the convenience of shareholders.

## Non-consolidated Statements of Changes in Shareholders' Equity

Sumitomo Corporation

[Prepared on the basis of accounting principles generally accepted in Japan]

For the year ended March 31, 2018

(Unit: millions of yen)

	Shareholders' equity										Difference of appreciation and conversion			New share acquisition rights	Total net assets
	Common stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities and others	Net deferred profits on hedges	Total difference of appreciation and conversion			
		Additional paid-in capital	Other capital surplus	Total capital surplus	Appropriated for legal reserve	Other retained earnings							Total retained earnings		
						General reserve	Retained earnings brought forward								
Balance, beginning of year	219,278	230,412	-	230,412	17,696	65,042	302,613	385,352	(3,112)	831,931	134,721	(5,627)	129,094	1,101	962,127
Changes in the year															
Cash dividends							(66,161)	(66,161)		(66,161)					(66,161)
Net income							193,009	193,009		193,009					193,009
Acquisition of treasury stock									(6)	(6)					(6)
Disposal of treasury stock			17	17					356	373					373
Changes of items other than shareholders' equity (Net)										-	12,186	6,079	18,265	95	18,361
Total Changes in the year	-	-	17	17	-	-	126,848	126,848	349	127,215	12,186	6,079	18,265	95	145,576
Balance, end of year	219,278	230,412	17	230,430	17,696	65,042	429,462	512,201	(2,763)	959,146	146,907	452	147,360	1,196	1,107,703

For the year ended March 31, 2017

(Unit: millions of yen)

	Shareholders' equity										Difference of appreciation and conversion			New share acquisition rights	Total net assets
	Common stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities and others	Net deferred profits on hedges	Total difference of appreciation and conversion			
		Additional paid-in capital	Other capital surplus	Total capital surplus	Appropriated for legal reserve	Other retained earnings							Total retained earnings		
						General reserve	Retained earnings brought forward								
Balance, beginning of year	219,278	230,412	-	230,412	17,696	65,042	253,098	335,837	(3,343)	782,185	105,022	(14,313)	90,708	1,056	873,950
Changes in the year															
Cash dividends							(62,406)	(62,406)		(62,406)					(62,406)
Net income							111,952	111,952		111,952					111,952
Acquisition of treasury stock									(3)	(3)					(3)
Disposal of treasury stock							(30)	(30)	234	204					204
Changes of items other than shareholders' equity (Net)										-	29,699	8,686	38,386	44	38,430
Total Changes in the year	-	-	-	-	-	-	49,515	49,515	231	49,746	29,699	8,686	38,386	44	88,176
Balance, end of year	219,278	230,412	-	230,412	17,696	65,042	302,613	385,352	(3,112)	831,931	134,721	(5,627)	129,094	1,101	962,127

Note:

The Non-consolidated Statement of Changes in Shareholders' Equity for the year ended March 31, 2017 is not required to be included under the Companies Act, and is included solely for the convenience of shareholders.

## Notes to Non-consolidated Financial Statements (For the year ended March 31, 2018)

### Significant Accounting Principles

#### 1. Valuation basis and method for assets

##### (1) Valuation basis and method for securities

Trading securities

Stated at fair value. The cost of securities sold is determined based on the average cost of all shares of such security held at the time of sale.

Held to maturity securities

Stated at amortized cost

Other securities

- Marketable securities

Stated at fair value based on quoted market prices and others at the end of the fiscal year. Unrealized holding gains and losses are excluded from earnings and reported in a separate component of net assets. The cost of securities sold is determined based on the average cost of all shares of such security held at the time of sale.

- Non-marketable securities

Stated at average cost

Investment securities in subsidiaries and associated companies

Stated at average cost

##### (2) Valuation basis and method for derivatives

Stated at fair value

##### (3) Valuation basis and method for inventories

Inventories held for ordinary transaction

Stated at cost based on moving average basis or specific identification basis (book-value is stated lower according to the decline of profitability)

Inventories held for trading purpose

Stated at fair value

#### 2. Depreciation method of fixed assets

##### (1) Tangible fixed assets

Tangible fixed assets acquired before April 1, 2007

Depreciation is computed by the straight-line method under pre-revised Corporate Tax Law.

