



Sumitomo
Corporation

A close-up photograph of a young child with dark hair, wrapped in a white blanket. The child is looking upwards and to the left with a slight smile, showing their teeth. The background is a bright, hazy outdoor scene, possibly a field or beach.

To Achieve Prosperity and Realize
the Dreams of Our Stakeholders

Editorial Policy

The Sumitomo Corporation Group is constantly striving to create new values ahead of the changing times to achieve prosperity and realize the dreams of stakeholders. Serving as the foundation for these endeavors is the Sumitomo Business Spirit, which instructs us to place prime importance on integrity and sound management, and not to pursue easy gains or act imprudently.

Sumitomo Corporation Sustainability Report 2008 was compiled with the special goal of having our activities as an integrated trading company better understood by readers. Specifically, the CSR Performance section introduces the business activities of the Sumitomo Corporation Group that are carried out in many different corners of the world to contribute to sustainable development of the global community. The CSR Management section explains our internal management system and the efforts we are making to facilitate business activities that fulfill our social responsibilities.


For this edition, we invited Professor Scott Davis of Rikkyo University, an expert in CSR, to give us a third-party view on our report.

The Sumitomo Corporation Group considers this report an important medium of communication with our stakeholders. Feedback from readers that we receive through surveys and by other means is an important source of information that will be reflected in future editions. Your comments on this report would be greatly appreciated. Please email your comments to: environment-and-csr@sumitomocorp.co.jp.

Scope of the Report

- Period covered:
April 1, 2007 to March 31, 2008
- Organizations covered:
Sumitomo Corporation and the Sumitomo Corporation Group.
In this report, “the Sumitomo Corporation Group” and “the Group” refer to the entire organization of the Sumitomo Corporation Group. “Sumitomo Corporation” and “the Company” refer to the non-consolidated organization of Sumitomo Corporation.
- Publication Schedule:
Reports on environmental issues have been published annually since 1999, when the first Environmental Report was published. The title of the report was changed in 2003 to Social and Environmental Report, and in 2007 to Sustainability Report.
The previous edition was published in August 2007. The next edition is scheduled for August 2009.

Referenced guidelines

- GRI Sustainability Reporting Guidelines 2006. Global Reporting Initiative.
* Please refer to the following site for an index of the content.
 <http://www.sumitomocorp.co.jp/english/society/report.html>
- Environmental Reporting Guidelines, “Towards a Sustainable Society” (Fiscal 2007). Ministry of the Environment.
- Environmental Accounting Guidelines 2005. Ministry of the Environment.
- Charter of Corporate Behavior (May 18, 2004). Nippon Keidanren (Japan Business Federation).

* Disclaimer

This report describes the activities of the Sumitomo Corporation and its affiliates (i.e., the Sumitomo Corporation Group) at the current time and in the past, as well as predictions, forecasts and plans for the future. These predictions, forecasts and plans are hypotheses or decisions made based on the information available when the article was written, and therefore may include some levels of uncertainty. The results of business activities or occurrences in the future may differ from the predictions, forecasts and plans described in this report. Readers should recognize that the Sumitomo Corporation Group is not responsible for any such differences.

Contents

Message from the President and CEO	3
Business Spirit, Management Principles and Activity Guidelines	5
Core Competence	7
Company Information	8

CSR Performance

	Performance 1 Preventing Global Warming	
	Sumitomo Corporation's Approach to Realizing a Low-Carbon Society	11
	Performance 2 Challenges to the Development of Sustainable Resources	
	The Madagascar Ambatovy Project – A Venture for the Stable Supply of Rare Metals and Community Development	17
	Performance 3 Development of Overseas Industrial Parks Coexisting and Growing with the Local Community	
	Industrial Park Business Contributing to the Development of Southeast Asian Countries	23
	Performance 4 Optimizing Global Supply Chains	
	EMS Creates New Value Chains in the Electronics Industry	27

CSR Management

Corporate Governance	33
Risk Management	35
Internal Control Program and Internal Audit	37
Compliance	38
Human Resource Management	39
Management of Social Contribution Activities	43
Environmental Management	46

Third-Party Review/Response to the Third-Party Review	49
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To Achieve Prosperity and Realize the Dreams of Our Stakeholders



The global business of the Sumitomo Corporation Group has been progressing successfully. The financial results for the year ended March 2008, the first year of the GG Plan (the Group's current medium-term management plan), set out record profits for the fifth consecutive year. We have now entered the second year of the plan with favorable results.

The first half of fiscal 2008, in which Japan hosted two important world meetings, signify an important period for the country. In May, the Fourth Tokyo International Conference on African Development (TICAD IV) was held in Yokohama, and the G8 Hokkaido Toyako Summit was held in Toyako-cho, Hokkaido, in July. Discussions at these meetings focused on large-scale and important topics that all the nations of the world should address as a whole.

Problems emerging in Africa and other developing areas, including extreme poverty and the spread of infectious diseases, are being exacerbated by the recent hikes in food prices, leading to social disturbance and regional conflicts. The ever-accelerating changes in the global climate need immediate attention and action before we reach the point of no return.

What we can see in common between these issues is that

they need unfaltering and fearless actions by people who live at this point in time for the sake of the coming generations. In this regard, the steady development of the frameworks that have been put in place and the measures that have been taken by the United Nations and other organizations are of great significance for us all.

Achieving a Sustainable Society

The ultimate goal of the Sumitomo Corporation Group is to "achieve prosperity and realize dreams through sound business activities." Thus for the Group, corporate social responsibility (CSR) means to contribute to building a healthy and sustainable society through the business activities we are carrying out as an integrated trading company, as well as through the philanthropic activities we are engaged in as a corporate citizen.

The nickel mining business in Madagascar, for example, has been developed after extensive assessment of the possible influence of the mining on the surrounding environment with business partners. Such cautious arrangements are taken to comply with the Activity Guidelines of the Sumitomo Corporation Group, which direct us "to attach great importance to protecting the global environment." As a part of the same project, we started the Sumitomo Corporation Library in local communities and donated computers and educational books to teachers' training schools, as well as books that introduce Japanese culture. The opening of the library was made possible only because of the merging of two aspirations—our wish to directly contribute to the local community in which our businesses take place and the wishes of the Madagascan people to provide their children, bearers of the future, with a good education.

In our approaches to the issues of global warming, the Sumitomo Corporation Group is building new business models that facilitate the simultaneous achievement of environmental protection and economic development. In the Spanish Canary Islands, we will start a photovoltaic power generation project to respond to the increasing attention being paid to solar power generation as a mean of protecting the environment. In the Group, we have started a company-wide task force to further leverage the various projects we are taking to reduce greenhouse gas emissions. With this scheme, Sumitomo Corporation works on businesses that incorporate the Kyoto Mechanism, an international scheme on which agreement was reached in the United Nations Framework Convention on

Climate Change.

Philanthropic activities of the Sumitomo Corporation Group include a variety of international cooperation projects in human resources development. Since 1996, we have been running a scholarship program for students in China and other Asian nations. We also provide lectures at Tsinghua University and Nankai University in China, and Japanese language lessons in Vietnam. In the U.S., we have been supporting research at the Center on Japanese Economy and Business at the Columbia Business School for over 20 years. We will continue these activities to foster understanding among different cultures and help in the development of local communities.

All officers and employees of the Sumitomo Corporation Group also participate in programs to build a sustainable society. In order to run worldwide global businesses, we need people who can build networks in local communities, exert leadership with power, and forge ahead with plans while building consensus. We support such people in their volunteer activities and their efforts to build friendships through non-business opportunities in many regions and countries of the world. This is another way for us to contribute to building a sustainable society.

All these activities are founded on the Sumitomo Business Spirit, the philosophy that has been passed down through the 400 years of Sumitomo history. One of the teachings at Sumitomo: "Profit for self and others, private and public interests are one and the same," signifies that in any business activities, both private interests and public interests need to be fulfilled in accord with each other. Our philosophy and principle of acting to promote business activities in harmony

with society is exactly what is known today as "CSR." This spirit of CSR that we have inherited from our predecessors continues to be passed down today.

Towards a New Stage of Growth

In the GG Plan, our medium-term management plan, we will accomplish quality improvements in four areas: Earnings Bases, Operations, Group Management, and Human Resources and Workstyles. As seen in the price hikes for resources and foodstuffs that continue from last year as well as in the financial and capital market disruptions that stem from the subprime lending crisis in the U.S., the environment surrounding the world economy has gone through dramatic changes and is still getting harsher for us. To respond to such changes, we will further strengthen our "Integrated Corporate Strength," the core competence of the Sumitomo Corporation Group. We will turn these changes into opportunities, and these opportunities into continuous growth. We will pursue healthy and quality businesses and use the earnings from those activities to create new value. Through such a cycle of virtuous actions, we will remain faithful to our mission of "achieving prosperity and realizing the dreams of our stakeholders."

Our actions prove our commitment.

Susumu Kato
President and CEO
September 2008



Carrying on a Business Spirit cultivated through 400 years

The Sumitomo Business Spirit lays out fundamental and essential values in any period or era. "Integrity and sound management," "not pursuing easy gains," "entrepreneurship" and the other principles of the Sumitomo Business Spirit have thus become the foundation for the current Management Principles and Activity Guidelines of the Sumitomo Corporation Group.

The Sumitomo Business Spirit

The Sumitomo Business Spirit grew out of the guiding principles set down by Masatomo Sumitomo, the founder of the House of Sumitomo, in *Monjuin Shiigaki* which is the name of a letter addressed to his family. This spirit has been developed, deepened, and handed down over generations in the Sumitomo Family enterprise, and its essence was distilled in the Rules Governing the House of Sumitomo established in 1882, and formulated into three Business Principles in the Constitution in 1891. The first and second principles were chosen and laid out in the Sumitomo business rules in 1928.

Article 1 of the Business Principles identifies "placing prime

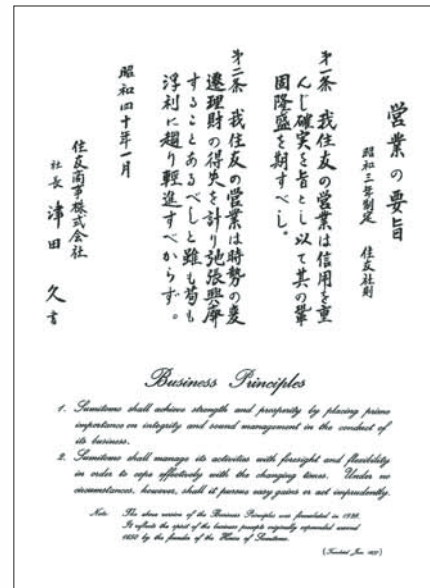
importance on integrity and sound management" as the fundamental business value.

Article 2 warns against acting rashly and carelessly by stating: "allowing for the fortunes of the business to be molded according to the needs of the times and economic considerations, but under no circumstances allowing for the pursuit of easy gains."

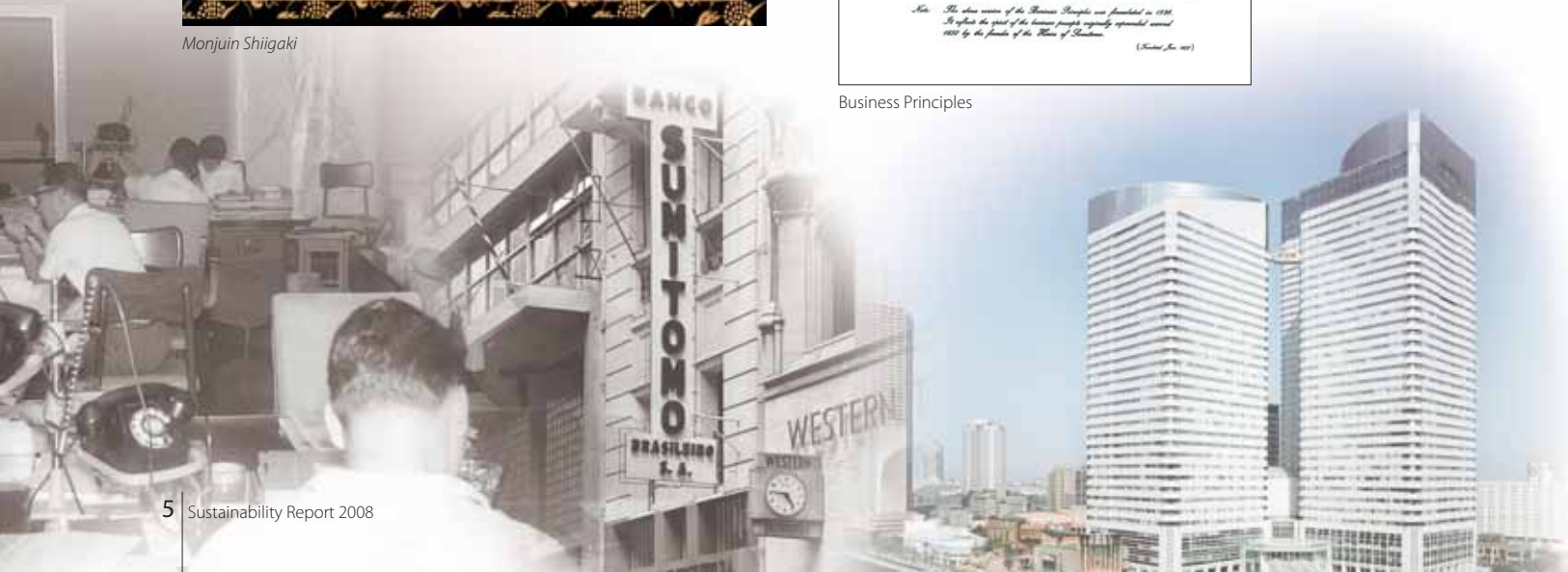
Although other important aspects of the Sumitomo Business Spirit have never been formerly codified, Sumitomo's traditional values such as "Respect for human resources," "Farsighted planning" and "Conformity of self-interest and altruism of public and private affairs," are united with the business principles and continuously inherited by each of Sumitomo's group companies.



Monjuin Shiigaki



Business Principles



Management Principles and Activity Guidelines

The Management Principles of the Sumitomo Corporation Group were compiled based on the Sumitomo Business Spirit, and lay down the mission, fundamental policy and corporate culture we are aiming to achieve while developing businesses on a global basis. In other words, the Management Principles provide the reference framework within which we conduct our business.

The Activity Guidelines are formulated as a guide for day-to-day business operations by individual members.

All Sumitomo Corporation officers and employees firmly adhere to the concepts of the Management Principles and Activity Guidelines, putting these precepts into practice in daily business activities. We aim to be a global organization that contributes broadly to society.

The Sumitomo Corporation Group Management Principles/Activity Guidelines

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.

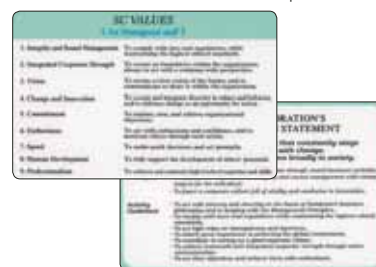
Activity Guidelines

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

SC VALUES

SC VALUES are a more detailed version of the Management Principles and Activity Guidelines. All officers and employees carry a wallet-sized card on which the SC VALUES are printed.

Each value is also respected in work performance evaluations and the multidimensional assessment system (a job performance assessment of supervisors by their subordinates).



SC VALUES Card

SC VALUES

- | | |
|---|--|
| 1. Integrity and Sound Management: | To comply with laws and regulations, while maintaining the highest ethical standards |
| 2. Integrated Corporate Strength: | To create no boundaries within the organization; always to act with a company-wide perspective |
| 3. Vision: | To create a clear vision of the future, and to communicate to share it within the organization |
| 4. Change and Innovation: | To accept and integrate diversity in values and behavior, and to embrace change as an opportunity for action |
| 5. Commitment: | To initiate, own, and achieve organizational objectives |
| 6. Enthusiasm: | To act with enthusiasm and confidence, and to motivate others through such action |
| 7. Speed: | To make quick decisions and act promptly |
| 8. Human Development: | To fully support the development of others' potential |
| 9. Professionalism: | To achieve and maintain high levels of expertise and skills |

With “Integrated Corporate Strength,” the Sumitomo Corporation Group stays a step ahead in dealing with change and creates new values.

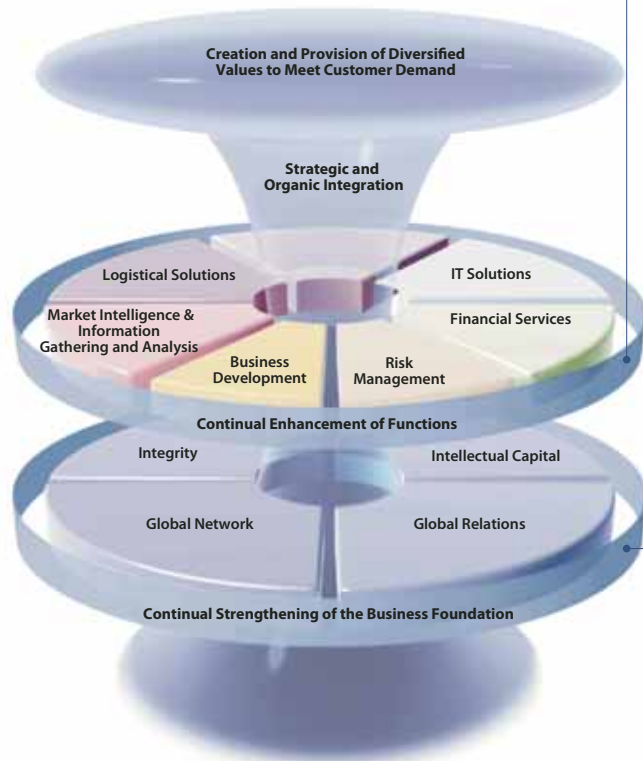
To achieve prosperity and realize dreams through sound business activities, the Sumitomo Corporation Group makes full use of its core competence, “Integrated Corporate Strength,” to develop global businesses in a wide variety of fields.

