

To Achieve Prosperity and Realize  
the Dreams of Our Stakeholders



CONTENTS



Message from the President and CEO	p3
Message from the Chair of the CSR Promotion Committee	p5
Sumitomo's Business Philosophy	p7
Core Competence and the New Medium-term Management Plan	p9
Company Information	p10

Chapter I p11  
With the People



Focus 1	Instructor System	p13
Focus 2	Site Visits to the Besshi Copper Mine	p15
Focus 3	Career Adviser Program	p17
Focus 4	Human Resources Development in Business Units or Divisions	p18
Focus 5	Training for Locally Hired Employees Overseas	p19
Focus 6	Providing Training Programs in Japan for Locally Hired Employees Overseas	p20
Focus 7	Opening a Nursery on Company Premises	p21
Focus 8	Counseling Center	p22
Focus 9	“Use Up Your Paid Summer Vacation” Campaign	p22
Focus 10	Massage Room Opened	p22

Sustainability Report 2009  
To Achieve Prosperity and Realize the Dreams of Our Stakeholders

Editorial Policy

The Sumitomo Corporation Group is constantly striving to create new value ahead of the changing times to achieve prosperity and realize the dreams of stakeholders. Serving as the universal and unchanging value and foundation for such endeavors is the Sumitomo's business philosophy, 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 2009, comprising two chapters, describes the latest actions taken by the Sumitomo Corporation Group in implementing its Management Principles.

In the first chapter, we shine the spotlight on our employees, the players in the Sumitomo Corporation Group's CSR activities and the bearers of sustainable growth, to explain how we are developing workforce and helping our employees to find a work-life balance, taking

advantage of the nature of an integrated trading company operating diverse business activities worldwide.

In the second chapter, we look at the theme, “Fulfilling CSR through business activities and social contribution activities.” Using four examples of our business activities, we illustrate how we recognize social issues in each business scenario and work on finding solutions to each issue.

We give examples of our CSR activities involving social contribution, Sumitomo Corporation Scholarships and other activities in different parts of the world. We are able to carry out these programs because we are an integrated trading company with many international business sites.

We hope that this report will help readers to understand the CSR activities of the Sumitomo Corporation Group.



## Creating a Better Society

Theme 1	<b>Contributing to Solving the Food Problem and Fighting Malaria</b> p25 Sumitomo Corporation's agriscience business supports the development of agriculture and health care
Theme 2	<b>Developing a Sustainable Business Model</b> p29 A new model for a timber business achieved through a solid partnership
Theme 3	<b>Urban Development with Future Generations in Mind</b> p33 Creating towns that will be treasured by local communities no matter how the times change
Theme 4	<b>Developing Urban Infrastructure in an Emerging Country</b> p37 Developing the transportation infrastructure revitalizes urban functions
Theme 5	<b>Supporting the Development of Human Resources for the Next Generation</b> p39 Sumitomo Corporation Scholarships support the development of human resources in Asia
Theme 6	<b>Our Social Contribution Activities around the World</b> p41 Because of its integrated corporate strength, the Sumitomo Corporation Group is involved in a wide range of social contribution activities around the world

Corporate Governance System	p43
Internal Control Program and Internal Audit	p46
Risk Management	p47
Compliance	p49
Environmental Management	p50
Third-Party Review	p53

### Scope of the Report

- Period covered: April 1, 2008 to March 31, 2009 (Activities starting on or after April 1, 2009 are included in part.)
- Organizations covered: Sumitomo Corporation and the Sumitomo Corporation Group. In this report, "Sumitomo Corporation" and "the Company" refer to the non-consolidated organization of Sumitomo Corporation. "The Sumitomo Corporation Group" and "the Group" refer to the entire organization of the Sumitomo Corporation Group.
- 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 issue was published in November 2008. The next issue is scheduled for publication in November 2010.

### Referenced Guidelines

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

\* **Disclaimer:** This report describes activities of Sumitomo Corporation and its subsidiaries and associated companies (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 report was written, and therefore may include some level of uncertainty. The results of business activities or occurrences in the future may differ from the predictions, forecasts and plans described in this report. Hence, readers should recognize that the Sumitomo Corporation Group is not responsible for such events.

## Message from the President and CEO

# To Achieve Prosperity and Realize the Dreams of Our Stakeholders

I am pleased to announce the publication of the Sumitomo Corporation Sustainability Report 2009. Since the last issue was published, the world economy has been swamped by a huge wave. After only a few years of a “global boom,” the financial crisis that started in the U.S. last fall sent adverse impacts on a large scale to every corner of the globe—to both developed and emerging or developing countries alike. This happened over a very short period and moved the world economy into a global recession.

The crisis significantly exceeded early estimations of its depths and swings, but nations across the world cooperated in response to the crisis. Gradually, the concerted fiscal and monetary measures that were introduced started taking effect, and the global economy is now leaving the worst behind and has started moving in the right direction. Although uncertainty still remains and the current recovery in developed countries is limited from many aspects, the global economy is expected to get back on track for continued growth in the near future.