Tangible fixed assets acquired on and after April 1, 2007

Depreciation is computed by the straight-line method.

##### (2) Intangible fixed assets

Depreciation is computed by the straight-line method.

Depreciation of internal-use software is based on the estimated useful life in the Company (5years).

#### 3. Allowance and provisions

##### (1) Allowance for doubtful receivables

An allowance for doubtful receivables is maintained at the level which is adequate to provide for probable losses that can be reasonably estimated.

As for the general receivables, an allowance is computed based on internal credit rating system.

As for the specific receivables, an allowance is computed based on the specific probability of uncollectibility.

##### (2) Accrued pension and severance liabilities

Accrued pension and severance liabilities are to be recognized based upon the estimated benefit obligation and the fair value of plan assets for postretirement benefits.

Since the fair value of plan assets for postretirement benefits exceeds benefit obligation, no accrued pension and severance liabilities were recognized as of March 31, 2018.

Estimated retirement benefits are attributed to periods of service under the plan's benefit formula.

Past service costs are recognized over 12 years which is within average remaining service period (straight line).

Unrecognized actuarial losses are recognized over 12 years which is within average remaining service period (straight line).

#### 4. Deferred charges

All items which may be deferred under the Companies Act are charged to earnings when incurred.

#### 5. Hedge accounting

Gains or losses on derivatives are principally deferred until realization of the designated hedged items. Interest rate swaps are not remeasured at fair value, but the differential paid or received under the swap contracts are recognized on an accrual basis and included in interest expense or income to the extent that their nominal amounts, conditions of interest receipts or payments and contractual periods are almost the same as hedged items.

#### 6. Consumption tax

Consumption tax is accounted for by the segregated method under which consumption tax is excluded from presentation of sales, cost of sales and expenses.

#### 7. Other

The Company adopted a consolidated taxation system.

**Notes to Non-consolidated Balance Sheets**

## 1. Pledged assets and secured liabilities

(Millions of yen)

Pledged assets		Secured liabilities	
Land	354	Other long-term liabilities and others	1,696
Investment securities	14,882		
Investment securities in subsidiaries and associated companies	101,604		
Total	116,841	Total	1,696

2. Accumulated depreciation of tangible fixed assets 70,998 millions of yen

## 3. Guarantees of indebtedness

(Millions of yen)

(1) Subsidiaries and associated companies	472,539
(2) Others	37,323
Sub-total	509,862
(3) Keep-well agreement on subsidiaries' financing arrangements	346,043
Total	855,906

4. Discounted trade notes receivable with banks 52,628 millions of yen

## 5. Monetary receivables and payables to subsidiaries and associated companies

Short-term monetary receivables	394,032 millions of yen
Short-term monetary payables	281,864 millions of yen
Long-term monetary receivables	179,202 millions of yen
Long-term monetary payables	11,954 millions of yen

**Notes to Non-consolidated Statements of Income**

## 1. Operating transactions with subsidiaries and associated companies

Sales	977,264 millions of yen
Purchases	391,305 millions of yen

## 2. Non-operating transactions with subsidiaries and associated companies

303,963 millions of yen

**Note to Non-consolidated Statements of Changes in Shareholders' Equity**

Number of treasury stock (Common shares)	Balance, beginning of year	2,333,692 shares
	Decrease due to sale through exercise of stock options	224,700 shares
	Decrease due to stock exchange agreement	42,187 shares
	Increase due to purchase of less-than-one-voting-unit shares and others	3,948 shares
	Balance, end of year	<u>2,070,753 shares</u>

**Notes to Deferred Income Tax**

1. Significant components of deferred tax assets Valuation loss on investment securities, provision for bad debts reserve and others.
2. Significant components of deferred tax liabilities Net unrealized holding gains on securities, securities contributed to the Trust and others.