“Integrated Corporate Strength,” the core competence of the Sumitomo Corporation Group

Our Integrated Corporate Strength is the source of the competitive advantage (core competence) of the Sumitomo Corporation Group as we pursue our businesses in a wide variety of fields. Our strategic and organic integration of the robust “business foundation” and diverse, high-level “functions” of Group companies, combined with the efforts of each and

every Group employee, helps us respond to the various needs of our customers. At the same time, we create new value by always thinking one step ahead of global change. This capacity is what we call our “Integrated Corporate Strength.”

Bringing our Integrated Corporate Strength to bear and actively building businesses that truly contribute to the growth and progress of a wide range of industries in different regions, the Sumitomo Corporation Group will continue to make even greater contributions to the stable and continued growth of the world economy and global society.



Range of superior functions

A wide range of superior services and capabilities, offered to meet the needs of our customers and business partners across a wide range of applications. As globalization accelerates, we continue to upgrade our current functions, while working to create a functional revolution embodied in new value.

Business Development

We excel in business creation, which involves identifying promising new products, developing new markets, and organizing appropriate business operations.

Market Intelligence & Information Gathering and Analysis

This involves the ability to collect a variety of information on every industry and market worldwide through a wide range of business activities and to correctly analyze that information based on the company’s experience and know-how accumulated over decades of operation.

Logistics Solutions

This involves the ability to arrange many different kinds of distribution systems, to offer combined multimodal transportation services, and to build and operate optimal logistics flow systems.

IT Solutions

This involves the ability to build Supply Chain Management (SCM) systems and to support network businesses.

Financial Services

This includes fee collection/payment, provision of capital, project financing and advanced financing services such as securitization of assets.

Risk Management

Only an integrated trading company with decades of business experience can expertly manage the diverse risks associated with credit standing, markets, and enterprise operations.

Strong Business Foundations

The base for our broad growth of businesses as an integrated trading company. With a history spanning more than 400 years, the Sumitomo Corporation Group has built a tremendously strong business foundation, which all our managers and employees work together to continue to expand and strengthen.

Integrity

Based on the Sumitomo Business Spirit, we have cultivated the integrity of our customers over the years. This is the most fundamental and valued asset of our business.

Global Network

With around 150 offices and 900 subsidiaries and associated companies worldwide, our business network provides a basic platform for the prompt and secure transfer of goods, funds, and information.

Intellectual Capital

The wealth of know-how, experience, and information accumulated by our skilled personnel in diverse fields is also an important element of our solid business foundation.

Global Relations

Our company has established close and multifaceted relations created with over 100,000 business partners around the world across all industries.

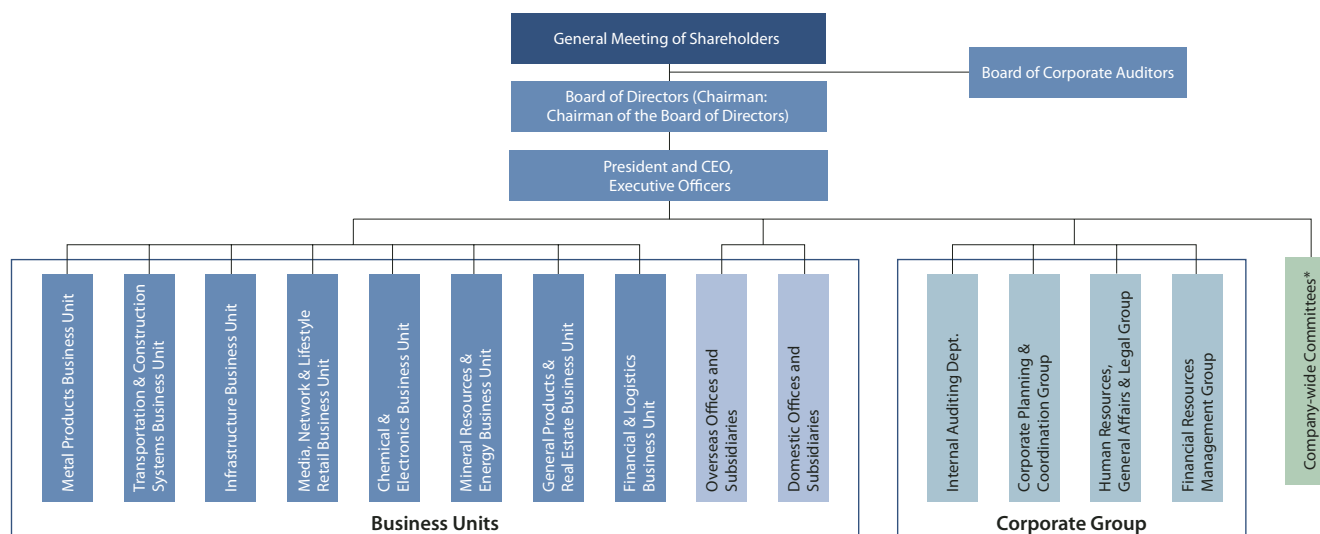
Company Information

Company Profile (As of March 31, 2008)

Company Name:
Sumitomo Corporation
Establishment:
December 24, 1919
Number of Employees:
4,795 (65,494 including consolidated subsidiaries)
Headquarters:
1-8-11 Harumi, Chuo-ku, Tokyo 104-8610, Japan
URL:
http://www.sumitomocorp.co.jp/english

Consolidate Shareholders' Equity:
1,493 billion yen
Fiscal Year End:
March 31
Number of Consolidated Subsidiaries:
601 (overseas: 424, domestic 177)
Associated Companies (Equity Method):
232 (overseas: 172, domestic: 60)
Total:
833 companies

Organization



* **Company-wide Committees:** CSR Committee, Global Environment Committee, Internal Control Committee, Compliance Committee, Information Disclosure Committee, IR Committee, Human Resources Development Promotion Committee, Work-Life Balance Promotion Project Team, Value Integration Committee, Global Strategy Committee, Loan and Investment Committee, Medium-term Management Plan Promotion Support Committee, and others.

Financial Highlights

(Millions of yen)

		Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Results of Operations	Gross profit	563,130	706,647	857,689	934,542
	Financial balance	(2,259)	(9,530)	(22,991)	(27,578)
	Equity in earnings of associated companies, net	37,387	51,374	70,307	56,942
	Net income	85,073	160,237	211,004	238,928
Financial position at year-end	Total assets	5,533,127	6,711,894	8,430,477	7,571,399
	Shareholders' equity	934,891	1,303,975	1,473,128	1,492,742
	Interest-bearing liabilities (net)	2,376,014	2,622,176	2,913,256	3,247,556
Ratios	Shareholders' equity ratio (%)	16.9	19.4	17.5	19.7
	ROE (%)	10.2	14.3	15.2	16.1
	ROA (%)	1.6	2.6	2.8	3.0
	Debt to equity ratio (net) (times)	2.5	2.0	2.0	2.2

Note: For more detailed information on financial issues, please refer to our Annual Report.



<http://www.sumitomocorp.co.jp/english/ir/index.html>

Performance **Preventing Global Warming**

1

Sumitomo Corporation's Approach to Realizing a Low-Carbon Society



Performance **Challenges to the Development of Sustainable Resources**

2

The Madagascar Ambatovy Project – A Venture for the Stable Supply of Rare Metals and Community Development



To Achieve Prosperity and Realize Dreams

CSR Performance

A report on the CSR activities of Sumitomo Corporation Group, whose mission is to achieve greater prosperity and realize the dreams of all stakeholders based on the Sumitomo Business Spirit

Performance **Development of Overseas Industrial Parks Coexisting and Growing with the Local Community**

3

Industrial Park Business Contributing to the Development of Southeast Asian Countries



Performance **Optimizing Global Supply Chains**

4

EMS Creates New Value Chains in the Electronics Industry





Preventing Global Warming

Sumitomo Corporation's Approach to Realizing a Low-Carbon Society

Pursuit of stable procurement and supply of energy and sustainable development

As global warming caused by greenhouse gases is becoming increasingly severer year by year, the interest and need for alternative energy sources in place of fossil fuels is growing around the world.

While fulfilling its vital social responsibility as an integrated trading company to stably procure and supply energy for Japan, a country with scarce natural resources, Sumitomo Corporation is also promoting business activities based on the concept of "sustainable development" because we understand that global warming and other environmental concerns are global-scale and long-term issues that will continue to influence our succeeding generations.

One example of Sumitomo's such efforts is the geothermal power generation project that Sumitomo Corporation has been undertaking in Indonesia since the mid-1990s. The company has developed the necessary infrastructure to make the most of the potential of Indonesia, a country with the world's largest geothermal resources, and has supported the sustainable development of its rapidly expanding economy. On the basis of this success in Indonesia, the company has also embarked on similar projects in New Zealand, the Philippines, Latin America and other countries rich in geothermal resources.

Sumitomo Corporation also established Summit Wind Power SAKATA Corporation in Sakata City, Yamagata Prefecture,

in 2002, to launch a wind power generation project. The company also started another wind power generation project in Kashima City, Ibaraki Prefecture, in 2003, to promote the use of renewable energy.

In addition, Sumitomo Corporation has established Summit Myojo Power Corporation to carry out a biomass power generation project, and in July 2004 began to generate electricity at Japan's first major biomass power plant built in Itoigawa City, Niigata Prefecture by effectively utilizing waste wood chips.

Sumitomo Corporation is also paying close attention to businesses related to photovoltaic power generation, which is becoming increasingly popularized particularly in EU countries. In addition to the solar cell material business launched in the early 1990s, the company began to export photovoltaic power generation units to Germany in 2001, and started photovoltaic power generation and solar electricity sales in 2008, to respond to the demand for photovoltaic power generation in the European market.

Sumitomo Corporation is thus undertaking various projects instrumental in reducing greenhouse gas emissions around the world by fully utilizing its integrated corporate strength.

The 3rd Conference of Parties (COP3) of the United Nations Framework Convention on Climate Change (UNFCCC) was held in Kyoto, Japan, in December 1997, and the Kyoto Protocol was adopted by 182 countries and regions including Japan and the European Union (EU). The Kyoto Protocol calls for the industrialized countries to reduce their emissions of CO₂ and five other greenhouse gases by about 5% below 1990 levels, and Japan has pledged to reduce greenhouse gas emissions by 6% on average during the five years from 2008 and 2012 (first commitment period) compared to the 1990 level. However, as of fiscal 2006, Japan's greenhouse gas emissions in fact have increased by 6.2% above the 1990 level, and there is a mounting need for every organization and individual to take action to reduce emissions.

In the meantime, negotiations for a post-Kyoto Protocol framework began at COP13 held in Bali, Indonesia, in December 2007. Furthermore, at the G8 Hokkaido Toyako Summit in July 2008, national leaders agreed to "seek to share with all Parties to the UNFCCC the vision of, and together with them to consider and adopt in the UNFCCC negotiations, the goal of achieving at least 50% reduction of global emissions by 2050." Through these efforts and other initiatives, a new roadmap of international partnership toward global warming mitigation and adaptation is gradually taking shape.

Under such circumstances, Sumitomo Corporation is actively promoting projects that will contribute to realizing a low-carbon society by fully utilizing its integrated corporate strength built up through experience from a wide variety of business activities ranging from businesses related to oil, coal, liquefied natural gas (LNG) and other natural resources, to wind, biomass, geothermal and photovoltaic power generation and other renewable energy projects.

Formation of an inter-sectional task force to prevent global warming

While actively promoting renewable energy businesses that will lead to the reduction of greenhouse gas emissions, Sumitomo Corporation has also been engaged in businesses based on the emission reduction measures introduced by the Kyoto Protocol since an early stage.

In March 2005, a project to collect and destroy hydrochlorofluorocarbon (HFC23) carried out in collaboration with Gujarat Fluorochemicals (GFL), an Indian company, became the first UN registered Clean Development Mechanism (CDM) project*¹ involving a Japanese corporation (officially approved as a CDM project by the United Nations). Since then, we have succeeded in obtaining United Nations' CDM implementation for various projects, including a renewable energy project in China and a project in Southeast Asia to collect and utilize methane gas from industrial wastewater.

In November 2007, the Greenhouse Gas Reduction Project Task Force was formed to execute various global warming prevention projects that used to be carried out separately by eight divisions until then, and actively promote these projects in an inter-sectional manner. The formation of this task force facilitates collaboration of different divisions, and allows the company to centrally manage related information, and solidify its system to develop and promote projects even more strategically and efficiently.

Jointly with the Power Energy Solution Business Dept., the task force has tackled reduction of greenhouse gas emissions from an iron mill in Ukraine by providing a gas turbine combined-cycle (GTCC) generator*² to enhance total energy efficiency at the mill. The task force is also pushing forward various projects to reduce greenhouse gas emissions in China, Indonesia and other Asian countries.

Sumitomo Corporation also began to sell emission rights to small emitters from April 2008. As greenhouse gas emissions are increasing, the task force, in cooperation with the Asset Management Dept., supplies emission credits obtained through renewable energy projects developed under the Kyoto Protocol to support small emitters in their efforts to achieve their reduction targets.

With Sumitomo Corporation's global network and other business resources as well as its financial and risk management capabilities, the task force continues to undertake various GHG reduction activities to build the company's own business model that will truly contribute to the mitigation of global warming.

*¹ **CDM project:** One of the Kyoto Mechanisms defined in the Kyoto Protocol. This arrangement allows industrialized countries with quantitative greenhouse gas emission targets to participate in projects that reduce GHG emissions in developing countries with no emission restraints, and use the resulting emission reductions to meet their targets.

*² **GTCC generator:** GTCC generator is electricity generation system consisting of a gas turbine and a steam turbine which is driven by waste heat from gas turbine. The effective use of energy helps reduce CO₂ emissions, and greatly contributes to energy saving and environmental conservation.

Diversified Projects of Sumitomo Corporation Worldwide Contributing to the Prevention of Global Warming

Through the best use of its global network, the Sumitomo Corporation Group is performing various projects around the world to contribute to the mitigation of global warming.

Russia and CIS

Sustainable forest management (Russian Far East)



Waste gas-based generation project at an iron mill (Ukraine)



Europe

Photovoltaic power generation project on the Canary Islands (Spain)



Supply of photovoltaic panels to Europe (Germany and others)



Middle East

Energy-saving type district cooling project (UAE)



Asia

Wind power generation project (Inner Mongolia, China)



Greenhouse gas reduction project through collection and utilization of methane gas from wastewater from a tapioca flour plant (Indonesia)



Greenhouse gas reduction project through collection and destruction of HFCs (India)



Construction of a geothermal power plant (Indonesia)



Japan

Renewable energy projects



Wind power generation project (Ibaraki Prefecture)



Biomass power generation project (Niigata Prefecture)

Tradable green certificate business



South and North America

Joint venture for the production and sales of wind power generation towers (U.S.A.)



Afforestation project (Chile)



Oceania

Construction of a geothermal power plant (New Zealand)



Sumitomo Corporation's Approach to Realizing a Low-Carbon Society

As global warming becomes increasingly serious, and oil prices continue to rise sharply, the demand for renewable energy is growing in industrialized and other countries around the world.

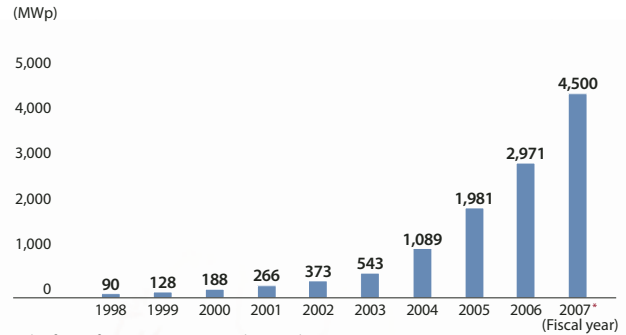
The EU in particular is strongly promoting the dissemination of renewable energy with the goal of covering 20% of the entire energy consumption in the region from renewable energy sources by 2020.

Under such circumstances, one of the most attention-getting forms of renewable energy is photovoltaic power generation. Photovoltaic power generation is a system that directly converts solar energy to electricity. Since photovoltaic power generation has many advantages, such as no emissions of CO₂ and other greenhouse gases, no need for fuels to operate the system, and easy maintenance, EU governments are actively promoting its introduction by offering subsidies, preferential tax treatment, a feed-in tariff scheme that requires power companies to buy renewable electricity at a fixed rate, and various other incentives.

Sumitomo Corporation started the trade business to support construction of the necessary infrastructure earlier

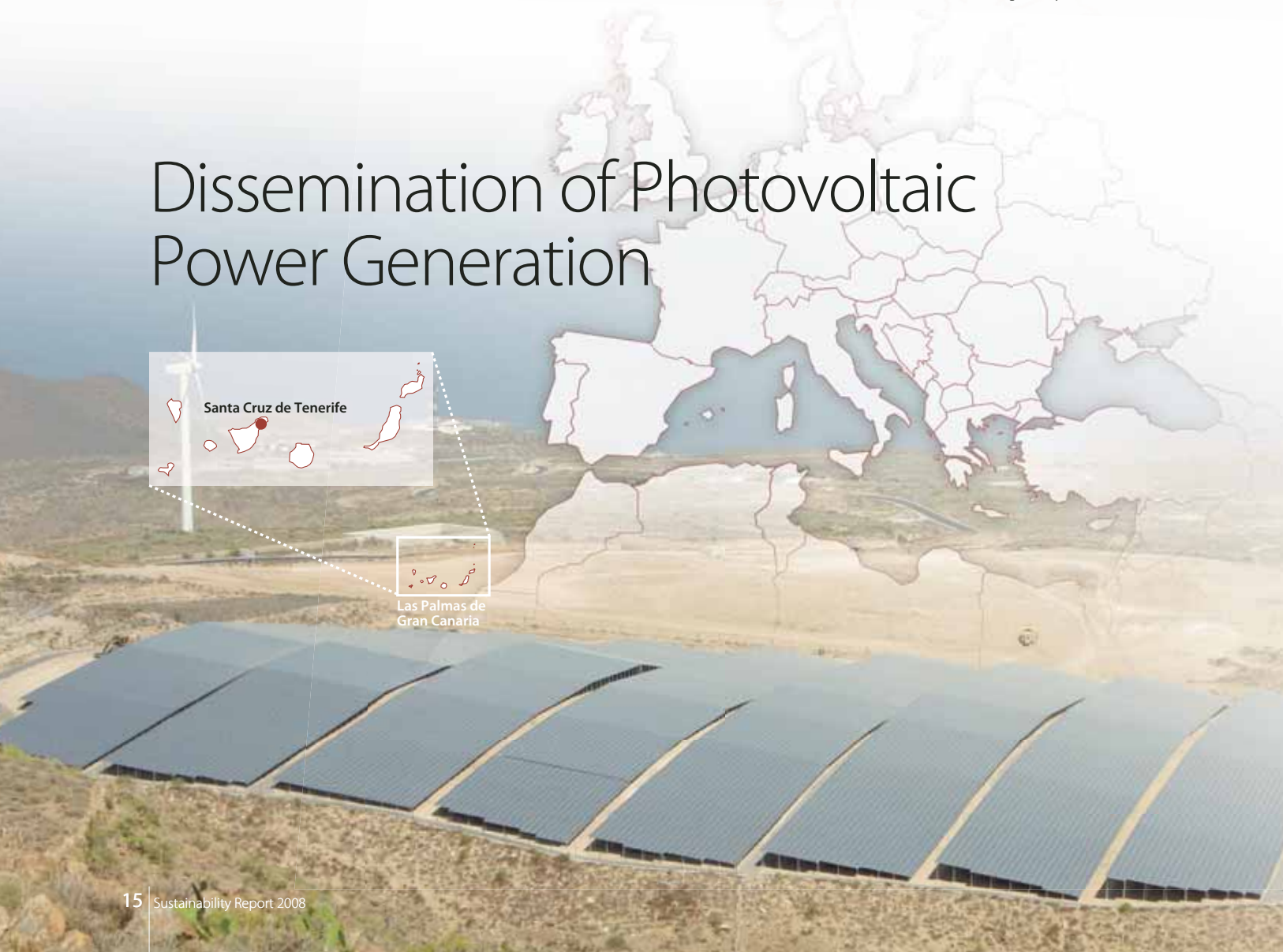
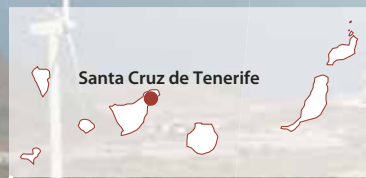
than any other companies, and has established a value chain in this area to promote dissemination of photovoltaic power generation systems. The company also launched its solar electricity sales business in 2008. In these and other ways, the company is actively developing the photovoltaic power generation business.

Growth of Cumulative Photovoltaic Systems Capacity in the EU



*The figure for 2007 is a projected MW value.
Source: European Photovoltaic Industry Association
Global Market Outlook for Photovoltaics until 2012 – Facing a sunny future

Dissemination of Photovoltaic Power Generation



Establishing a global value chain to supply photovoltaic power generation modules

The key component for photovoltaic power generation is solar cells.

Sumitomo Corporation started the solar cell business in the early 1990s when the company took a stake in a manufacturer of monocrystalline silicon ingots, a main material of solar cells. In 2003, Sumitomo Corporation made a capital participation in Renewable Energy Corporation, a Norwegian company that owns the world's largest value chain for solar cell materials, and through this strategic partnership, expanded its solar cell materials business mainly in Asia.

Sumitomo Corporation also began to trade aluminum and other subsidiary materials for solar cells in the later 1990s, and to export and sell photovoltaic power generation modules to Germany and other European countries in 2001. In 2005, the company set about the processing and production of materials as well, by acquiring a stake in TKX Corporation, the leading company in the area of wafer slicing.

Through these efforts, Sumitomo Corporation has established a value chain encompassing both the upstream and downstream segments of the photovoltaic power generation business. The value chain enables the company to promote—through the best use of its integrated corporate strength—activities ranging from the procurement of materials for solar cells to sales of modules to accelerate the wider use of photovoltaic power systems.

On the other hand, however, there is a growing problem that is hindering the dissemination of photovoltaic power generation. Solar cells and their materials have been produced mainly in Japan, Norway, Germany and other industrialized countries until today, but their supply fails to keep up with the sharply increased demand, resulting in a shortage of materials and soaring prices. As a solution to this problem, attention is now focused on Chinese solar cell manufacturers that are emerging one after another, and China now becomes an important solar cell producing country.

Under these circumstances, Sumitomo Corporation took a stake in Solargiga Energy Holdings Limited, a pioneer company in the area of production of silicon ingots and wafers in China, in August 2007. This allows Sumitomo Corporation to procure materials even more stably, and thereby to improve the cost performance of its products to give momentum to the expansion of photovoltaic power generation.

Participation in photovoltaic power generation projects—From Spain to Italy and Greece

The EU is committed to increasing its use of renewable energy to 20% of its overall energy mix by 2020, and each country in the region has adopted various policies to achieve this goal. In Spain, in particular, photovoltaic power plants have been vigorously constructed since the preferential treatment system for large-scale photovoltaic power generation projects was introduced in 2006, making the country second only to Germany in Europe in terms of photovoltaic installed capacity. The number of photovoltaic power generation projects is thus increasing sharply in Spain.

With this as a background, Sumitomo Corporation began to take part in a photovoltaic power generation project on the island of Tenerife in the Spanish autonomous community of the Canary Islands in May 2008.

The Canary Islands, located approx. 1,800 km to the south of the Spanish mainland and close to Africa, are abundant in sunlight. The solar radiation on the islands is more than 20% higher than in southern Spain, which is one of the most sun-blessed regions in Europe. In addition, since the Canary Islands are a popular winter resort among European vacationers, and tourism is one of their most important revenue sources, public awareness about the importance of environmental protection is particularly high, and restrictions are placed on the construction of large-scale fossil fuel power plants. For these reasons, renewable energy projects, such as photovoltaic power generation, are attracting great attention on the islands.

Sumitomo Corporation has acquired a 43% share in EVM2 Energias Renovables, S.L., the operating company jointly founded with local capital including the Instituto Tecnológico y de Energías Renovables (Technological Institute for the Renewable Energies) (ITER), a subsidiary of the Tenerife government, to lead the 9,000 kW photovoltaic power generation project. Operations at the power plant will commence in late 2008, and the photovoltaic power generation system is expected to reduce CO₂ emissions by about 7,200 tons per year compared to a coal-fueled thermal power plant. Electricity generated at this plant will be sold to a wholly-owned subsidiary of Endesa, Spain's largest power company, over the next 25 years.

Sumitomo Corporation regards photovoltaic power generation projects as one of its core environmental businesses. In addition to further expanding the business in Spain, the company will develop new projects in Italy and Greece, where subsidy systems and other business environments for renewable power generation are well established, to contribute to the dissemination of photovoltaic power generation.



Madagascar – a country attracting attention as an important source of rare metals

The Republic of Madagascar is an island country located off the southeast coast of Africa in the Indian Ocean. The island is about 1.6 times as large as Japan, and the population is about 19 million. The main industry is the production of rice, coffee and other agricultural products. Although there has been some economic development since a liberalization policy was strengthened in the mid-1990s, the gross national income (GNI)

per capita in fiscal 2006 was 280 U.S. dollars (World Bank data), about 1/140 that of Japan.

To improve this economic situation, in 2007 the Madagascar government put into operation the Madagascar Action Plan (MAP), a five-year plan aimed at reducing poverty through economic growth. Under this plan, the government is working on various financial reforms, and striving to improve the investment environment for foreign investors.

One of the new industries that are currently attracting attention as a driving force of economic growth is the mining of the country's rich reserves of mineral resources. The demand for nickel, cobalt and other rare metals in particular, which are used as high-tech materials for batteries and semiconductors, is growing sharply along with the rapid emergence of China, India and other new economic powers. Since these metals have been mined in only a handful of countries including Russia and Canada until today, their supply tends to fall short of demand around the world, making the development of new sources of stable supply an urgent necessity in the market.

It is with this as a background that Sumitomo Corporation has launched the Madagascar Ambatovy Project, one of the world's largest resources development projects, in collaboration with Canadian and Korean companies.

In addition to providing a stable supply of rare metals to the international market, this project is also anticipated by the local community as bringing about tremendous effects on industrial development and job creation in the country.

Madagascar Action Plan (MAP)

The government's five-year plan (2007- 2012) that defines the basic direction and priorities of the country

Major points

- 1) Creation of a strong private sector driven by local and international investment
- 2) Infrastructure development
- 3) Rural development and poverty alleviation
- 4) Promotion of environmental protection
- 5) Educational system with international norms and standards
- 6) Fight against HIV/AIDS, malaria and malnutrition

Performance

2

Challenges to the Development of Sustainable Resources

The Madagascar Ambatovy Project – A Venture for the Stable Supply of Rare Metals and Community Development

Worldwide growth in the demand for nickel, cobalt and other rare metals is making these metals extremely difficult to obtain.

Sumitomo Corporation launched the Ambatovy Project in August 2007 to develop a large mine in the Republic of Madagascar, a country known for its abundance of rare metals. This project is attracting the world's attention as a venture that is not only ensuring a stable supply of rare metals but is also contributing to the economic development of the community.

Raising the world's largest class project finance and creating an integrated project from mine development to metal production

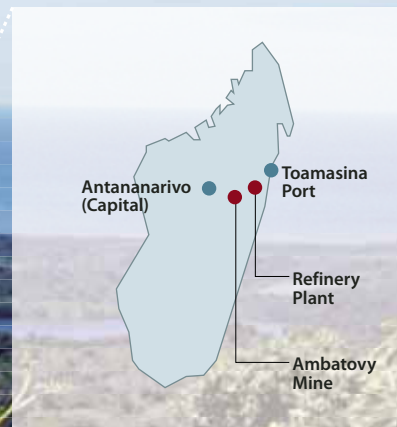
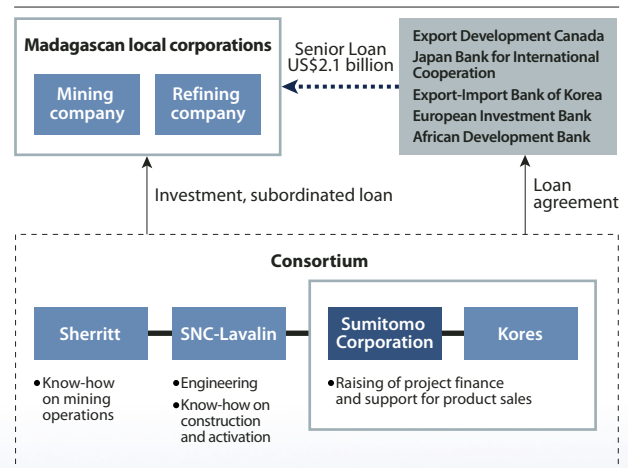
The Madagascar Ambatovy Project is a massive-scale project to construct all the facilities necessary for the supply of rare metals, including a mine in an inland area, a refinery plant for metal production near the coast, pipelines connecting the mine and refinery plant, roads, railway, port and other infrastructure, and a refinery residue treatment plant.

The project obtained official approval from the Madagascar government under the Loi sur les Grands Investissements Miniers (Large Mining Investment Act) in February 2007. The project finance contract was signed in August of the same year, and the project was put into operation. The construction inauguration ceremony was held in November with the presence of the President of Madagascar and major ministers. Metal production is scheduled to start in late 2010, and when the plant operation reaches its full capacity in 2013, it is expected to produce 60,000 tons of nickel and 5,600 tons of cobalt annually. These figures represent 3.8% and 8.3% of the 2010 projected global demand for nickel and cobalt, respectively. When this project is right on track, Madagascar is expected to become an important source of rare metals with a strong influence on the international market.

Sumitomo Corporation is responsible for raising finance for the project and supporting sales of products in cooperation with Korea Resources Corporation (Kores). Of the total funds

of about 3.7 billion U.S. dollars, the money invested by the Japan Bank for International Cooperation (JBIC) and other international financial institutions amounts to as much as 2.1 billion U.S. dollars, one of the largest amounts ever raised for a mining development project. This project is also expected to increase Madagascar's exports by 2.5 times the current level, accounting for 60% of the country's gross domestic product (GDP).

Business Scheme



Madagascar

The Madagascar Ambatovy Project – A Venture for the Stable Supply of Rare Metals and Community Development

Creating employment on a massive scale and contributing to the sustainable development of Madagascar

The impact of the Ambatovy Project will not be limited to the economy alone. The project is expected to create jobs for 12,000 workers in the construction of various facilities and infrastructure, and after the construction phase, the employment of 7,300 workers to operate the facilities (Both figures include indirect employment.) The project will thus contribute significantly to the reduction of poverty through economic growth, one of the goals of the government's five-year plan.

In addition to the creation of jobs, the project will also be instrumental in developing human resources in Madagascar. For this project, workers employed at the Human Resources Registration Center who have no working experiences other than farming will be trained to acquire the skills necessary to work in construction or in the refinery plant. Local companies will also be actively used, and necessary technical education and guidance will be provided to each company.

These efforts will not only ensure that the necessary workforce can be secured, but also lead to the upgrading of the labor quality in Madagascar. Local staff will be encouraged to assume administrative positions in the mine or refinery plant in the future, and it is hoped in the long run that good talents who will become leaders of Madagascar's industry will be nurtured through this project.

In order for Madagascar to become economically independent and push forward the development of a sustainable society, the development of human resources is indispensable. The project is expected to play a very important role in laying the foundation for developing human resources, and in building firm trust between these human resources and Japanese companies.



Human Resources Registration Center

Consideration given to environmental conservation and the local culture and to promoting coexistence and co-prosperity with the local community

Since the project will span a long period of 30 years in total – about three years of preparation and 27 years full-out operation thereafter – it is considered that it will have an impact on the natural environment around the mine as well as on society. In carrying out the project, Sumitomo Corporation will give full consideration to environmental conservation and the local culture and customs and pursue coexistence and co-prosperity with local people.

Madagascar is a country particularly blessed with one of the world's most precious natural environments with 1,000 rare species. For this reason, the project is being performed

under strict environmental management rules in accordance with the World Bank Safeguard Policies*¹, International Finance Corporation (IFC) Performance Standards*², World Health Organization (WHO) standards*³, Equator Principles*⁴ and other standards.

The project's own environmental conservation measures have also been adopted, such as the 305-hectare buffer zone serving as a forest reserve, as well as the offset zone aimed at making up for the environmental impact of the development. The offset zone is a leased area that is about four times as large as the development zone, into which rare species from the development zone are transplanted to minimize the impact on the fauna and flora.

In areas where the relocation of residents is inevitable, alternative land and compensation are provided upon agreement with the residents. For areas to which these residents are relocated, water supply, schools, hospitals, churches and other social infrastructure are constructed to ensure that their resettlement goes smoothly in harmony with the native residents of the areas. In addition, efforts are being made to overcome problems and obtain the understanding of local residents through dialogue by holding more than 200 public hearings in the affected areas.

Through these efforts, the project obtained an environmental license from the Madagascan government in December 2006 as a model case of executing detailed environmental protection measures in accordance with the World Bank Safeguard Policies. The project was also accredited by the government in February 2007 as the first project to which the Large Mining Investment Act (LGIM) was applied, demonstrating that the government sees the project in the most favorable light.

- *¹ **World Bank Safeguard Policies:** Evaluation standards on the execution of environmental assessment for projects that have a possibility of having a severe impact on the environment, as well as on impact alleviation measures
- *² **IFC Performance Standards:** Environmental and social standards used by the IFC at the time of loan examination to assess projects undertaken by private companies in developing countries
- *³ **WHO standards:** Standards defining the limit of exposure to environmental pollutants. The limit has been set after studying the relationship between exposure to environmental pollutants and human health.
- *⁴ **Equator Principles:** Standards for private financial institutions to assess and manage environmental and social risks of project finances

International support through private-public collaboration to tighten ties with Africa

When the project finances were raised, the project was able to obtain active support from Japanese public financial institutions, including JBIC, which together with private banks, has financed 700 million U.S. dollars, as well as the Nippon Export and Investment Insurance (NEXI), an independent administrative institution, which has given consent to covering the project with the Investment and Loan Insurance for Natural Resources and Energy. This is not only because the project, which guarantees the long-term supply of rare metals to the Japanese market, is seen by the Japanese government as economically beneficial, but also because the project is believed to contribute to support for Africa, one of the common issues among industrialized countries.



Mine camp



(Upper) Madagascar President Ravalomanana talks with then Sumitomo Corporation President Oka
(Lower) Entrance to the Ambatovy Mine



(Upper) Construction site
(Lower) Toamasina Port

The Japanese government has been stressing the importance of African ownership of its development and partnership with the international community at the Tokyo International Conferences on African Development (TICAD*5). The basic stance of the project that focuses on supporting the local society from the aspects of economy, employment and human resources development matches those principles, and this is the very reason why the project is supported strongly by both the Japanese and Madagascar governments.

To promote the development of Madagascar along with the project, it is essential to modernize the country with upgraded infrastructure and medical and educational institutions. The Japanese government is currently examining the possibility of supporting the modernization through Overseas Development Assistance (ODA). With promotion by private companies and

assistance from the government, the Ambatovy Project has made possible this kind of private-public collaboration to expedite the social development of Madagascar and bring about the coexistence and co-prosperity of both countries. It is thus an ideal international development project that should be used as a model for the future. Sumitomo Corporation continues to play its role to help tighten ties between Japan, a country with no natural resources, and African countries that have natural resources but are in need of development power, so that we all can maintain sustainable development in the international community.

*5 TICAD: International conference led by the Japanese government and co-hosted by the United Nations, the World Bank and other organizations. The conference has been held every five years since 1993 to discuss African development. The 4th conference was held in Yokohama in May 2008.

Support for education through Sumitomo Corporation Libraries

In parallel with the Ambatovy Project, Sumitomo Corporation has been establishing Sumitomo Corporation Libraries at various locations in Madagascar to support its teacher training.