**Notes to Related Party Transactions**

(Millions of yen)

Category	Name of company	Proportion of voting power	Relationship with related party	Transactions	Transaction amount	Account name	As of March 31, 2018
Subsidiary	SUMMIT AMBATO VY MINERAL RESOURCES INVESTMENT BV	Directly held 100%	Loan of funds	Loan of funds <sup>(Note 1)</sup>	—	Short-term loans	21,615
				Interest received <sup>(Note 1)</sup>	3,868	Long-term loans	23,099
			Guarantee of indebtedness	Guarantee of indebtedness <sup>(Note 2)</sup>	52,752	—	—
				Receipt of guarantee fee <sup>(Note 2)</sup>	1,648	—	—
Subsidiary	SWORDUS IRELAND HOLDING LIMITED	Indirectly held 100%	Loan of funds	Loan of funds <sup>(Note 1)</sup>	—	Long-term loans	72,393
				Interest received <sup>(Note 1)</sup>	3,656	—	—

Transaction terms and policy

- Notes: 1. The interest rates are determined by considering market rates.  
2. The rate of the guarantee fee is determined by considering the creditworthiness and other factors.

**Notes to per Share Information**

1. Net assets per share 886.25 yen
2. Net income per share 154.61 yen

**Note to Significant Subsequent Events**

There are no significant subsequent events to be disclosed.

Note : Non-consolidated results' amounts in millions of yen are rounded down to the nearest million.

## **Independent Auditor's Report**

May 14, 2018

The Board of Directors  
Sumitomo Corporation

KPMG AZSA LLC

Masahiro Mekada (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Atsuji Maeno (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Isao Kamizuka (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the related notes of Sumitomo Corporation as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 444-4 of the Companies Act.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above, which were prepared in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, present fairly, in all material respects, the financial position and the results of operations of Sumitomo Corporation and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## **Independent Auditor's Report**

May 14, 2018

The Board of Directors  
Sumitomo Corporation

KPMG AZSA LLC

Masahiro Mekada (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Atsuji Maeno (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Isao Kamizuka (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity and the related notes, and the supplementary schedules of Sumitomo Corporation as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 436-2-1 of the Companies Act.

### **Management's Responsibility for the non-consolidated Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in order to

design audit procedures that are appropriate in the circumstances, while the objective of the non-consolidated financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Sumitomo Corporation for the period, for which the non-consolidated financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

# Audit Report by the Audit & Supervisory Board

[English translation of the Audit & Supervisory Board Members' report originally issued in the Japanese language]

## Audit Report

In accordance with each Audit & Supervisory Board Member's audit report and due deliberation, we, the Audit & Supervisory Board, have made this audit report regarding the Company's Directors' execution of their duties during the 150th fiscal year from April 1, 2017 to March 31, 2018 as follows:

### 1. Details of the Audit by Each Audit & Supervisory Board Member and the Audit & Supervisory Board

(1) The Audit & Supervisory Board has established the policies of audit, the manner of dividing roles, etc., and in addition to receiving reports on the status of audit and its results from each Audit & Supervisory Board Member, we received reports from the Directors, etc. and the Accounting Auditor regarding the execution of their duties, and asked them for explanations as necessary.

(2) Each Audit & Supervisory Board Member, in accordance with the standard concerning the Audit & Supervisory Board Member's audit, the policies of audit and the manner of dividing roles, which were established by the Audit & Supervisory Board, promoted communications with the Directors and Internal Auditing Department and other employees, strove to collect information and to enhance the environment for auditing, and conducted the audit by the following methods:

- (i) Each Audit & Supervisory Board Member attended important meetings such as the Meeting of the Board of Directors, received reports from Directors and employees, etc. regarding the execution of their duties, asked them for explanations as necessary, inspected important internal authorization documents and examined the status of operations and the financial status at the head office and important operating locations. As for subsidiaries, each Audit & Supervisory Board Member promoted communication and exchange of information with directors and audit & supervisory board members, etc. of the subsidiaries, and received reports on the subsidiaries' business as necessary.

On the details of the Board of Directors' resolution regarding the development of systems necessary to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems prescribed by the Article 100, Paragraphs 1 and 3 of the Enforcement Regulations promulgated under the Companies Act as systems necessary to ensure the properness of operations of the Company and operations of group of enterprises consisting of the Company and its subsidiaries, which is stated in the business report, and the system that is established in accordance with such resolution (the "Internal Control System"), each Audit & Supervisory Board Member received regular reports from Directors and employees, etc. regarding the status of the development and implementation of the Internal Control System, asked them for explanations as necessary, and stated opinions. As for internal controls over financial reporting, each Audit & Supervisory Board Member received reports from the Directors, etc. and KPMG AZSA LLC regarding the evaluation and the status of audit on such internal controls, and asked them for explanations as necessary.

- (ii) Each Audit & Supervisory Board Member monitored and followed up on whether the Accounting Auditor has retained its independent position and has conducted its audit in an adequate manner, and received reports from the Accounting Auditor regarding the execution of its duties, and asked the Accounting Auditor for explanations as necessary. In addition, each Audit & Supervisory Board Member received notice from the Accounting Auditor that the "System to Ensure the Execution of Duties is Conducted in an Appropriate Manner (the matters set forth in each item of Article 131 of the Enforcement Regulations Regarding Accounting promulgated under the Companies Act)" is established under the "Quality Control Standard Regarding Audit (by the Business Accounting Council, October 28, 2005)," and asked the Accounting Auditor for explanations as necessary.

By the methods set forth above, we inspected this fiscal year's business report and its supporting schedules, non-consolidated financial statements (non-consolidated balance sheet,

non-consolidated statement of income, non-consolidated statement of changes in shareholders' equity and notes to the non-consolidated financial statements) and their supporting schedules, and the consolidated financial statements (consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity and notes to the consolidated financial statements).

## 2. Results of Our Audit

### (1) Results of the Audit regarding the Business Report, etc.

- (i) We consider that the business report and its supporting schedules comply with the applicable laws and regulations and with the Articles of Incorporation of the Company and that they present fairly the status of the Company.
- (ii) There is no serious violation of any applicable laws and regulations or of the Articles of Incorporation of the Company concerning the Directors' execution of their duties.
- (iii) We consider the contents of the business report and the Board of Director's resolution regarding the Internal Control System to be proper. Furthermore, there is no matter that requires comment, regarding the Directors' execution their duties concerning the Internal Control System including internal controls over financial reporting.

### (2) Results of the Audit regarding the Non-consolidated Financial Statements and their Supporting Documents

We consider the method and results of the audit conducted by the Accounting Auditor, KPMG AZSA LLC, to be proper.

### (3) Results of the Audit regarding the Consolidated Financial Statements

We consider the method and results of the audit conducted by the Accounting Auditor, KPMG AZSA LLC, to be proper.

May 15, 2018

The Audit & Supervisory Board  
Sumitomo Corporation

Takuro Kawahara (Seal)  
Senior Audit & Supervisory  
Board Member(full-time)  
Nobuhiko Yuki (Seal)  
Audit & Supervisory Board Member(full-time)

Haruo Kasama (Seal)  
Audit & Supervisory Board Member

Toshio Nagai (Seal)  
Audit & Supervisory Board Member

Yoshitaka Kato (Seal)  
Audit & Supervisory Board Member

Note: Haruo Kasama, Toshio Nagai and Yoshitaka Kato are Outside Audit & Supervisory Board Members stipulated by Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act.

\* \* \*

## **(Reference) Sumitomo Corporation Group's Management Principles**

Based on Sumitomo's Business Philosophy, which was devised 400 years ago, Sumitomo Corporation established the following Management Principles in 1998. By sharing the values presented in the Management Principles across Sumitomo Corporation Group to materialize them in specific business activities, we aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.