The school attendance rate is lower in the higher grades in Madagascar due partly to the shortage of good teachers. To help resolve this situation, and to meet the Madagascar President's desire to upgrade education, which was expressed to then Sumitomo Corporation President Oka during his visit to the country in 2006, the company has decided to provide support for the cause. A total of 100,000 U.S. dollars have been set aside to donate books and PCs to elementary school teacher training centers in Antananarivo, the capital of the country, and, Moramanga a city near the mine, from 2007 through 2010.



A teacher training center in which a Sumitomo Corporation Library has been established

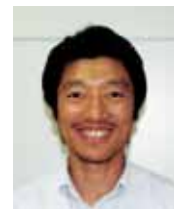


A plaque that explains Sumitomo Corporation's support

Sumitomo Spirit

I want to respect local customs, win people's trust, and contribute to the development of Madagascar.

I belong to the department in charge of supervising construction, and I am responsible for a wide range of duties including personnel and general affairs, labor management, supervision of health, safety and security, and improvement of the living environment. An important thing to observe in executing this project in Madagascar is to respect local customs and religious practices at the completion of construction and on other occasions. Driving the project in line with local customs is crucial in obtaining the cooperation of the local people and ensuring the smooth running of the project. Furthermore, it is also important to express gratitude for giving us this opportunity to work on this project in Madagascar. If local people understand our sincere gratitude, it will enable us to win their trust. Based on the trust earned through these efforts, I hope that we can succeed in this long-term project in Madagascar, and contribute to the social development of the country.



Ryota Shoji
Ambatovy Project
Department

Special Issue

Reconstruction toward an Affluent Future

Challenges of the Sub-Saharan Africa Market Development Project Working Group

The civil wars and regional conflicts that occurred in many regions in Africa have now been brought to an end, and the countries have begun working toward economic development under more stable government systems. However, the income, medical and educational levels in these countries are still very low, and countries in other parts of the world are actively providing support for economic revival of poverty-stricken Africa as one of the priority issues of the international community. The Japanese government has also been supporting African countries by providing funds and technologies through the ODA (Official Development Assistance) scheme, and calling for other countries to join its efforts to develop Africa based on ownership and partnership principles at TICAD.

To contribute to African economic development through the creation of sustainable business, Sumitomo Corporation has established an inter-sectional special working group and started activities in Angola. In this section of CSR Performance, two personnel from the company who play a core role in this mission explain how they have become involved in African development, and express their enthusiasm for this project.

Exploring the possibilities of economic development in Sub-Saharan Africa

The Sub-Saharan Africa Market Development Project Working Group is an inter-sectional organization to explore the possibilities of developing business in the countries of Sub-Saharan Africa lying south of the Sahara Desert. The idea of establishing this working group was born when a subsidiary of our company acquired interests in an LNG project in Nigeria and our company's staff visited the country.

What the staff felt while coming in contact with the



Shinichi Hasegawa
Gas Business Department



Masaru Yamazaki
Gas Business Department

social and economic realities of the African country was its similarity to Southeast Asia and the Middle East in the past. These regions are blessed with rich natural resources, but lacked funds, know-how and infrastructure for their development. For these regions, Japanese general trading companies were raising funds from around the world, constructing plants for resources development, and upgrading the infrastructure including pipelines, roads and ports. The general trading companies also opened up new markets, and through these diverse efforts, contributed to the vitalization and economic development of local



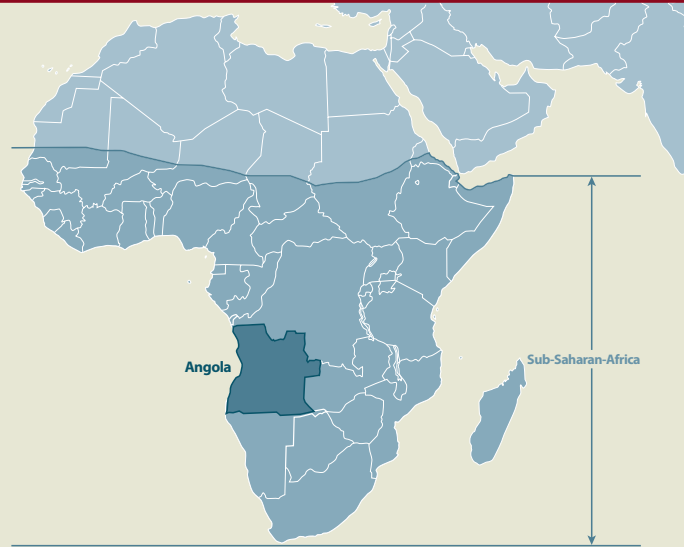
communities.

Current Sub-Saharan Africa is in a similar situation, and while having rich reserves of natural resources, the countries in the region are not experiencing much development due to the insufficient infrastructure and unstable security and political situations. We therefore began to think that we can probably create business in this region by utilizing our expertise and know-how built up over many years as a general trading company.

Identifying local needs from various aspects

The activities of the working group started with market research. We carried out five months of research in eight West African countries in Sub-Saharan Africa on their country risk factors such as internal instability, economic growth forecast and resource potential. In addition to this research, we also had the opportunity to meet the top officials of the Angolan government during their visit to Japan. At this meeting, we could actually feel the country's rich experiences of doing business with foreigners and open attitudes toward foreign capital, and this led us to decide to explore possibilities for business in Angola first.

Although Angola has rich reserves of oil, a civil war that lasted for many years played havoc with electricity, water supplies and sewage, and other infrastructure, making it necessary to support the reconstruction of these facilities before supporting industrial development. For this reason, we are currently investigating local needs from various aspects to see what support we can offer. For example, Angola used to be an agricultural country with large plantations for sugar cane and other products, and even had sugar factories. But all these were destroyed during the civil war, and a huge number of land mines—said to amount to about 50% of all the land mines laid in the world—are still buried at former plantation and factory sites, posing a great hindrance to the reconstruction of electricity, water supplies and other infrastructure as well as to the cultivation of farmland. As a way to help resolve this situation, our company is now supporting activities to remove these land mines.



Long-term total support to establish solid partnership

Support for the development of African countries including Angola requires multi-faceted and multi-layered efforts, comprising not only reviving industry but also upgrading roads, ports, electricity, water supplies and other infrastructure. It is the mission of general trading companies like Sumitomo Corporation to provide productive support by utilizing their integrated corporate strength accumulated through global business experiences.

In order for African countries to develop economically and socially, they need to become independent as members of the international community. It is only when they take the initiative in their own development that they can achieve sustainable development. On the part of Sumitomo Corporation, we must all make sure that we do useful and effective business that will lead to true development in Africa, rather than basing our activities on "volunteerism."

We will make our utmost efforts so that the activities of the working group will bring about tighter relationships with the African people, and lead to larger business connections between Japan and Africa.



Performance

3

Development of Overseas Industrial Parks Coexisting and Growing with the Local Community

Industrial Park Business Contributing to the Development of Southeast Asian Countries



Vietnam

● Thang Long Industrial Park (TLIP)

The Philippines
● First Philippine Industrial Park (FPIP) ●



Indonesia

● East Jakarta Industrial Park (EJIP)



To avoid the concentration of offshore factories in one country, Japanese manufacturers are actively looking for other locations, such as in Southeast Asia, to build new factories.

Sumitomo Corporation is developing industrial parks in Southeast Asia that will contribute to the development of both Japanese manufacturers and local communities.



Launch of overseas industrial park business near Jakarta, Indonesia, in 1990

As the strong yen after the Plaza Accord* in 1985 drove Japanese manufacturers to advance into Southeast Asia, Sumitomo Corporation started a sales agency business for an industrial park developed by a Thai real estate developer. The company then developed the East Jakarta Industrial Park (EJIP) on its own account near Jakarta, Indonesia, in 1990, marking the company's first full-out overseas industrial park business. The EJIP, which was Indonesia's first industrial park developed by private foreign capital, was sold out in six years after commencement of the project. The comprehensive support provided by the company, ranging from the development and creation of the park to its management and operation, was rated highly by the Indonesian government, local community and tenants in the park.

* **Plaza Accord:** An agreement signed by the U.S., the U.K., West Germany, France and Japan at the meeting of G5 finance ministers and central bank governors held in the Plaza Hotel in New York in September 1985 to take coordinated intervention in foreign exchange markets to depreciate the U.S. dollar

Services provided through the Group's integrated corporate strength

Since its success in EJIP, Sumitomo Corporation has built up a track record and experience in the area of overseas industrial park development by establishing the First Philippine Industrial Park (FPIP) near Manila in the Philippines in 1996, and the Thang Long Industrial Park (TLIP) in Hanoi, Vietnam, in 1997.

One thing to which Sumitomo Corporation has paid particular attention with its overseas industrial park business is the provision of a comprehensive range of services to support Japanese manufacturers' advances into overseas markets. Rather than regarding the business simply as real estate projects as in the ordinary industrial park business, the company has organized an Overseas Industrial Park Department, a special team operating in collaboration with various other departments and group companies, to provide consultation and know-how in a wide variety of areas including logistics and materials procurement. The services provided under this system are comprehensive, covering the construction of infrastructure indispensable for production activities, such as water supplies and roads; a consultancy on compliance with local law and regulations as well as on employment; and an intermediary service between manufacturers and suppliers.

Meticulous investigation and analysis at the planning stage to create carefree and comfortable business locations

It is important for the overseas industrial park business to create an environment that is carefree and comfortable for the tenants in the park and the local community around it. Sumitomo Corporation investigates each candidate location carefully before selecting a site after analysis of its access, surrounding environment, ground conditions, soil type, water

quality and other factors. The company also scrupulously assesses the impact that the project may have on the living environment of local residents.

After a site is expropriated, Sumitomo Corporation undertakes the infrastructure development work necessary for production activities, such as ground preparation, laying out of trunk roads, and construction of power substations, water purification facilities, wastewater treatment facilities, and electrical and communication facilities. The company even prepares rental factories, offices and distribution centers to help the tenants in the park save on initial investment costs.

TLIP-II in Vietnam currently attracting attention as an additional "China plus one" production location

Japanese companies are recently turning their attention to Vietnam—a country characterized by internal stability, the third largest labor resource in the ASEAN region, and people who are skillful, diligent and gentle—as an additional "China plus one" production location.

In addition to the TLIP constructed in Hanoi in 1997, where many Japanese manufacturers have been invited to set up their factories, Sumitomo Corporation also established Thang Long Industrial Park II (TLIP-II) Corporation in Hung Yen Province, east of Hanoi, in November 2006 to meet the soaring needs of

IN FOCUS Reduction of environmental impact

Implementing a range of environmental research projects into soil, water, noise and others

Before proceeding to the construction of industrial parks, Sumitomo Corporation studies the soil and water quality in collaboration with professional environmental consultants, and submits reports to tenants. Research projects on noise are also implemented to protect the quiet living environment around the parks. When embankment work was conducted at TLIP in Vietnam, sand was sent under pressure through a pipeline from the Red River, two kilometers away from the park, where dredgers collected sand from the bottom of the river. The company chose not to use dump trucks to carry the sand to minimize the environmental impact on the surrounding areas.



Soil research



Water quality research



Noise research

Industrial Park Business Contributing to the Development of Southeast Asian Countries

Japanese companies to advance into the country. Sales started in August 2008.

The project area of TLIP-II is 220 ha, and the park is situated at a convenient location that can be accessed from central Hanoi in about 45 minutes by car via National Highway No. 5, and in about one hour by car from TLIP. The park is also close to the



Thang Long Industrial Park II



Conception of the completed Thang Long Industrial Park II

Haiphong and Cai Lan ports, and thanks to this ideal location, the park has already received inquiries from many companies. TLIP-II is also unique because—unlike other industrial parks operated through a joint venture with local companies—it is funded almost 100% by Sumitomo Corporation, and is expected to be run based on a more precise understanding of the needs of Japanese companies.

Multi-faceted support for tenants and local communities by fully utilizing experience and know-how built up over many years

On the basis of good relationships with the Vietnam government and local society, as well as know-how on land acquisition, development and operation of a site nurtured through the TLIP project, Sumitomo Corporation will provide a comprehensive range of services for TLIP-II as well. For medium to small companies in particular, Sumitomo Corporation will inform them in advance of troubles and problems that are likely to occur in Vietnam, and offer consultation and support services in diverse areas including incorporation of a local company, labor, taxation and employment. Even after

Sumitomo Spirit

Together with tenants and the government, we continue to improve the industrial park to make it an ideal workplace for many Vietnamese people.

When I visited the site 12 years ago to examine the feasibility of the project, all I could see was paddy fields. But the site has now turned into a huge industrial park that, as a symbol of Japanese-Vietnamese economic codevelopment, houses the largest number of Japanese companies in the country, and creates employment for about 40,000 workers. I feel very excited to have become the representative of this industrial park and responsible for its operation.

What tenants are requesting us to do first and foremost is to improve the employment environment. The majority of Japanese companies in the park are not well known yet in Vietnam, and find it very difficult to secure a sufficient workforce. In addition, there are many local people who are concerned that the surge in population of the local community along with the increased number of tenants may erode the public peace and destroy the environment. We are therefore currently working on improving the living environment of workers working in the park as well as residents in the neighboring areas in collaboration with the local government.

We have concentrated our efforts rather on development and sales in the park for the past 12 years, but we will now shift our focus to making the park a more attractive workplace for many Vietnamese people through cooperation with tenants and the local government.



Akito Shirashi
General Director
Thang Long Industrial
Park Corporation

IN FOCUS Securing safety for the surrounding areas

Efforts to reduce traffic accidents to zero

To prevent construction vehicles from causing traffic accidents in the surrounding areas during construction work, Sumitomo Corporation provides the necessary education to those involved in the work, and takes various measures in cooperation with the local police to ensure traffic safety in the areas. In addition, for TLIP-II, a message calling for traffic accidents to be reduced to zero is being aired on TV to raise local people's awareness of traffic safety.



Thorough traffic control

these medium to small companies find a factory in the park, Sumitomo Corporation will also take various measures to facilitate communication and information-sharing among tenants. Information-sharing meetings for presidents of tenant companies, which originated in EJIP that commenced operations in 1990, are one example of these measures. The meetings are now held in all the industrial parks every month, and are very popular among tenants. The same type of meeting will also be introduced at TLIP-II as well.

Efforts will also be made to make TLIP-II a workplace where local people can work comfortably and an industrial park favored by the local community by actively working on education and welfare and conservation of the environment surrounding the local community.

What Sumitomo Corporation aims at through its overseas industrial park business is not only support for the establishment of offshore factories and smooth operations abroad for Japanese manufacturers, but also contribution to local development and economic revitalization. This is the reason why the company is so enthusiastic about providing multi-faceted and comprehensive services.

The demand for new industrial parks is still very high in various countries and regions. While pursuing the ideal industrial park that best matches each country and region, Sumitomo Corporation continues to make its utmost efforts to achieve prosperity and realize dreams for both tenants and local communities by fully utilizing its wealth of know-how and experience accumulated over many years.

Column

Contributions to Local Communities

Achieving prosperity and realizing dreams for tenants and local communities

In order for tenants to develop their businesses with peace of mind abroad and effectively fulfill their social responsibility as companies employing local people, it is important for both the industrial park and its tenants to encourage co-existence with the local community and to be accepted by the local community as a good corporate citizen.

Sumitomo Corporation is actively involved in a variety of activities to help improve education and welfare in the local communities in cooperation with tenants. These activities include donating stationery and equipment to kindergartens and elementary schools in the neighborhood, presenting fire engines to local governments, repairing old school buildings, and professional training for local residents.

For TLIP, a Local Contributions Committee made up of tenants from the park has been established to listen to the opinions and requests of the local people, and collect donations from each tenant, and many unique activities including donating electronic organs to kindergartens in the vicinity of the park, and scholarships for excellent students, are carried out under this committee. In addition, Ekiden marathon relay races by employees of tenant companies, and other opportunities are also organized to promote exchanges among employees of different companies.

For TLIP-II currently under development, work to

expand farm roads is also being carried out in response to requests from the local community.

Sumitomo Corporation continues to make a wide range of local contributions to achieve prosperity and realize dreams for both tenants and local communities.



Donation of stationery and equipment



A school building after repair

Sumitronics provides EMS function to Japanese manufacturers even for small-lot, multi-variety production

As the digitization of products accelerates with technological innovations in electronic equipment and components, product cycles are becoming shorter, and the burden of investment in production machinery weighs heavily on manufacturers. With this as a background, a new type of outsourcing business called Electronics Manufacturing Service (EMS) is currently attracting attention.

EMS is a service that undertakes the entire process of planning, development, design, prototyping, component procurement and production of products through collaboration between various suppliers, each with its own special expertise.

Appointing an EMS company allows set makers to shift from the current vertical integration process—which requires each set maker to undertake all the product creation operations—to a horizontal specialization process,

and they are now actively adopting an EMS company as a new management technique to streamline and enhance the efficiency of their businesses, and as a strategy to win in the increasingly intensified competition in the market.

In Japan and other countries where consumer markets have already matured, consumer values are rapidly diversifying, product quality and cost competition are very severe. Japanese set makers are focusing on small-lot, multi-variety production to meet the requirements of the market, but there are very few EMS companies that can quickly and flexibly support the development of short-cycle products and respond to fine specification changes.

However, as a company in the Sumitomo Corporation Group that has supported Japanese manufacturers in a multi-faceted manner until today, Sumitronics offers a business model encompassing all the procurement, logistics and assembly functions required by Japanese set makers, and provides EMS solutions that realize just-in-time (JIT) delivery based on detailed customer production plans. In addition to promoting streamlined and efficient

Performance

4

Optimizing Global Supply Chains

EMS Creates New Value Chains in the Electronics Industry

In the electronics industry, the demand for EMS is rising among manufacturers to establish a horizontal specialization system based on collaboration between various suppliers, and thereby increase the efficiency of the entire process from design to production. Sumitronics, a member of the Sumitomo Corporation Group is an EMS company that provides total support to customers for their design, procurement and production operations, and helps them create and optimize global supply chains.



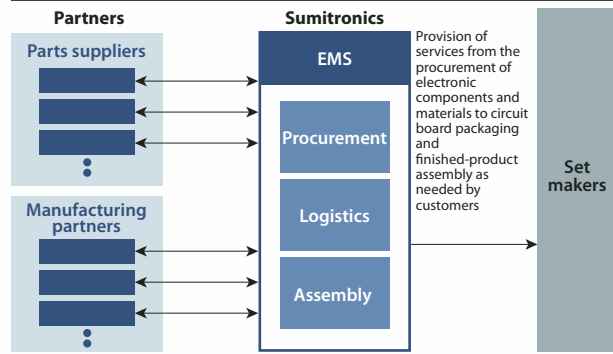
production processes, Sumitronics also supports customers in optimizing their global supply chains in Asia and other regions by collaborating with various suppliers to undertake strict quality control, reduce the environmental impact of their factories, and develop appropriate working environments, among other operations.

A worldwide network with more than 1,000 suppliers

Sumitronics was established in Singapore in 1988 as the first fully-fledged Japanese trading company specializing in electronic components. Since then, the company has expanded its group network by opening offices in Thailand, Hong Kong, Indonesia, China, the Philippines, Vietnam and other Asian countries, Japan, and North America. In collaboration with numerous parts suppliers and more than 30 manufacturing partners responsible for circuit board packaging and finished-goods assembly, the company has built a value chain that fully supports customers in their efforts to boost competitiveness. In addition, the company also promotes optimization of parts

inventories and reductions in the cost of purchased goods by networking circuit board assembly companies and unit and finished-goods assembly factories and centrally controlling the entire process within the network. The company's own 14 overseas offices also strongly support customers' advances into foreign markets.

EMS business structure



Electronics Manufacturing Service



EMS Creates New Value Chains in the Electronics Industry

IN FOCUS

Control of quality throughout the entire supply chain

Thorough quality control in cooperation with partners

Sumitronics has formed a global network with more than 30 manufacturing partners and more than 1,000 parts suppliers based in and outside Japan. To support the enhancement of quality control in these partner companies, Sumitronics established a Quality Control Division in Shenzhen, China, in 2004, where about 30 staff members are working together with suppliers in each region to ensure thorough quality control over the company's entire supply chain. In addition, Sumitronics measures the performance of each supplier according to the five criteria—quality, cost, delivery, environment and management (QCDEM)—using its own checklists, and feeds back the results to suppliers to encourage their voluntary commitment to quality.

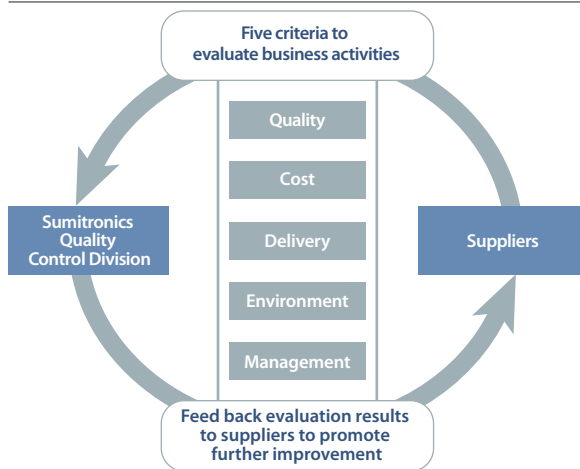
To respond to any defects in products quickly and correctly, Sumitronics has also developed its own traceability system and database of parts lot numbers and inspection data for each production process. The system and database allow the company to immediately identify when and where the defective product was manufactured, and take corrective measures.



Feedback of QCDEM evaluation results

* QCDEM evaluation results: Quality, Cost, Delivery, Environment, Management evaluation results

Sumitronics' own QCDEM evaluation



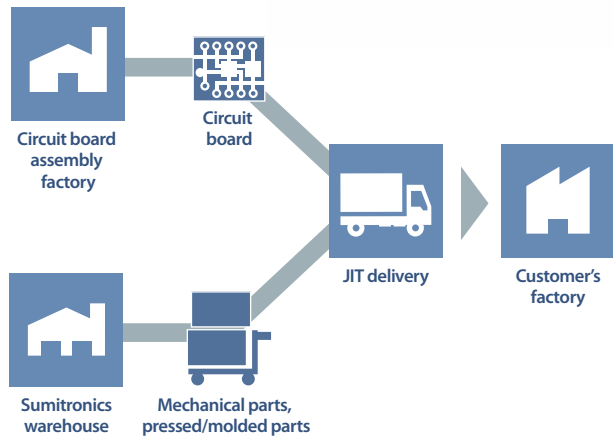
Financial, tax and legal support for customers

To successfully relocate factories overseas, it is very important not only to secure parts suppliers and a logistics network, but also to meet the complicated financial, legal and other requirements that vary between regions and countries.

Sumitronics provides a wide range of financial, tax and legal support services, such as bond and tax exemption schemes, and complicated foreign exchange and overseas transfer, by fully utilizing the expansive network, deep knowledge and technical expertise that only a general trading company with a variety of overseas business experiences can offer.

Sumitronics also operates bonded warehouses at various locations around the world, and ensures that electronic components, mechanical parts and other products procured from suppliers and imported under bond are stored under optimum conditions in the fully air-conditioned special warehouses after completion of acceptance inspections. By establishing a logistics system that enables the timely delivery of the necessary quantity of products, the company helps reduce the workload of customers required for import customs clearance and tax exemption procedures.

Reduction of inventories through the operation of tax-exemption and bonded warehouses and the achievement of JIT delivery

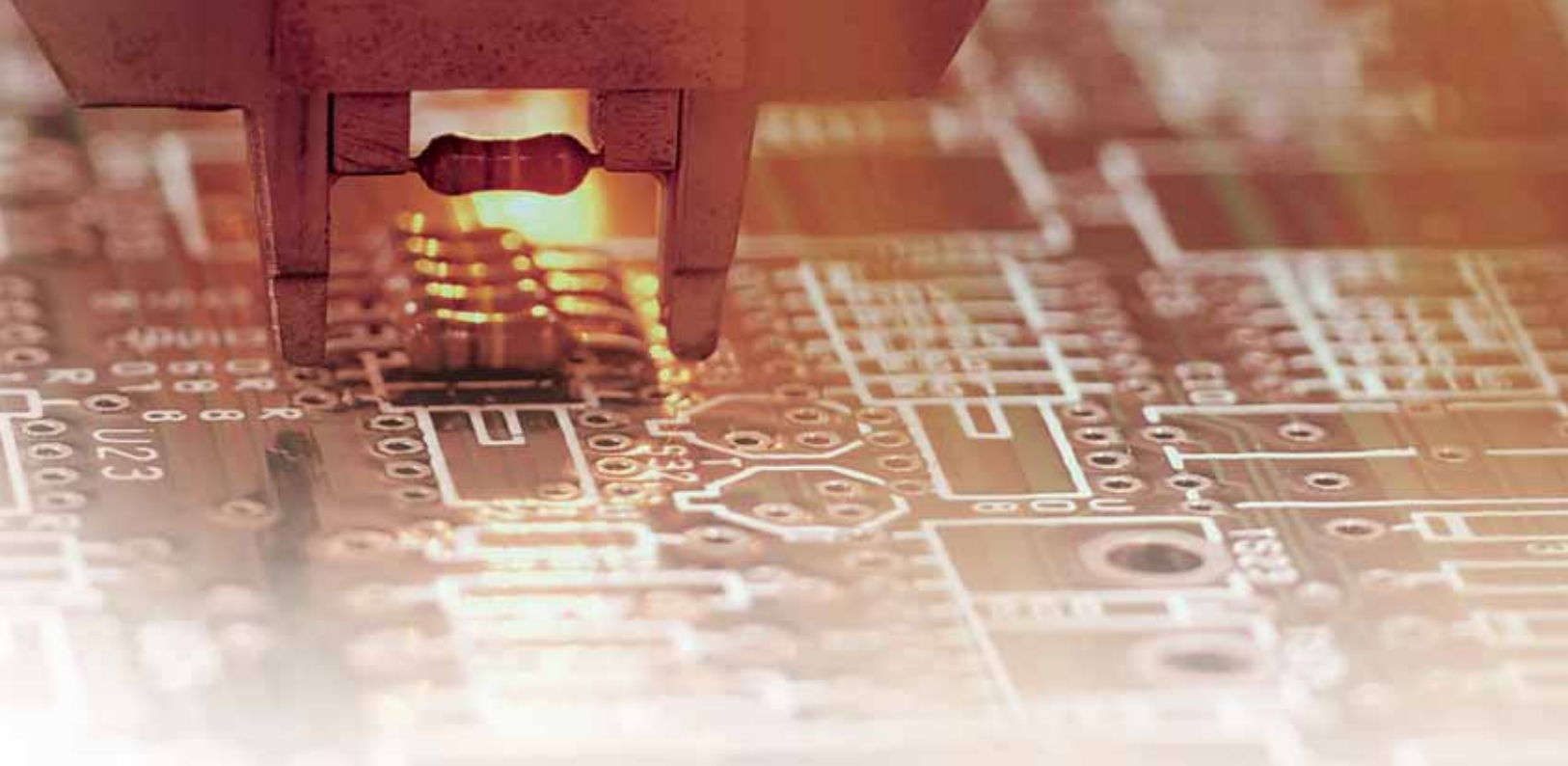


IN FOCUS

Contributing to the local community

Active recruitment and appointment of local staff

Workers in local offices and joint venture circuit board assembly factories are recruited in accordance with the local laws and regulations to encourage the localization of the subsidiaries established in each country. These efforts contribute to the creation of employment and vitalization of the local economy. Each overseas location also has a fair personnel treatment system and a safe and comfortable working environment in place.



Joint venture factories for high-speed and high-density packaging that meet the complex needs of customers

High-density packaging technology is becoming increasingly important to meet the high function and downsizing trends of mobile information terminals and other IT and communications devices. In addition to expanding its network with manufacturing partners including circuit board assembly and finished-goods assembly factories, Sumitronics has also established joint venture circuit board assembly factories in the U.S., Mexico, Thailand, the Philippines and Indonesia. Through these factories, each with skilful technicians possessing sophisticated technical know-how, Sumitronics offers products that satisfy the most detailed needs of customers.



Pre-work meeting

Contribution to development of both customers and suppliers under CSR management of the Sumitomo Corporation Group

While engaged in the EMS business globally, Sumitronics is continuously in pursuit of the ideal value chain that promotes the development of both customers and local suppliers.

In recent years, the greater commitment of companies to corporate social responsibility (CSR) throughout their supply chain—such as reducing the environmental impact of their production activities, and creating safe and comfortable workplaces for their workers—is becoming indispensable. Sumitronics has been doing business under the Environmental Policy and various other CSR management mechanisms of the Sumitomo Corporation Group for many years, and continues to ensure that the EMS business, which involves many suppliers in a complex manner, is controlled appropriately to optimize the company’s global supply chain.

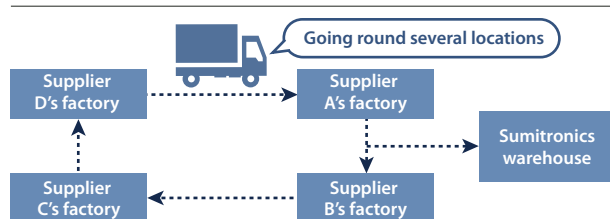
IN FOCUS Compliance with the environmental regulations of each country

Reducing the environmental impact of production and logistics

Sumitronics is working in collaboration with set makers and suppliers to tighten control over the use of chemical substances in compliance with the Restriction of Hazardous Substances (RoHS) Directive and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation enforced by the European Union (EU) in 2006 and 2007, respectively.

In addition, the milk run method of transportation, which makes one vehicle go around several locations, has been adopted in the way JIT delivery is implemented. With this method, the required number of transportations by vehicle can be reduced, and the emissions of CO₂ at the time of delivery are also expected to decrease accordingly.

Delivery by the milk run method to reduce CO₂ emissions



33 Corporate Governance

35 Risk Management

37 Internal Control Program
and Internal Audit

38 Compliance



Acting Responsibly in Business

CSR Management

The Sumitomo Corporation Group has established a management system to achieve prosperity and the dreams of diverse stakeholders such as shareholders, investors, customers, clients, local and global communities, and employees, through sound business operations.



39 Human Resource Management

43 Management of Social
Contribution Activities

46 Environmental Management





Corporate Governance

Sumitomo Corporation has established the “Sumitomo Corporation Corporate Governance Principles,” based on our view that the ultimate goals of corporate governance are “improving management efficiency” and “maintaining sound management,” as well as “ensuring management transparency” to secure the first two. Keeping in mind that our backbone of corporate ethics is in the “Sumitomo Business Spirit” and the Company’s “Management 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.

Past Initiatives to Strengthen and Enhance Corporate Governance

To date, Sumitomo Corporation has strengthened and improved our corporate governance system through initiatives covering many points, such as optimizing the size of the Board of Directors, setting term limits for the Chairman of the Board of Directors and the President and CEO, shortening the terms of Directors, establishing advisory bodies, strengthening the corporate auditors system, introducing the executive officer system, and appointing external advisors. Our approach to corporate governance is embodied in the “Sumitomo Corporation Corporate Governance Principles,” which can be accessed from the following web page.



For the Sumitomo Corporation Corporate Governance Principles, please refer to:

<http://www.sumitomocorp.co.jp/english/company/governance/index.html>

Features of Our Corporate Governance System

Under the former Commercial Code, since April 2003, Japanese companies have been able to adopt a company with a committee based system of corporate governance. However we believe that the best way for us to improve the effectiveness of our corporate governance is to maintain our existing corporate auditor system while enhancing and reinforcing it through auditing from diversified external viewpoints and with opinions and advice from additional external advisors.

We will monitor global trends and legislation concerning companies while preserving our corporate culture as a Japanese company. At the same time, we will observe the benefits of different corporate governance frameworks in other countries.

Directors and the Board of Directors

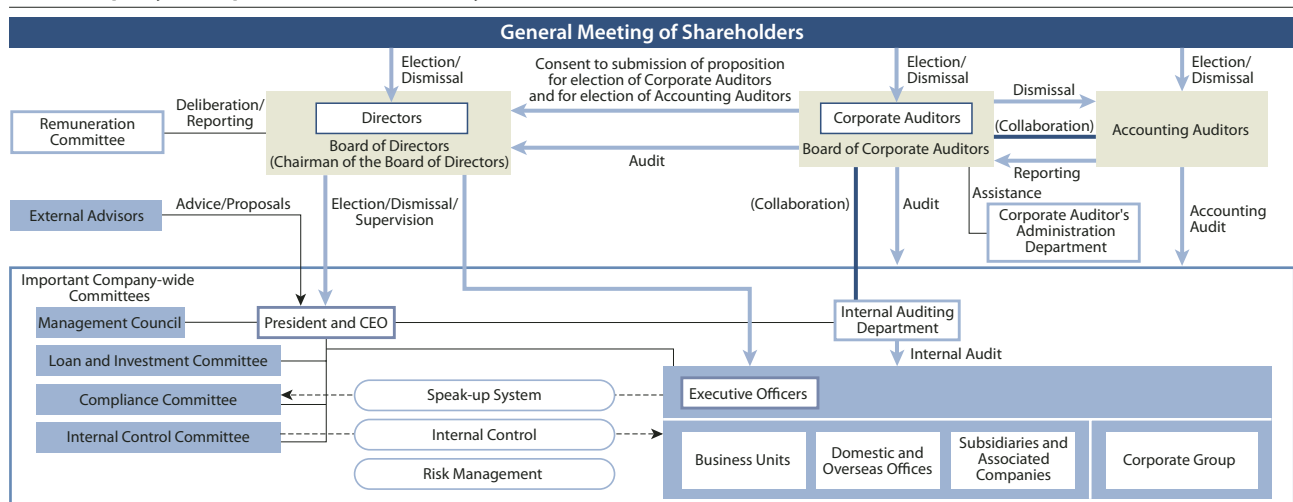
Optimization of Size of the Board of Directors

We halved the number of Board members from 24 in 2003. As of July 2008, the Board has 12 members. Through this optimized Board of Directors, which oversees the operations of the business and serves as the Company’s decision-making body concerning key management matters, we aim to facilitate substantial and active discussion as well as to promote greater efficiency and effectiveness in the decision-making process.

Limiting Terms of Directors

In June 2005, the terms of Directors were reduced from two years to one year. We aim to clarify the responsibility of management among members of management each fiscal year. This, in turn, helps ensure fast reaction times to changes in business conditions.

The Company’s Corporate Governance System



Limits on Terms of the Chairman of the Board of Directors and the President and CEO

In principle, the positions of Chairman of the Board of Directors and the President and CEO are clearly defined and separate in order to ensure mutual supervision. Both positions cannot be held simultaneously by the one person. In principle, the Chairman of the Board of Directors and the President and CEO are each limited to terms of six years. These limitations on the tenure of top management help minimize the possibility of governance problems.

Establishment of the Advisory Body to the Board of Directors

With the aim of enhancing the transparency and objectivity of decision-making processes with regard to the remuneration of Directors and Executive Officers, we established the Remuneration Committee. Functioning as an advisory body to the Board of Directors, more than half of the Committee members are from outside the Company. The Remuneration Committee is in charge of studying the remuneration and bonuses of directors and executive directors, and reports the results of its studies to the Board of Directors.

Corporate Auditors and the Board of Corporate Auditors

Enhancement of the Corporate Auditing Framework

To further strengthen external views within the corporate auditing framework, we added one external auditor in June 2003, bringing the number of external auditors to three out of the five members on the Board of Corporate Auditors. Of these three, two are legal experts (a former Public Prosecutor General and a former Supreme Court Justice) and one is an accounting expert—ensuring an auditing system that incorporates a diversity of perspectives.

Ensuring Audit Effectiveness

Corporate Auditors attend meetings of the Board of Directors and all other important internal meetings, to obtain the information necessary for proper auditing. Corporate Auditors also meet the Chairman of the Board of Directors and the President and CEO every month to exchange opinions on material issues regarding management policy and auditing. Moreover, the Corporate Auditor's Administration Department is assigned to assist Corporate Auditors so that the auditing system functions effectively and without hindrance.