### **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

### **Sumitomo's Business Philosophy**

Sumitomo's Business Philosophy, which is the basis of our Management Principles, has been handed down through many generations for over 400 years in Sumitomo's businesses, based on the Founder's Precepts "Monjuin Shiigaki," which Masatomo Sumitomo (1585-1652), the founder of the Sumitomo family, wrote and passed on to describe how a merchant should conduct business. The basic points of Sumitomo's Business Philosophy have been embodied in the form of the following two articles on the Business Principles:

#### *Business Principles*

*Article 1. Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.*

*Article 2. Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.*

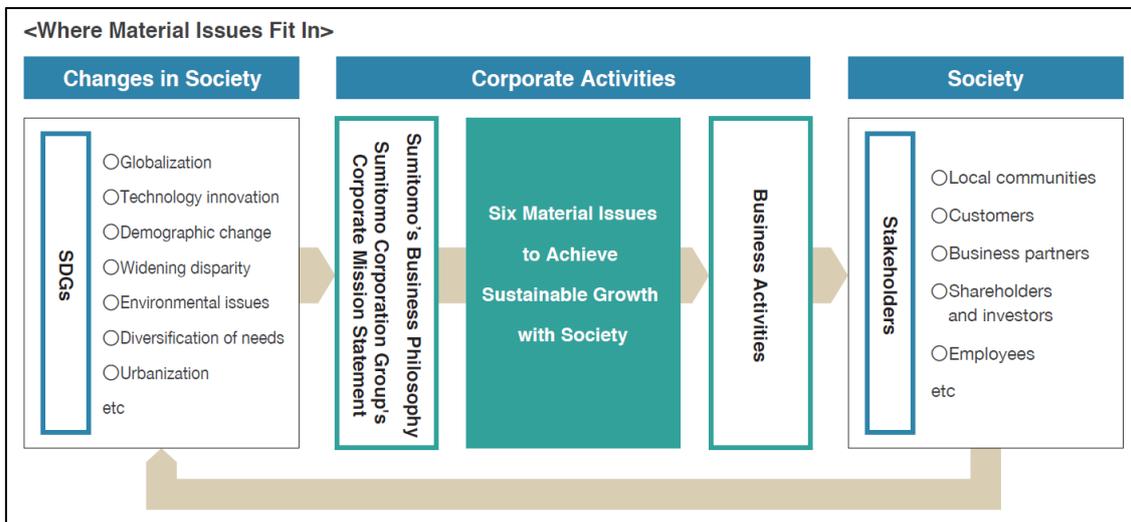
Article 1 emphasizes the utmost importance of integrity and sound management in the business, while Article 2 advocates the importance of having an enterprising spirit to generate profits quickly and faithfully while adapting to a changing society, and improving business operations while avoiding the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

Several other credos are also contained in Sumitomo's Business Philosophy. One example is: "Benefit for self and others, private and public interests are one and the same." To put it another way, Sumitomo's business, while benefiting Sumitomo, must also benefit the nation and benefit society. This represents the corporate vision that the Sumitomo Corporation Group as a whole must pursue at all times.

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

**(Reference) Sumitomo Corporation Group’s Material Issues**

With growing expectations for businesses to play a role in addressing social issues, as well as the movement towards environment, society, and governance (ESG) factors having influence on the evaluation of and investment in businesses, in April 2017, Sumitomo Corporation identified its “Six Material Issues to Achieve Sustainable Growth with Society,” a set of issues that it should prioritize addressing through its business activities taking advantage of its strengths, based on Sumitomo’s Business Philosophy and the Sumitomo Corporation Group’s Management Principles <sup>1</sup>.



Note: SDGs is an abbreviation for Sustainable Development Goals comprising 17 goals encompassing global challenges to be achieved by 2030. These goals were embraced by all 193 UN member states at a UN General Assembly held in 2015.

Positioning these material issues as an important factor in developing business strategies and in the decision-making process for individual businesses, Sumitomo Corporation will address the issues through its business activities for sustainable growth.

<sup>1</sup> Please see page 102 on Sumitomo Corporation Group’s Management Principles.