Collaboration between Internal Auditing Department and Accounting Auditors

To ensure audit efficiency, Corporate Auditors interact closely with the Internal Auditing Department, receiving reports on internal audit plans and their results in a timely manner. In addition, Corporate Auditors exchange information with and

monitor the auditing activities of the Accounting Auditors through regular meetings. By attending audit review meetings and observing inventory audits with the Accounting Auditors, the Corporate Auditors constantly work to improve audit efficiency and quality.

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 of the monitoring function of the Board of Directors. We currently have 36 Executive Officers selected by the Board of Directors. Of these, 11 Executive Officers also serve concurrently as Directors, including eight who are also General Managers of Business Units. In this way, we aim to prevent gaps between decisions made at Board of Directors meetings and the execution of those decisions.

Appointment of External Advisors

Management Council members meet with outside specialists employed as external advisors to incorporate outside perspectives into our management. In this way, external advisors provide us with advice from diverse perspectives on various themes related to management issues. External advisors also give speeches and lectures in their respective areas of expertise, such as leadership and career development, to employees at various levels within our organization.

Basic Policy on Information Disclosure

To bring an accurate understanding of the Company's management policies and business activities to all our stakeholders, we shall strive to make full disclosure, not limiting ourselves to disclosure of the information required by law but also actively pursuing the voluntary disclosure of information.

Disclosing Various Information

The IR section of our corporate website provides various materials. These materials include financial results, *yukashoken houkokusho* (Japanese annual securities reports) and other Tokyo Stock Exchange filings as well as streaming and related documents of various meetings, and Sustainability Reports. Moreover, we provide our Annual Report, and SC News, our public relations news magazine and endeavor to ensure proactive disclosure.

Risk Management

In order to cope effectively with the diversifying risk environment, Sumitomo Corporation has built a risk management framework, developing our risk management approach from a micro to a macro perspective, shifting our focus from “minimizing losses from individual transactions” to “maximizing corporate value.” This framework is strongly linked to the management plan, playing a critical role in supporting the efficient management of our corporate resources.

The Purpose of Risk Management

In response to the shift of our risk management focus from “probability of losses” to “probability of discrepancy between the plan and the actual results,” we have set the following three items as the purpose for our risk management activities.

- 1. Stabilize Performance:** Minimize discrepancies between the plan and the actual results
- 2. Strengthen Financial Base:** Maintain risk-adjusted assets within the buffer (shareholders' equity)
- 3. Maintain Corporate Reputation:** Fulfill CSR requirements and preserve corporate reputation

Risk Management Basic Policy

We classify our risks into two categories: Quantifiable risk and Non-quantifiable risk. Quantifiable risk is defined as “Value creating risk,” where we proactively take to gain the return. Our

policy is to maximize the risk-adjusted return while maintaining risk-adjusted assets within our buffer. Non-quantifiable risk is defined as “Value breaking risk,” which only generates losses when it surfaces. We are building a framework that prevents or minimizes the probability of this risk to materialize.

Risk Management Framework

Managing Quantifiable Risk

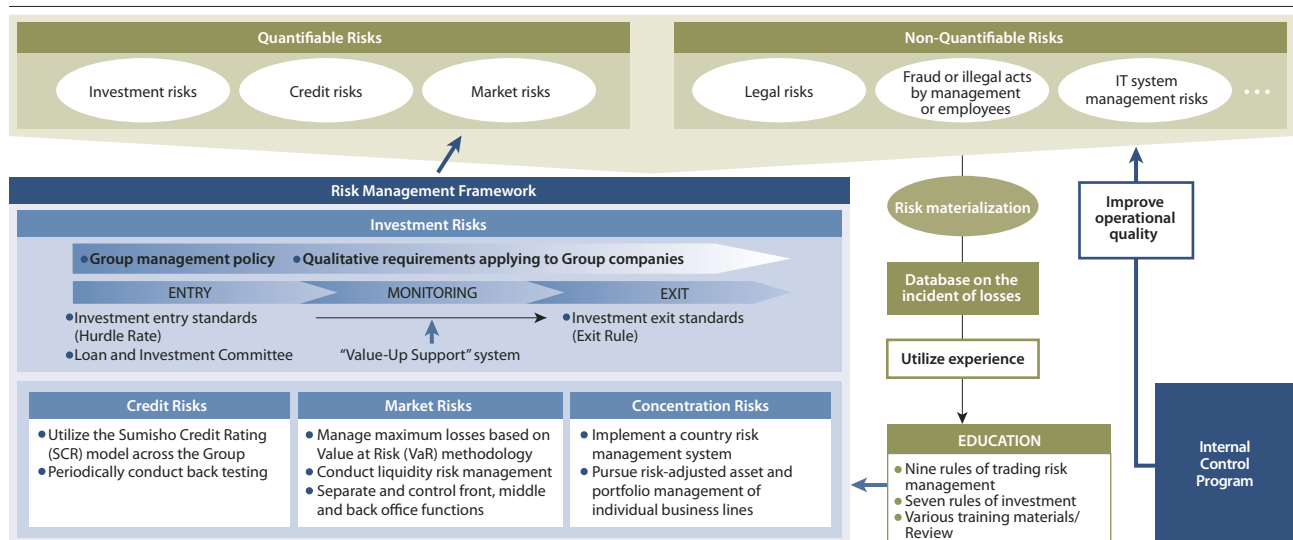
• Managing Investment Risk

Once an investment is made, it is often difficult to make a withdrawal decision and the loss impact of the withdrawal is usually significant in scale. To manage the investment risk, we have in place an integrated framework covering from the entry process to the exit process. For the entry process, we have set a hurdle rate, an indicator that returns from the new investments must overcome. In case of new investments that are large-scale important projects, the case will be raised before the Loan and Investment Committee for thorough examination. After making an investment, related business plans are thoroughly monitored. If the performance of an investment doesn't meet the standard, the investment is placed as an “Investment required to withdraw” according to our Exit Rule.

• Managing Credit Risks

We have incorporated our original credit rating model, the Sumisho Credit Rating (SCR), to assess our customer's credit risk. The authority level to provide credit exposure to customers depends on the assigned credit rating, and the risk weight

Risk Management



ranging from 1.5% to 50% is set for each rating criteria. Higher ranked officers' approval is required to provide credit to lower credit profile customers, with larger risk-adjusted assets being calculated. This provides each Business Unit an incentive to reduce credit extended to customers with lower credit ratings.

● **Managing Market Risks**

We use Value at Risk (VaR) methodology to measure the potential losses related to any market traded products that we deal in. We set limits on trading positions as well as on the maximum losses (sums of the VaR amount and revaluation losses) for the interim and/or full year based on each product. In addition, we conduct liquidity risk management for each product and market in order to be prepared in the event that product dealing becomes difficult due to contracting liquidity. The Financial Resources Management Group undertakes both the back and middle office functions in order to completely separate those functions from the Business Units, thereby enabling us to maintain our sound internal checks.

● **Managing Concentration Risks**

As we are operating globally and engaging in a variety of business fields, we need to ensure that the risks are not excessively concentrated in particular areas. In order to avoid overly concentrated exposure in certain countries and regions, we have in place a country risk management system. For the purpose of avoiding risk concentration in particular business fields and to create a balanced business portfolio, thorough asset allocation is deliberated at the Strategy Meeting, held between the President & CEO and the heads of each Business Unit, and the Loan and Investment Committee.

Managing Non-Quantifiable Risks

Non-quantifiable risks are those that must be borne, but for which we cannot expect returns. These include litigation and other legal risks, operational risks such as clerical mistakes or fraud acts, and natural disaster risk. Some of these risks involve events that rarely occur but could have a critical impact on our operations once they arise. Our basic policy is to prevent or minimize the probability of these risks to materialize. We have built a framework to periodically and comprehensively assess

the effectiveness of our internal control system over these risks through our Internal Control Program, which enables us to monitor the situation on a global and consolidated basis. Based on the assessment result, we continuously search for a more efficient and effective organizational structure and procedures to improve the quality of our business operations.

Embedding the Sense of Risk Management

Although we have been constructing the best possible risk management framework to cope with diversified risks, we cannot completely prevent the incurrence of loss in the course of business activities only by the framework itself. We are putting our efforts into implementing the initiatives that enable us to quickly identify the occurrence of losses in order to suppress loss accumulation and prevent the contagion effects that lead to secondary losses. These initiatives include devising ways to quickly identify the cause of losses and share such information among top management and related departments. We have compiled a database of such loss information that allows for the systematic analysis of the causes of loss-incurring events. These analyses are used as training materials for employees as part of various educational programs. Through this knowledge feedback process, individual employees can upgrade their risk management capabilities, supporting the prevention of the same kind of loss events.

Eyeing the Future of Risk Management

Over the past decade, Sumitomo Corporation has created a formidable risk management framework by studying advanced methods and processes. Our goal was to implement the best practices in risk management while maintaining the flexibility to adapt to changes in the business environment. The surrounding environment is continually changing, however, and new business models that we could never have imagined are emerging on a daily basis. Responding to changing circumstances in a timely and effective manner, we continually upgrade our risk management under the direction of top management.

Internal Control Program and Internal Audit

To maintain the trust of all stakeholders, the Sumitomo Corporation Group has been engaged in strengthening its internal controls in order to “improve the quality of business operation” on a global and consolidated basis. To this purpose, our Internal Control Program and internal audit are used in tandem and we are constructing a stronger internal control system.

Internal Control Program

We believe that the constant monitoring and upgrading of the groupwide internal control system is indispensable to our sustained growth and development. Since 2005, we have expanded our Internal Control Program across the entire Group, being used as an important management tool.

Thorough Assessment of Our Internal Controls on a Global Consolidated Basis

The Sumitomo Corporation Group comprises eight Business Units that encompass domestic and overseas operations and many Group companies dispersed throughout the world. It is essential that the Sumitomo Corporation Group maintains a uniform standard for the quality of business operations that applies irrespective of the business sector or geographical region where they take place. Moreover, such standards must meet the expectations of our stakeholders.

From this perspective, in July 2005, we compiled a checklist based on the COSO Framework,* which serves as an international standard for internal control. Using this checklist, we set about making a thorough assessment of the current status and effectiveness of our internal controls. The checklist covers 350 points pertaining to general operations that should be common across the Group, including risk management, accounting and financial controls and compliance.

We are undertaking assessments of more than 500 domestic and overseas operations with the aim of covering all Group operations, irrespective of industry field, region or size. The Planning and Administration Department in each Business Unit and other relevant departments are reviewing the assessment results while supporting the formulation, establishment and implementation of necessary improvement measures.

* **COSO Framework:** The COSO Framework defines internal control as a process required for the achievement of three objectives: the reliability of financial reporting; effectiveness and efficiency of operations; and compliance with applicable laws and regulations. This definition was announced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992.

Fulfillment of Legal Requirements

The new Japanese Company Law, which came into effect in May 2006, calls for companies to establish “systems ensuring that the execution of duties by directors conforms to legal regulations and their Articles of Incorporation as well as systems ensuring that business processes are handled appropriately.” Having previously established various systems and frameworks, the Sumitomo Corporation Group already fulfills the requirements of the new Company Law.

Our Internal Control Program monitors these systems periodically and comprehensively to ensure that they are functioning adequately and makes any necessary improvements. To comply with the internal control reporting rules stipulated in the Financial Instruments and Exchange Law, which took effect on April 1, 2008, we are tracking and evaluating our internal controls with regard to the reliability of financial reporting, as required by the law, through the effective application of Internal Control Program results and its promotion structure. Especially, we are evaluating in detail internal controls related to individual business processes at the approximately 30 companies we regard as significant business locations with a particularly large impact on our consolidated financial reporting. Through compliance with the law, we aim to further improve the quality of business operations throughout the Sumitomo Corporation Group.

Internal Audit

Operating separately from the Internal Control Program, the Internal Auditing Department monitors Group operations from an independent third-party standpoint. Internal audits are constantly being performed at all organizations within our company and each and every consolidated subsidiary. In fiscal 2007, we undertook 125 audits in Japan and 45 overseas operations.

Compliance

Positioning legal and regulatory compliance as a basic premise for all corporate activity, Sumitomo Corporation is building a compliance structure in accordance with clearly defined policies. In maintaining strict adherence to this compliance structure, we are ensuring our existence as a going concern and securing our credibility and status.

Policies and the Reporting Structure of Corporate Compliance

To promote compliance, Sumitomo Corporation established the Compliance Committee in November 2000 under the direct supervision of the President and CEO. Among its various duties, the Compliance Committee is responsible for the Company's Compliance Manual, first issued in April 2001 and revised in December 2003 and July 2005 and distributing it to all officers and employees. The Compliance Manual covers the following 19 Guiding Principles to ensure the Company's bottom line: "If there is even a trace of doubt, don't do it." It is our policy that employees should never risk transgression in pursuit of profit for the Company. If a potential compliance problem is detected, we continuously encourage our employees to report it to their supervisors or the relevant departments immediately, so that the best countermeasures can be implemented swiftly.

Guiding Principles

I. Business Activities

- Observing Antimonopoly Laws
- Security Trade Control
- Customs/Controlled Items
- Compliance with Applicable Laws
- Respecting and Protecting Intellectual Property Rights
- Prohibition of Unfair Competition
- Information Management
- Preservation of the Environment
- Overseas Business Activities

II. Corporate Citizen as a Member of Society

- Prohibition on Giving Bribes
- Prevention of Unlawful Payments to Foreign Governmental Officials
- Political Contributions
- Confrontation with Antisocial Forces

III. Maintenance of a Good Working Environment

- Respect for Human Rights*
- Prohibition of Sexual Harassment
- Prohibition on Abuse of Authority

IV. Personal Interest

- Insider Trading
- Conflict of Interest
- Proper Use of Information Systems

* Based on the Universal Declaration of Human Rights.

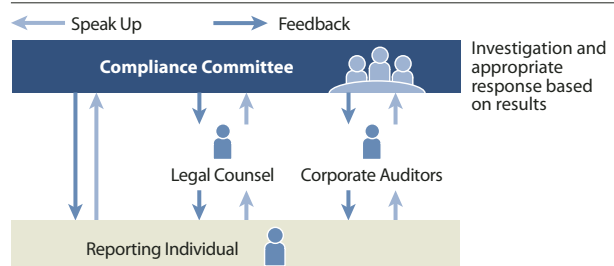
Compliance Training and Education

Employees have access to the latest version of the Compliance Manual and other manuals detailing applicable laws and regulations on the Company's intranet. We also offer various training programs and educational activities on compliance, including: programs for specific groups, such as new employees, managers and corporate officers; seminars provided by each Business Unit; seminars targeted at all officers and employees; and seminars for overseas offices and Group companies. We also make use of various domestic and overseas conferences for compliance education. In fiscal 2007, 93 seminars and conferences on compliance were held for members of the Company and Group companies that approximately 5,400 people attended. In addition, in the fiscal years 2006 and 2007, Sumitomo Corporation held four e-learning compliance seminars which were open to employees from all levels.

Speak-Up System

The "Speak-Up System" was established at the same time as the Compliance Committee. If an employee becomes aware of a possible compliance problem, he or she can pass the information along the chain of command. In addition, the Speak-Up System allows an individual to report a potential problem directly to the Compliance Committee. Outside legal counsel and our Corporate Auditors were included as additional points of contact within the Speak-Up System in August 2003. Although, in principle, reporting individuals are asked to identify themselves so that they may be updated on the outcome of their cases, Company rules state that both the identity of such individuals and the nature of the information provided are kept confidential, and that no negative repercussions will redound on the reporting employees due to such reporting. The Compliance Committee is responsible for handling all the information it receives in an appropriate manner. As of March 2008, similar systems have been implemented at approximately 130 domestic affiliates.

Speak-Up System Diagram



Human Resource Management

We are trying to create a quality work environment that allows employees to work actively and comfortably and perform to the best of their potential in challenging and rewarding work.



Our Concept of Human Resource Management

Sumitomo Corporation regards an employee's first 10 years after entering the company as an important period for training and development. This allows new employees to concentrate on learning and building up experience in their special areas without paying too much attention to short-term success or competition amongst themselves. This way, they can gain the knowledge and skills necessary to become a professional in the long run.

In April 2006, Sumitomo Corporation renovated the Human Resources Management System with emphases on the enhancement of the strength of human resources and activation of all employees. Also, a new qualification system based on "expected role" was introduced to replace the seniority-based system. Now employees are promoted according to the results of an evaluation of their respective "expected roles."

In fiscal 2007, we held general managers meetings about the Human Resources Management System and carried out an employee survey to make sure that the new Human Resources Management System is implemented more effectively and listen to reactions from the workplaces. The results from the meetings and survey were used for operational reviews and IT infrastructure improvement that were needed for more effective and efficient target-setting and evaluation of "expected roles".

Diversity in Employment

Recruitment of New Graduates and Mid-Career Workers

To attain sustainable growth for the company, it is imperative to secure excellent and diversified human resources in sufficient numbers.

Sumitomo Corporation therefore offers diverse employment opportunities, without discriminating on gender or educational background, focusing mainly on the applicant's abilities and

motivation. As a result, the number of new female employees has increased substantially.

Re-employment System after Retirement

At Sumitomo Corporation, the retirement age is 60 but a "re-employment system" was introduced in fiscal 2006 for those who wish to keep working. Under this system, they can re-join as temporary workers and contribute to the company, utilizing their rich experience and skills. More than 80% of employees who reached retirement age in and after fiscal 2006 wished to extend their employment and chose to keep working.

Assigning Responsible Positions to Locally Hired Staff

As a global business operator, it is essential for the Sumitomo Corporation Group to enhance individual overseas organizations and to expand locally planned and organized businesses to strengthen its global earnings capability. As a means to accomplish this goal, we assign responsible positions to local staff members who have local business networks and business knowledge. As of April 2008, as many as 13 overseas offices are managed by locally hired staff and many locally hired staff are assigned top management positions in overseas subsidiaries, offices and affiliated companies.

We are planning to promote more local business experts to responsible positions to achieve a global operation with "the right persons placed in the right positions."

Human Resource Development and Career Training

The Sumitomo Business College (SBC), the Group-wide Human Resources Management System, provides programs to teach employees the knowledge and skills needed to work in the trading industry. In fiscal 2007, we organized training programs in a variety of fields such as leadership and communication skills to develop interpersonal skills of all employees.