## [Six Material Issues to Achieve Sustainable Growth with Society]

### **- Achieving Harmony with the Global Environment**

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

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

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

### **- Establishing a Foundation for Comfortable and Excitingly Enriching Lifestyles**

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

### **- Providing Diverse “Accessibility”**

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

### **- Developing Human Resources and Promoting Diversity**

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

### **- Enhancing Governance**

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

## **(Reference) Principles and Policies Supporting Corporate Activities**

We have established our own principles and policies while respecting international conduct standards. In accordance with these principles, policies and standards, we are addressing the Six Material Issues to Achieve Sustainable Growth with Society.

### Environment

- Environmental Policy
- ISO 14001 Management System Certification

### Society

- Human Resource Management Policy
- Work-Life Management Policy and Action Policies
- CSR Action Guidelines for Supply Chain Management
- Support for the UN Global Compact's 10 Principles
- Basic Principles on Social Contribution Activities

### Governance

- Corporate Governance Principles
- Compliance Guiding Principles
- Risk Management Basic Policy
- Corporate Disclosure Policy
- Information Security Policy
- Privacy Policy

## **(Reference) Overview of Sumitomo Corporation's Corporate Governance Efforts <sup>1</sup>**

### **1. Corporate Governance Principles**

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

### **2. Corporate Governance System and Characteristics**

We have adopted an audit & supervisory board member system believing that the most legitimate means of improving the effectiveness of our corporate governance is to enhance and reinforce our corporate auditing framework. More than half of our Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members who are legal or accounting experts, ensuring an auditing system that incorporates a diversity of perspectives. In addition, two or more Outside Directors who have a wealth of experience, high degree of specialized knowledge and expertise in different fields are elected, so that through their diverse perspectives they can help ensure appropriate decision-making in board meetings and to reinforce the oversight function. We believe that we can better achieve the ultimate goals of corporate governance—"improving management efficiency," "maintaining sound management" and "ensuring management transparency"—by having independent Outside Directors and Outside Audit & Supervisory Board Members and reinforcing supervisory and monitoring function of management oversight.

### **3. Framework for "Improving Management Efficiency" and "Maintaining Sound Management"**

#### **(1) Directors and the Board of Directors**

##### **(A) Improvement of Deliberation and Enhancement of Monitoring Function at the Board of Directors**

We carefully select agenda items requiring discussion by the Board of Directors so that the Board of Directors can concentrate on the deliberation of important matters regarding company-wide management such as the business policy and management plan. At the same time, we have enriched the matters to be reported to the Board of Directors so that it can

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<sup>1</sup> Specifics of the corporate governance systems of the Company, including the number of Directors and Corporate Audit & Supervisory Board Members(including Outside Directors and Audit & Supervisory Board Members), are as of March 31, 2018.

concentrate more on supervising execution of operations, with the aim of enhancing its monitoring function.

**(B) Term of Directors**

The term of Directors is one year. We aim to clarify the responsibility of management among members of management each fiscal year. This, in turn, helps ensure quick and fast reaction to changes in business conditions.

**(C) Limits on the term of Office of the Chairman of the Board of Directors and the President and Chief Executive Officer**

In principle, both the Chairman of the Board of Directors and the President and Chief Executive Officer are appointed in order to ensure mutual supervision, and both positions cannot be held simultaneously by the same person. In principle, the Chairman of the Board of Directors and the President and Chief Executive Officer are each limited to terms of up to six years. These limitations on the tenure of top management help eliminate the risk of governance problems occurring as a result of the top management not being changed over for a long period of time.

**(D) Establishment of the Advisory Body to the Board of Directors**

We have established the Nomination and Remuneration Advisory Committee (chaired by an Outside Director) as an advisory body of the Board of Directors for which the majority of members are Outside Directors. The Nomination and Remuneration Advisory Committee conducts deliberation with regard to into the selection standards for Directors and Audit & Supervisory Board Members, the nomination of candidates for Directors (including Outside Directors), Audit & Supervisory Board Members and members of the Management Council (including the nomination of successors to the President), the structure and level of remuneration and bonuses of Directors and Executive Officers and remuneration of Audit & Supervisory Board Members, while reporting upon the results of those deliberation to the Board of Directors.

**(E) Election of Outside Directors**

Three Outside Directors are elected in order to ensure appropriate decision-making in board meetings and to reinforce the oversight functions through diverse perspectives<sup>2</sup>. They all meet the standards related to independence set by the Tokyo Stock Exchange and other exchanges, and the Standards for Independence set by Sumitomo Corporation.

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<sup>2</sup> In the event Proposition 3 is resolved in its original form at the General Meeting of Shareholders, the number of Outside Directors will become five.

## **Evaluation of the Board of Directors**

To maintain and enhance the effectiveness of the Board of Directors, each year Directors and Audit & Supervisory Board Members engage in analysis and evaluation of the Board's effectiveness through self-evaluation and other methods, followed by the disclosure of overviews of those results. An overview of the Board of Directors' effectiveness evaluation and the results of such evaluation for Fiscal 2016, as well as major initiatives adopted in Fiscal 2017 are as follows.

### **1. Evaluation Methods**

#### **(1) Evaluated Person**

All 13 Directors and 5 Audit & Supervisory Board Members

#### **(2) Implementation method**

Questionnaire survey conducted during March and April of 2017 (anonymous).

\* Used a third party (external consultant) for the actual implementation.

#### **(3) Evaluation Items**

(i) Roles and responsibilities of the Board of Directors

(ii) Composition of the Board of Directors

(iii) Roles and qualifications of the Director

(iv) Administration of the Board of Directors

#### **(4) Evaluation process**

The results of analysis based upon the questionnaire survey evaluated by a third party (external consultant) were reported to the Board of Directors, followed by studies of improvement measures for the issues brought to light.

### **2. Evaluation Results Overview**

Generally, positive results were received for all evaluation items. Comments were given that a variety of reforms aimed at realizing an effective Board of Directors have been implemented and these efforts are steadily producing results.

Meanwhile, there were recommendations to improve the quality of materials distributed at the Board meetings, and to encourage discussions among internal and outside directors .

### **3. Major Initiatives in Fiscal 2017 Addressing Board of Directors Evaluations for Fiscal 2016**

In consideration of the contents indicated in "2" above, a new glossary to explain technical terms and other information was prepared and distributed to all Directors and Audit & Supervisory Board Members. Upon deliberations of matters to be referred to and discussed at the Board of Directors, the contents of the discussions and arguments made at the Management Council were explained, along

with implementation of other improvement measures aimed at further raising the effectiveness of the Board of Directors. The Nomination and Remuneration Advisory Committee conducted deliberation regarding the standards for the directors and officer's remuneration system and their performance evaluations taking into consideration incentives for increase of corporate value over the medium- to long-term as well as sustained growth, with the decision rendered by the Board of Directors for revisions in the directors and officer's remuneration systems pursuant to the contents of the Committee's ensuing report. Going forward, initiatives will continue to be advanced in the interest of raising the effectiveness of the Board of Directors according to the PDCA cycle <sup>3</sup>.

## **(2) Audit & Supervisory Board Members and Audit & Supervisory Board**

### **(A) Enhancement of Corporate Auditing Framework**

To strengthen our oversight framework from an external perspective, we appoint Outside Audit & Supervisory Board Members as three out of the five members of the Audit & Supervisory Board, thereby ensuring an auditing system that incorporates a diversity of perspectives. They all meet the standards related to independence set by the Tokyo Stock Exchange and other exchanges, and the Standards for Independence set by Sumitomo Corporation.

### **(B) Ensuring Audit Effectiveness**

Audit & Supervisory Board Members attend meetings of the Board of Directors and all other important internal meetings, to obtain the information necessary for proper auditing. Audit & Supervisory Board Members also meet the Chairman of the Board of Directors and the President and Chief Executive Officer every month to exchange opinions on material issues regarding management policy and auditing.

### **(C) Collaboration with Internal Auditing Department and Accounting Auditors**

To ensure audit efficiency, Audit & Supervisory Board Members interact closely with the Internal Auditing Department, receiving reports on internal audit plans and their results in a timely manner. In addition, the Audit & Supervisory Board Members constantly work to improve audit efficiency and quality by, for example, exchanging information with and monitoring the auditing activities of the Accounting Auditors through regular meetings.