We invite locally hired staff to our head office in Tokyo for training specifically targeted at executives, managers and staff, with a particular focus on further improving their business skills,

leadership abilities and common understanding of corporate management policies and strategies of the Sumitomo Corporation Group. In fiscal 2007, more than 190 locally hired staff members participated in these programs, and we are planning to provide the same kinds of programs for about 230 people in fiscal 2008.

Through the new system launched in fiscal 2007, career advisors assigned for each group and business unit have been running activities to fulfill the specific needs of the division, including staff interviews. In fiscal 2008, more focus will be placed on suggestions and support for organizational management.

Career Development Training Reform

We reviewed our career development training programs to provide employees with opportunities to plan their career development based on their own strengths and characteristics. The contents and targets of each program have been reviewed from the viewpoint of “simultaneously encouraging young workers and senior workers.” The new programs are designed so that participants can recognize their own strengths and view their career plan more clearly through the “360-degree feedback” and discussions with other participants.

In fiscal 2007, career development training programs were provided for employees on the key career track who are in their fourth and eleventh year at Sumitomo and those aged 45 and 50 or older. Training programs for employees in clerical positions were provided for those who passed the A Class exams and those aged 45. In fiscal 2008, non-career track employees in the fourth year will be added to the participant lists.



Training program

Interpersonal Management Skills Training

Interpersonal management skills training was provided with the main goal of leadership development. In fiscal 2007, training programs with the themes of “human resources and labor management,” “leadership for team development” and “organizational strategies and leadership” were added to the existing programs specific to different career levels. Also, a Leadership Development Seminar was started for new team leaders and general managers.

In fiscal 2008, leadership development training program for senior staff will be added to the level-specific seminars and other interpersonal management skill courses will be reorganized into five programs.

Mental Health Training

As a part of mental health care for the staff, we provide Mental Health Training for employees to give them the correct knowledge about and enable them to take preventive measures for mental health problems. In fiscal 2007, a training program titled “Mental Health Management” was held for managers a total of three times. For others, a training program titled “Mental

Health in the Office” was also held three times. Feedback from participants included “It gave me a good opportunity to plan for stress control management” and “The familiar examples helped me understand my own mental state as well as that of the people around me.”

Field Trip to Besshi Copper Mine

Groups of employees visit the Besshi Copper Mine in Ehime Prefecture, the origin of Sumitomo’s history, for training trips. The participants experience the Sumitomo Business Spirit— “Sumitomo’s business is for the profit of Sumitomo and at the same time for the profit of the community and the country”— firsthand through the trip and strengthen their determination to pass on the teachings. Thirteen field trips to the mine were held in fiscal 2007 with a total participation of some 200 managers and team leaders.



Besshi Copper Mine

Promotion of Work-Life Balance

In fiscal 2005, Sumitomo Corporation launched the company-wide Work-Life Balance (WLB) Promotion Project Team and laid down the Work-Life Balance Policy. These are based on our belief that employees who lead fulfilling lives both at home and at work exhibit greater energy to create new value.

Sumitomo Corporation has been providing child-care and family-care leave systems beyond the legal requirements. We are now working on improving the workplace environment and awareness-raising programs so that more people can use the systems more comfortably.



For the Work-Life Balance Policy, please refer to:
<http://www.sumitomocorp.co.jp/english/society/wlb/002.html>

Achievements in Fiscal 2007

In fiscal 2007, we started the Spouse’s Maternity Leave Program and Baby Sitter Discount System. We lend personal computers to employees who are taking child-care leave (both female and male employees) so that they can prepare themselves for the time when they return to work. Also, WLB (work-life balance) seminars are held to explain the systems to staff members and raise their awareness and improve their understanding on various issues in every workplace.

WLB Awareness-Raising Programs

A series of seminars with distinguished speakers on various themes have been held regularly to raise awareness of employees on work-life balance (WLB) issues. Past themes include family-care, paternal parenting, the fight against metabolic syndrome, and sex differences in the human brain. In fiscal 2007, four such seminars were held and about 400 employees attended.

Opening of the Massage Room

The SCG Massage Room "Koriton" was opened in April 2008 to enable employees to maintain their health. Employees receive a relaxing and refreshing remedy from licensed massage therapists.

SCG Counseling Center

The SCG Counseling Center was opened in April 2005 to offer mental health care for employees of the Sumitomo Corporation Group. The Center established its existence among employees as a comfortable place where they can go for counseling. A total of several hundreds employees visited the Center in fiscal 2007. We are planning to enter into contracts with companies specialized in employee support to further improve the service at the Center.

Improving the WLB Systems

In April 2008, we started a program that lets employees work shorter hours in order to care for their infants or elderly parents and a personal leave system for those whose spouses are transferred overseas for work. And a daycare center for employees is going to be opened in a commercial building adjacent to the head office building in the fall of 2008.

We also acquired "Kurumin" certification in 2008, based on the Next Generation Nursing Support Measures Promotion Law.



Available Support Systems and Their Usage Status

System	Outline and Special Features	Frequency of use in fiscal 2007
Childcare leave	<ul style="list-style-type: none"> • Period: Until the child becomes two years old. • Features: Requirements for spouse was eliminated (Now it is applicable to those whose spouse is a full-time parent, too. A working couple can take leave at the same time.) 	25 people
Family-care leave	<ul style="list-style-type: none"> • Maximum days: Up to 365 days for each elderly family member who must be cared for • Number of times entitled per employee: Unlimited (applicable every time care of an elderly family member becomes necessary). 	1 person
Sick-child leave	<ul style="list-style-type: none"> • Applicable employees: Guardians of a child in elementary school or younger (coverage expanded in April 2008) • Maximum days: Up to five days per year per child • Salary and bonus: Paid in full • Special feature: Leave can be taken in units of half days. 	70 days by 25 people
Spouse's maternity leave	<ul style="list-style-type: none"> • Applicable employees: Those whose spouse is pregnant or within two weeks of delivery • Maximum days: A total of five days per one childbirth • Salary and bonus: Paid in full • Special feature: Leave can be taken in units of half days. 	128.5 days by 46 people


New Name to Improve Working Conditions

The cooperative organization of the management and labor union, Overtime Subcommittee, was renamed as the "Working Style Kaizen Committee" in fiscal 2007 aiming for kaizen (improvement) of working styles. In addition to overtime, paid leave systems and other issues were discussed based on the actual situation with each system.

VOICE

My Experience with the Spouse's Maternity Leave Program

Shinji Yokota
Power & Plant EPC Dept. No. 1




When I learned that my wife was pregnant, I immediately decided to be there at the delivery. I was planning to use my paid vacation for that purpose. Then in April 2007, the Spouse's Maternity Leave Program was started, allowing me to take a day off to be with my wife during the delivery and to run errands related to the birth of our child.

I used the program three times for a total of 2.5 days leave to accompany my wife to a checkup, during the delivery and when she was discharged from hospital. The day when the baby was born started with anxiety and I was very nervous, but the day ended for me with an unspeakable feeling of relief and excitement. I was deeply moved. I found that this program is proof of the company's attitude to support the WLB of its employees. In fact, it was much easier to use the program than to take a day's paid vacation.

VOICE

Returning to Work after Childcare Leave

Ayana Hasegawa
Ship & Marine Project Dept. No. 2



After the birth of my first child in July 2006, I took childcare leave for about one year. But even before the birth, people in my department were very supportive. I did not have to worry about leaving the office earlier than others in the evenings or taking a day off.

When I was returning to work after my one year of childcare leave, I was a little nervous. Then my supervisor invited me along with other young members of the department to a dinner. This helped me a lot to feel comfortable as a member of the group again. Now I am trying to balance work and childcare, using a system that allows employees with young children to choose to work shorter hours.

Campaign: "Let's work together to bring small changes to the Sumitomo Corporation Group to be even better"

In the Sumitomo Corporation Group, a group of volunteer members is running a campaign to improve the working environment. They work to encourage voluntary activities by each employee on various issues in order to make the workplace even better.

Campaign Planners make plans and promote improvement activities from the employee's point of view.

Every office in the Sumitomo Corporation Group has been carrying out a variety of programs to improve job efficiency and the working environment. A group-wide campaign, "Let's work together to bring small changes to the Sumitomo Corporation Group to be even better," was started in April 2007 to develop the ideas that come out of such programs into actions taken by the whole Group. These "small ideas to make the workplace a little better" are introduced as the base for group-wide employee-oriented activities aimed at improving the working environment.



Discussion at the Campaign Planners meeting

The Campaign is planned and operated by the "Campaign Planners," a group of ten employees who voluntarily join the team. Members from different divisions and in different age groups meet every week and discuss plan to make the Campaign effective.

Using intranet site for exchanging ideas

The first significant achievement of the Campaign was the launch of a special site on the intranet in December 2007. Ideas for improvements sent by employees are introduced on the site, and the activities promoted by the Campaign Planners are reported with their results and effects. In the first four months, more than 50 ideas were collected, and 22 of them have already put into practice.

The intranet site is also playing an important role in employee communication. Many people put on the site not only their ideas for improving the workplace, but also ideas and requests on various other issues. Through discussion and by sharing common concerns, the employees of the Sumitomo Corporation Group now believe that "if each person takes action, the whole organization can change for the better."

The Campaign Planners are planning ways for more active participation by employees. A Q&A bulletin board

will be opened on the site, and employees will be invited to form their own "communities" to start specific actions. An increasing number of posters and other public media will be used to improve the visibility and recognition of the Campaign.

Major ideas for improvements sent to the intranet site.

- To list the telephone numbers of the "service counter" for administrative work in the company directory.
- To show the locations of all meeting rooms on the map displayed in the elevator hall on the each floor.
- To start a bulletin board to list extra items of stationary and equipment that can be used in other departments.

VOICE

More Voluntary Participation Awaited

Naoko Makiyama

Environment Business Dept.



I decided to join this Campaign because I was surprised to witness how the small voice of one person brought a significant change. One day a young member of staff said she wished she had been able to serve better tea to visitors, and soon a new tea maker was installed. I realized that as long as someone can express their idea to make things better, many things can be improved. It is important for us to speak up.

Many ideas have been collected through the Campaign, many of which are really impressive. More of these ideas are being turned into actions recently.

Many of our colleagues have good ideas about everyday tasks. But they do not try to make their ideas heard simply because they do not know who to tell, or because they think their idea is too trivial. I want to encourage these people to try to make things better—even one little step at a time—so that we can work in a more comfortable environment. I am looking forward to seeing more people participate in this program.

Management of Social Contribution Activities

As a good corporate citizen, Sumitomo Corporation is promoting a variety of social contribution activities to encourage the healthy growth of young people and cooperate with local communities.

Principles and Policies of Social Contributions

The Sumitomo Corporation Group puts forward “contributing to society as a good corporate citizen” as one of its Activity Guidelines. In addition, we have set out the Principles and Policies of Social Contributions outlined below. We not only contribute to society through our business activities, but also actively engage in a variety of philanthropic activities in our capacity as a corporate citizen.

Sumitomo Corporation Principles and Policies of Social Contributions

Principles

Corporations and their employees are now required to make positive contributions to society, if they are to be considered good corporate citizens in the global community. Sumitomo Corporation, as one of its corporate management principles, promotes social contribution activities at a company level, as well as at an individual level.

Policies

Fields

- (1) Supporting lifelong education
- (2) Supporting the development of a mentally and physically sound social environments
- (3) Cooperating with local communities

Action Principles

- (1) Social contribution activities must be independent from business activities.
- (2) Social contribution activities must not support specific individuals.
- (3) Social contribution activities must not involve any religious activities.

Individual Principles

- (1) Positively and continuously take part in activities.
- (2) Take global-minded actions.
- (3) Take actions with a view to touching people's hearts.

Structure for Implementing Social Contribution Activities

On the occasion of its 50th anniversary in January 1996, Sumitomo Corporation established the company-wide Philanthropy Committee and the Philanthropy Dept. to further promote social contribution activities. The aim of this was to integrate the activities conducted separately by individual sections to enable more fulfilling operations. In April 2008, when the corporate structural review took place, the responsibility for social contribution activities was handed over to the Environment & CSR Dept. Now the Department is working on further improving both the quality and quantity of our activities under this more robust scheme.

Major Social Contribution Activities Conducted in Fiscal 2007

In fiscal 2007, many social contribution activities were carried out following the Principles and Policies of Social Contributions.

Field	Major Activities
Supporting lifelong education	<ul style="list-style-type: none"> ● Supporting the activities of the Junior Philharmonic Orchestra ● Inviting junior and senior high school students to Sumitomo Corporation offices/Providing training for teachers
Supporting the development of mentally and physically sound social environments	<ul style="list-style-type: none"> ● Adding Japanese subtitles and audio description to Japanese movie films to make them more accessible to those with visual or hearing impairments ● Cooperating with vocational training for disabled people ● In-house sale of goods produced by welfare workshops
Cooperating with local communities	<ul style="list-style-type: none"> ● Sumitomo Corporation Scholarship for college students in Asia ● Providing lectures at Tsinghua University and Nankai University in China ● Japanese language lessons and cultural exchange programs in Da Nang, Vietnam ● Donation of books to the Sumitomo Corporation Library opened for educational institutions in Madagascar

Pick Up | Promotion of "Barrier-free Movies"

Sumitomo Corporation has participated in numerous movie production committees, while the Sumitomo Corporation Group is promoting all stages of the motion picture business, from production to distribution, investing in such companies as Asmik Ace Entertainment Inc. (movie production/distribution) and United Cinemas Co., Ltd. (cinema complex construction/management). Now the group is actively promoting the creation of a "barrier-free movie experience," pursuing the goal of allowing the greatest number of people possible to enjoy movies.

The kind of barrier-free movie experience promoted by Sumitomo Corporation involves providing screening opportunities complete with audio description and Japanese subtitles, so that visual- or hearing-impaired viewers can



Barrier-free movie screenings



©2008 "Best Wishes for Tomorrow" Production Committee

enjoy newly released films with unimpaired people in movie theaters. In fiscal 2007, three movies—Yunagi no Machi Sakura no Kuni (Dir. Kiyoshi Sasabe), Our Mother (Dir. Yoji Yamada) and Best Wishes for Tomorrow (Dir. Takashi Koizumi)—were released with Japanese subtitles and/or audio description. Many people with visual or hearing difficulties enjoyed the movies in theaters located in major cities throughout Japan.

No one can claim that barrier-free entertainment in Japan is at the level it should be. At Sumitomo Corporation, we are working to advance the level of barrier-free facilities in Japan that will allow visual- and hearing-impaired individuals to enjoy movies together with family and friends while the movie is still in its first run. At the same time, the Company is collecting feedback from individuals and movie theaters that have experienced barrier-free screenings. Sumitomo Corporation incorporates this feedback into subtitle content and audio description, as well as into the technological means of providing audio description. The Company continues to seek its goal of offering barrier-free screenings that allow both physically impaired and the unimpaired to enjoy a high-profile movie and to share emotion through frustration-free experience.

Pick Up | Supporting the Junior Philharmonic Orchestra

Based on the principle of contributing to the healthy growth of young people, Sumitomo Corporation has been supporting the activities of the Junior Philharmonic Orchestra. This youth orchestra was founded in Tokyo in 1972 by the late composer Setsuo Tsukahara to put into action his hope of contributing to the growth of the next generation through the orchestra.

Sumitomo Corporation not only provides direct financial support to the orchestra, but also sponsors concerts. The Sumitomo Corporation Young Symphony Concert is held two or three times every year, providing a grand stage for the orchestra to showcase the results of their hard work. The concert scheduled for the fall of 2008 will be its 41st such concert. We always select one of the best concert halls in Japan for the concert, giving orchestra members the opportunity to perform on the same stage as professional musicians. This experience boosts their motivation to work harder in pursuit of excellence.

By playing in an orchestra, young people are faced with excellent opportunities in various ways. They have the valuable experience of playing with many other players to create a well harmonized piece of music. Through the experience of working with others for a common goal, they learn how to live



The 40th Sumitomo Corporation Young Symphony Concert (January 2008 at Suntory Hall)

in society, how to cooperate with many others and how to be responsible for playing their part. And with the storm of applause at the end of the concert, they can feel a real sense of achievement.

By supporting the Junior Philharmonic Orchestra, Sumitomo Corporation will continue playing its part in helping young people to develop their capacities and talents both in music and as a person.

Stakeholder's Voice

Witnessing the Growth of Youth through Music

Yuichi Kobayashi

President
Junior Philharmonic Orchestra



In the last 15 years under the support of Sumitomo Corporation, a total of about 60,000 people have come to listen to the Sumitomo Corporation Young Symphony Concerts. This is a big source of motivation of all our young players.

In March 2008, the Orchestra visited Beijing for its 35th anniversary. The exchange programs with young people in Beijing have become another precious event to realize the great power of music. We will keep building on such experience and working for the healthy development of young people, both in body and mind through the activities of the orchestra.

Pick Up | **Sumitomo Corporation Scholarship**

In 1996, as part of its 50th anniversary project, Sumitomo Corporation started its Sumitomo Corporation Scholarship. The program was established to help educate future leaders in developing countries in Asia, where Sumitomo Corporation has many offices and operation bases. In response to requests from various countries, regions and educational institutions, the program has grown to cover an increasing number of universities and graduate schools in more countries. In fiscal 2007, scholarships were granted to about 900 students in 39 universities in 11 countries. The total number of students receiving scholarships in the last 11 years amounts to more than 8,000. Those people who completed their education through the scholarships are now demonstrating their expertise and leadership in a wide range of fields in each country.

Sumitomo Corporation staff in local areas regularly visit the universities where students are studying under these scholarships and exchange opinions with university staff and students. When attending the ceremony to present the scholarship, recipients often express their excitement



Sumitomo Corporation Scholarship award ceremony

and determination with words such as “Thanks to the Sumitomo Corporation Scholarship, I can now pursue my educational goal.” Feedback from students and universities is a very important source of motivation for the

program organizers and local staff at Sumitomo Corporation, serving as a valuable source of ideas for effective operation of the scholarship program. Sumitomo Corporation is looking forward to supporting the education of more young people in these countries.

Stakeholder's Voice

A Sumitomo Corporation Scholarship gave me courage and opened possibilities for the future



Fu Liwei

Export Dept. No. 3, Logistics Service Division.
Sumisho Global Logistics Co., Ltd.

I received a Sumitomo Corporation Scholarship in 1998 when I was a student at Shenzhen University in China. Since then, the fact that I was chosen from a number of applicants for the scholarship has always encouraged me to believe in my own capabilities and to work to find a solution in difficult times. The scholarship also gave me valuable opportunities to work at Shenzhen Sumitomo Corporation Ltd., to study in Japan, and finally to work in my current position at Sumisho Global Logistics. Thanks to these experiences and the many wonderful people I have met through them, I now feel my possibilities for the future are wide open. My next goal is to build a global community with other Sumitomo Corporation Scholarship alumni and work together in various ways to show our gratitude to society. I hope that will add another attractive feature to the Sumitomo Corporation Scholarship.

Pick Up | **Japanese Language Lessons and Cultural Exchange Programs in Da Nang, Vietnam**

In 2006, we started a Japanese language class for 12- to 15-year old students in junior high schools in Da Nang, a city located in the central region of Vietnam. Through the lessons, we aim to provide children with opportunities to learn about and develop their interest in Japan and its culture. Japanese language education has been a focus of the educational measures by the Vietnamese government, and Japanese language lesson programs have started in junior high schools with support from the Japanese government. Sumitomo Corporation started the program to play its role in these measures by the two nations.

The lessons are taught by an ex-employee of Sumitomo Corporation who has a national license to teach Japanese language to a total of 70 students in four classes in two separate grades. In addition to the language, many aspects of Japanese culture, including different rituals to celebrate each season, unique customs in daily life, and origami, cat's cradle and other traditional children's games are introduced with

books and DVDs. The students also experience Japanese food at a Japanese restaurant in the town and visit Japanese auto parts or food factories on field trips by a chartered microbus.



Having fun learning about Japanese culture



Japanese language lessons at a junior high school



Experiencing their first Japanese meal

Environmental Management

The Sumitomo Corporation Group is committed to contributing to the sustainable development of the world through sound business activities that take into account global environmental issues.

The former site of the Besshi Copper Mine on Shikoku island is today covered with abundant vegetation as a result of reforestation efforts (Photo: Sumitomo Forestry Co., Ltd.)

Environmental Policy

Recognizing that environmental issues are long-term concerns that all people and organizations must address, the Sumitomo Corporation Group has established an Environmental Policy, described below, and has been contributing to environmental

conservation through its business activities.

The Sumitomo Corporation Group companies share this policy and are all implementing environmental improvement activities in their business operations based on the ISO14001 environmental management system, which help to reduce the environmental burden that accompanies their business activities.

Sumitomo Corporation Group Environmental Policy

The Sumitomo Corporation Group recognizes that environmental issues are global in scale and are long-term matters affecting future generations. As a global organization, the Sumitomo Corporation Group, through sound business activities, will strive to achieve sustainable development aimed at symbiosis between social and economic progress and environmental preservation. With this as its basic policy, the Sumitomo Corporation Group strives to achieve environmental management in its commercial trading, business development, and investment, etc., based on the guidelines stated below.

I. Basic Policy

The Sumitomo Corporation Group recognizes that environmental issues are global in scale and are long-term matters affecting future generations. As a global organization, the Sumitomo Corporation Group, through sound business activities, will strive to achieve sustainable development aimed at symbiosis between social and economic progress and environmental preservation.

II. Basic Guidelines

In pursuing its diversified business activities both within Japan and overseas, the Sumitomo Corporation Group shall comply with the following guidelines, and, through cooperation between its Group companies, work to achieve the aims of its basic environmental policy

1. Basic stance with regard to the environment:

To attach great importance to protecting the global environment as a good corporate citizen in keeping with the Sumitomo Corporation's Activity Guidelines.

2. Compliance with environmental legislation:

To strictly observe legislation related to environmental matters not only in Japan but also overseas and abide by any agreements undertaken by Group companies.

3. Caring for the natural environment:

To protect the natural environment and preserve biodiversity.

4. Efficient use of resources and energy:

To be mindful of the finite availability of resources and energy and strive to use them both efficiently and effectively.

5. Contributing to building a recycling-oriented society:

To endeavor to help build a recycling-oriented society by reducing waste and reusing and recycling resources.

6. Promotion of business that contributes to environmental preservation:

To utilize our integrated corporate strength to promote businesses and projects that contribute to environmental preservation and to reduce the impact of society on the natural environment.

7. Establishment of environmental management:

To use an environmental management system to prevent environmental pollution and to set environmental objectives and targets which are regularly reviewed and continuously upgraded.

8. Disclosure of the Environmental Policy :

To communicate this Environmental Policy to all people who are working for or on behalf of the Sumitomo Corporation Group, as well as disclosing it externally.

June 22, 2007

President and CEO, Sumitomo Corporation **Susumu Kato**

Environmental Management Structure

Environmental management activities of the Sumitomo Corporation Group are conducted under the management structure led by Sumitomo Corporation's President and CEO as shown in the chart below. These activities are carried out in compliance with an ISO14001 environmental management system (EMS). We employ a multiple-site system to allow management of many different offices and organizations under one environmental policy. Since the Group's first

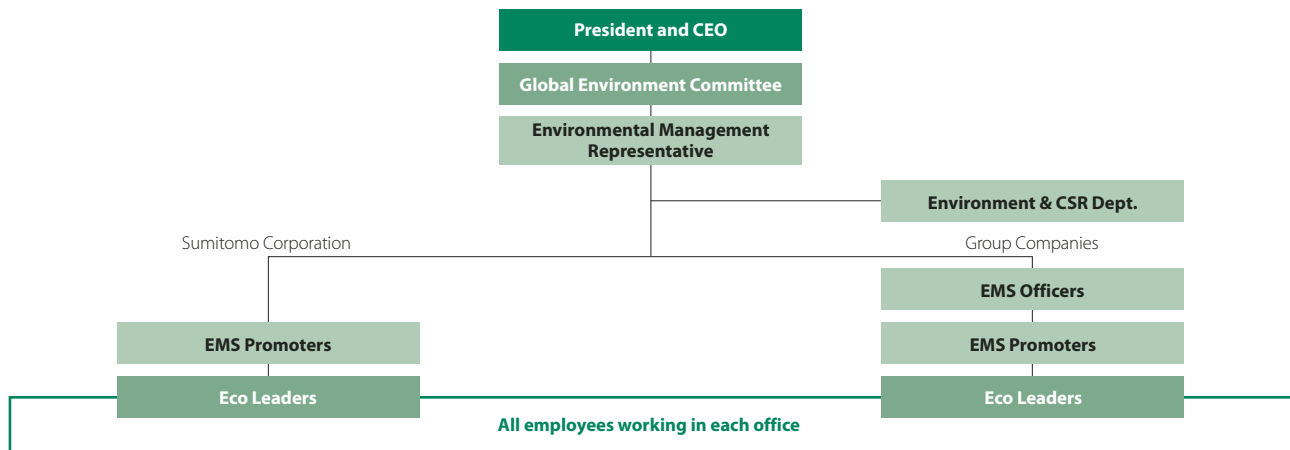
ISO14001 certification was acquired in June 1999 by Sumitomo Corporation's Tokyo and Osaka offices, the scope of the system has been continuously growing. In fiscal 2007, Sumisho Materials Corporation and 30 Group sites in domestic locations were added to the scope of the certificate. As of June 2008, a total of 12,000 employees in all domestic locations of Sumitomo Corporation and 35 Group companies are participating in the environmental management activities.



The list of group companies certificated to ISO14001 is accessible at:

<http://www.sumitomocorp.co.jp/english/society/report.html>

Environmental Management Structure



Global Environment Committee

The Sumitomo Corporation Group holds Global Environment Committee meetings twice a year to discuss various measures for environmental issues common throughout the Group. The chairman, who is appointed by the President and CEO of Sumitomo Corporation, and committee members—EMS officers, the General Managers of Departments in the Corporate Group of Sumitomo Corporation, General Managers of Planning & Administration Dept. in Business Units and Regional Business Units, and EMS officers of the Group companies—review the Environmental Policy, make necessary revision to the Environmental Objectives and Targets, and assess the Environmental Management System.

Setting Environmental Objectives and Targets

To reduce any adverse impacts and promote environmental improvement, the Sumitomo Corporation Group sets annual environmental objectives and targets on a calendar-year basis.

At Sumitomo Corporation, the Eco Leader of each Business Unit identifies the environmental aspects of each department and evaluates the seriousness of these aspects on the environment every October and November, before setting each year's objectives and targets. Based on the results, EMS

Promoters specify significant environmental aspects for each Business Unit and the Environment & CSR Department reviews these aspects for the entire company. Significant environmental aspects for the entire company identified in this review are discussed at the Global Environment Committee meeting held every December, and after reviewing the achievement level of the current year, new environmental objectives and targets for the following year are discussed and resolved.

Internal Environmental Audits

Sumitomo Corporation conducts internal environmental audits in all domestic departments every year in October and November to ensure the proper operation of the environmental management system.

In 2007, audits were conducted in 170 domestic departments of Sumitomo Corporation and 338 departments in the Group companies on the focus items designated for the year, with specific emphases on proper selection of the environmental aspects, management of the progress of the plan, and evaluation of compliance with legal requirements. Minor noncompliance was found in items related to the Waste Management and Public Cleaning Law (Waste Disposal Law) and High Pressure Gas Safety Law, and these were promptly corrected and necessary preventive measures were taken immediately.

Principal Activities in 2007 and Environmental Targets for 2008

In 2007, the environmental objectives and targets listed below were set and achieved. For 2008, the following three items are added to the existing targets.

1. Leverage global warming measures in offices, including energy conservation.
2. Prepare for REACH pre-registration.
3. Report the status of the submission of "manifests" to local governments.

Achievement of Environmental Objectives and Targets for 2007

Management area	Objective	Target	Achievement level (January to December 2007)
Environmental business	Improve the environment through business operations and expand environmental business.	(1) Promote projects to reduce greenhouse gases. (2) Expand business utilizing renewable energy sources.	Acquired approval from the Japanese governments for 14 cases, seven out of which are registered with the UN. Promoted wind power generation in China, expanded trade in solar power generation equipment, and implemented the contract for geothermal power plant EPC.
Assessment of Environmental Impact	Reduce environmental impacts of business operations.	Carry out environmental impact assessment and soil pollution surveys.	Carried out environmental assessment before the start of construction for all locations. Completed a historical survey for 136 out of 250 locations required.
Hazardous substance management	(1) Prevent spills or leakages of hazardous substances during transport or storage. (2) Comply with chemical substance regulations in the EU, China, etc.	(1) Conform that safe transportation and appropriate education are being carried out in transportation and storage companies. (2) Communicate the content of regulations to all staff members of the group and establish systems to ensure compliance.	A total of six seminars on chemical substance safety were held for Sumitomo Corporation and Group companies, and comprehensive lectures were given on legal compliance for chemical substance management for every process, including during transportation and storage (participation: about 500). Held a seminar on REACH Regulation with invited lecturers in July (participation: 165) and a seminar on China's RoHS system in February (participation: about 140).
Logistics management	Promote energy conservation in logistics.	(1) As a cargo owner, establish an energy conservation plan for domestic transportation. (2) Improve energy consumption efficiency compared to the previous fiscal year.	Sumitomo Corporation, Sumitomo Shoji Chemicals Co., Ltd. and Sumisho Paper Co., Ltd. were designated as shippers in the revised Energy Conservation Law, and their domestic transportation and energy consumption reduction plans were reported in September. Continued the measures taken in cooperation with transporters as an essential approach for promoting energy conservation in logistics.
Legal compliance	Proper disposal of waste in accordance with Waste Management Law	(1) Review waste disposal contracts and control manifests for waste more strictly. (2) Improve training on Waste Management Law. (3) Improve management systems within group companies often disposing of waste materials and develop waste disposal manuals.	We have been assessing compliance with the Waste Management Law as a focus item in the internal environmental audit program. Sumitomo Corporation organized five workshops (participation: about 200), as well as a seminar with an external lecturer and an on-site seminar at a waste treatment facility (total participation for the two events: about 140). Supported Group companies to compile waste management manuals.



Data on environmental impact for offices and environmental accounting can be accessed at:
<http://www.sumitomocorp.co.jp/english/society/report.html>

Pick Up REACH Seminar

Pre-registration for REACH, the EU's chemical substance management regulations, started on June 1, 2008. To prepare for it, about 200 staff members of the Sumitomo Corporation Group who are responsible for trading with EU member states attended a seminar in February 2008. The participants learned about the general procedures, pre-registration, examples of expected cases, and some specific points to note at that point. Given that the REACH Regulation has not been fully disclosed, we are ensuring complete understanding of the rules and are building a system to ensure compliance.



REACH seminar

Pick Up On-site Waste Management Seminar

To prevent illegal dumping of waste as a result of careless outsourcing, an increasing number of local governments have been obliging the waste generators to verify the qualifications of the transporter and waste treatment companies. For areas where such a legal mandate has not been established, waste generators are requested to verify the actual capabilities of the consigned companies before making a contract. To respond to this movement, Sumitomo Corporation held an on-site seminar on industrial waste management in October 2007 in cooperation with waste management companies. Including 27 who participated in the workshop at an actual site, a total of 137 people attended the seminar from Group companies. We will continue seminars of this kind to let all staff members know that they need to verify the qualifications of the company before a contract is made.



On-site waste management seminar



Professor Scott Davis
Professor of Rikkyo University

As one of the oldest, most well-known and respected of Japan's major corporations, the Sumitomo Corporation's commitment to CSR as outlined in this report serves not only as an account of its own achievements, but also as a model for many other corporations. Sumitomo, with its ability to shape whole industries and regions, is uniquely positioned to provide a considerable impetus for the promotion of responsible business by its own example. However, this very extent of its activities poses a considerable hurdle for reporting on Sumitomo's principles, plans and accomplishments as a responsible business. Ranging from the mining and smelting of metals to the transport and retailing of groceries, there is simply too much variety to be covered in one report.

Sumitomo overcomes this hurdle by dividing its report into three sections: a presentation of its principles and mission, a series of four cases of business activities where Sumitomo has realized its goals of social contribution and lived out its values, and a description of the internal systems and logistics whereby it ensures the responsibility of its management.

Principles

In his top message President Kato states that for Sumitomo, CSR means to make a contribution to the creation of a sound and sustainable society through the conduct of its business as a trading company and by its actions as a responsible corporate citizen. CSR is explained in Section one as being the very essence of Sumitomo - which is founded upon a four hundred year tradition of equating public with private gain - each being indispensable to the other. An integrated exposition of how its values, strategy and core competencies serve Sumitomo to create public value in this section would have further assisted the reader's understanding of the extent and nature of Sumitomo's unique capacity to contribute to social well-being.

Performance

Comprising the bulk of the report, the exposition of the four cases (special features) in section two serves admirably to

illustrate Sumitomo's contributions in the fields of energy, materials, regional industrial development and supply chain management. These cases are well chosen and presented. The first-hand reports contained within them by employees are particularly insightful. However, while overcoming the problem of reporting on the widely diverse activities of the company, by concentrating the reporting on performance to these four cases, the report does not explain the goals for each of its areas of activity, the indices upon which performance is evaluated across these activities, nor does it give an appraisal of the performance levels in each activity.

Processes

The third section gives an overview of how Sumitomo achieves its responsibility. The importance of, and means by which, Sumitomo achieves a high degree of external objectivity in its corporate governance is well presented. The explanation of Sumitomo's approach to and management of risk is particularly insightful. Inclusion of examples of important issues in Sumitomo's corporate governance and the directions and innovations being applied to strengthen its governance mechanism, a time-framed risk matrix ranking key issues, and a portrayal of the skills and aptitudes needed for the ideal Sumitomo employee, would have further helped explain how Sumitomo creates the means to realize its social contribution through business.

In Conclusion

Sumitomo has presented a substantial and highly refined report of its social contribution in this sustainability report for 2008. In the next phases of Sumitomo's CSR reporting I look forward to learning more about how Sumitomo strategically integrates its business and social goals, how it measures its progress in accomplishing them and, most importantly, how it enhances its ability as a business and as an organization to constantly reposition itself as an evermore-valuable member of its many communities.

Response to the Third-Party Review



Nobuhide Nakaido

Chairman of the CSR Committee
Director and Executive Vice President

We thank Professor Scott Davis for his valuable review of our Sumitomo Corporation Sustainability Report 2008.

We have always been seeking the best ways to present our basic concepts of the CSR operation, our diverse business activities over a wide range of fields, and our management structure, which ensures sound business activities. The points Professor Davis made in the review will certainly help us to improve our communication with various stakeholders in our operation fields. As the CSR operations of Sumitomo Corporation grow qualitatively as well as quantitatively, we will be required to present more detailed information to our stakeholders. The advice from Professor Davis will be adopted positively to improve the Report in that respect.

As Professor Davis pointed out at the end of the review, we will continue pursuing our aim to be valuable and indispensable to society. We believe that these acts themselves are the very measures we need to take to enhance our ability as a business and an organization to constantly reposition ourselves as an ever more valuable member of the many communities in which we are involved.

As stated in the Management Principles and Activity

Guidelines, the Sumitomo Corporation Group aims to be a global organization that constantly stays a step head in dealing with change, creates new value and contribute broadly to society. We are carrying out business operations everyday by faithfully following these principles and guidelines so that we can create new value and contribute broadly to society, and to become an organization that is indispensable to society.

We recognize that the mission of the Sumitomo Corporation Group is to gain the unshakable trust of our diverse stakeholders. We aim to accomplish this mission by fulfilling our corporate social responsibilities through sound business activities, and at the same time, by further improving a wide range of operational schemes to ensure sound business activities.

We will continue our efforts to fulfill our social responsibilities through sound business operations following the Management Principles and Activity Guidelines. The advice from Professor Davis will guide us to more properly and effectively report this strong commitment to every stakeholder in society.

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