## **(3) Standards for Independence**

Standards for independence of Outside Directors and Outside Audit & Supervisory Board Members shall be prescribed in the Company's internal rules "Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members" (please

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<sup>3</sup> The PDCA cycle refers to advancing sustained improvements through repetition of the four stages of Plan (P), Do (D), Check (C) and Act (A).

refer to pages 29 and 30).

**(4) Management Council**

We have established the Management Council as a decision-making body that deliberates on and renders decisions regarding specific key matters related to management within the scope of its mandate from the Board of Directors.

**(5) Introduction of an Executive Officer System**

We have introduced an executive officer system with the aim of clarifying the responsibilities and authority for execution and strengthening the monitoring function of the Board of Directors.

**(6) Committees**

We have established committees including the Company Investment Committee, the Medium-term Management Plan Promotion Support Committee, the Internal Control Committee, and the Compliance Committee as advisory bodies for the President and Chief Executive Officer or the Management Council.

**(7) Senior Advisors, Honorary Advisors, etc.**

**(A) Appointment of former Presidents and Chief Executive Officers/Chairman of the Board of Directors as Senior Advisors or Honorary Advisors**

There are instances when former Presidents and Chief Executive Officers or the Chairman of the Board of Directors is appointed to serve as Senior Advisors, as well as cases where such individuals are appointed to serve as Honorary Advisors upon resigning as Senior Advisors.

**(B) Duties and Remuneration of Senior Advisors and Honorary Advisors**

Neither Senior Advisors nor Honorary Advisors engage in any execution of the Company's business or its management decision-making. To enable the President and Chief Executive Officer and the Chairman of the Board of Directors to concentrate on company management aimed at increasing corporate value, Senior Advisors act in place of the President and Chief Executive Officer and the Chairman of the Board of Directors and engage in external activities on a full-time basis, and are paid remuneration which commensurate with such duties. Honorary Advisors engage in external activities on a part-time basis as deemed necessary, and are likewise paid remuneration which commensurate with those duties.

**4. System for Ensuring Management Transparency**

**(1) Basic Policy on Information Disclosure**

To bring an accurate understanding of the Company's management policies and business activities to all our stakeholders, we strive to make full disclosure, not limiting ourselves to the

disclosure of information required by law but also encouraging the voluntary disclosure of information.

## **(2) Communicating with Shareholders and Other Investors**

### **(A) Measures relating to the General Meeting of Shareholders**

We send out a Notice of Convocation to shareholders approximately three weeks prior to each General Meeting of Shareholders. We also provide an English-language translation of the notice on our website in advance of sending a Notice of Convocation. We allow shareholders and investors sufficient time to thoroughly examine the propositions to be resolved at the Meeting by enabling them to exercise their voting rights via internet (including through the Electronic Voting Platform for institutional investors operated by Investor Communication Japan, Inc. [ICJ]). In addition, we stream video of the General Meeting of Shareholders on our website for a certain period following the close of the meeting.

### **(B) Disclosing Various Information**

Our corporate website provides various materials that may be useful in making investment decisions in a timely manner. These materials include financial results, *yukashoken houkokusho* (Japanese annual securities reports) and other Tokyo Stock Exchange filings as well as documents from company briefings. Moreover, we provide our Integrated Report and endeavor to ensure proactive disclosure.

### **(C) Investor Relations**

In order to ensure direct communication with shareholders and other investors, we hold quarterly meetings attended by top management to provide information on our financial results for analysts and institutional investors in Japan. Also, we periodically visit the United States, the United Kingdom, and other countries in Europe and Asia to hold one-on-one meetings with investors in each region. In addition, we regularly hold company briefings for individual investors in major cities throughout Japan. While increasing management transparency, we aim to strengthen our relationships of trust with shareholders and investors.

Further information regarding Sumitomo Corporation's corporate governance efforts is provided on our website: <https://www.sumitomocorp.com/en/jp/about/governance/detail>