### Global Issues

Even before the current financial crisis, the driving force behind the global economy had started shifting from developed countries to the emerging nations. The presence of the emerging and developing nations will become even more significant in the medium to long term. This movement, while bringing global prosperity, may challenge society by generating income gaps and serious poverty issues in such emerging and developing countries, as well as water and food shortages, environmental issues on a global scale and other problems that may hinder sustained growth in the global economy.

These issues pose real challenges, not only for individual nations, but for global society as a whole. In addition to conflicts within nations, conflicts of

interests between developed and developing countries are complex and intertwined, making it very difficult to sketch a scenario for a solution. International cooperation and the leadership of the UN and other international organizations are needed to solve the conflicts. Consequently, measures taken at a national level will increase in importance. The wisdom of the human race is being put on the line.

In response to serious poverty and famine, leaders at the L'Aquila Summit in July announced their decision to mobilize a fund of 20 billion dollars over the next three years as a financial measure to improve food security in Africa and other developing countries.

In December this year, the 15th Meeting of the United Nations Framework Convention on Climate Change (COP 15) is expected to become a base for heated discussions, highlighting even more clearly the differences between the positions of the developed and developing countries. However, agreement must be reached over measures to reduce greenhouse gasses on a global scale.

### Implementing Our Management Principles

The responsibility to find global solutions to issues common to all people on the Earth has not been left to national governments and international organizations alone. Rather, the private sector has been taking the lead in many areas with the support of governments. The roles of businesses, NPOs and NGOs are becoming ever more important.

In playing its role as a business corporation in solving social issues, the Sumitomo Corporation Group is reminded that the ultimate goal of our business activities is to implement the Group's Management Principles. Our predecessors have handed us a credo: “Benefit for self and others, private and public interests are one and the same.” That is,



our corporate activities must benefit not only our own businesses, but also society and the nation. This philosophy is illustrated in clauses in the Management Principles such as “To create new value, and contribute broadly to society,” and “To achieve prosperity and realize dreams through sound business activities,” and it has become deeply rooted as the universal and unchanging basis of our business activities.

The spirit and views of the Sumitomo Corporation Group shares the principles of the United Nations Global Compact, an initiative started in 2000 in response to a call by then-Secretary-General Kofi Annan to unite the creativity of the private sector in fulfilling the wishes of people in vulnerable positions and the needs of future generations. In March 2009, the Sumitomo Corporation Group declared its support for the Ten Principles of the United Nations Global Compact.

### **FOCUS’10: A Growth Scenario on a New Stage**

We are now experiencing a paradigm shift on a massive scale. The world that awaits us will be completely different from the one that we have lived in thus far. To prepare ourselves, we have launched a new medium-term management plan, FOCUS’10, under the theme, “A Growth Scenario on a New Stage.” This theme will keep us aware of our links with society during the course of our business activities and increase our capabilities to create new value to achieve sustainable growth in the medium to long term.

The Sumitomo Corporation Group will continue to show its commitment to achieving prosperity and realizing the dreams of its stakeholders through its actions.

**Susumu Kato**  
President and CEO  
September 2009

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, positioned to the right of the printed name and title.

## Message from the Chair of the CSR Promotion Committee

# How We See CSR in the Sumitomo Corporation Group

### How We See CSR in the Sumitomo Corporation Group

“To achieve prosperity and realize dreams through sound business activities” is our corporate mission and a management principle of the Sumitomo Corporation Group. We work on social issues through our business activities and social contribution activities with the aim of building a sustainable society. For us, this means to achieve prosperity and realize the dreams of our stakeholders. We recognize this as the social mission of the Group and the fundamental basis to CSR.

These two types of activities—business activities and social contribution activities—are closely connected, and our desire to “increase corporate value by contributing to a solution to social issues from the standpoint of a corporation while building better relationships with stakeholders” serves as the foundation of these activities; this is precisely what CSR means to the Sumitomo Corporation Group.

“To increase corporate value” means more than to increase the numerical value of the Group. Rather, it means the total value we receive as approval (“We are glad Sumitomo Corporation is there.”), trust (“We will leave the matter to Sumitomo Corporation.”), and expectation (“Sumitomo Corporation will do it well for us.”). Increasing our corporate value will thus support sustainable growth in the Sumitomo Corporation Group.

### Fulfilling CSR through Business Activities and Social Contribution Activities

Taking the global market as the arena for our business activities, the Sumitomo Corporation Group develops businesses that supply a wide variety of goods and services. As the businesses become more sophisticated, new connections are developed among individual business lines, and goods and services carry new added value while going through expanding value chains and supply chains.

Our business activities thus have many contact points across a wide area of business, both with our industrial partners and with local communities. That is, our business activities are carried out within complex relationships from the economic, social and environmental aspects, which form the “triple bottom line of CSR.”

That is why we value our relationships with the many different stakeholders we encounter in our corporate operations. We also examine social issues in detail so that we can seek strategic solutions in our business activities.

We recognize that these acts will create new value for the whole group.

At the same time, it is important to continue our social contribution activities with modesty and high aspirations, while making closer relationships with all kinds of stakeholders. It is also essential to try always to improve the quality of our activities and disclose as much information as possible.

Based on these principles, the Sumitomo Corporation Group promotes a variety of activities that suit the characteristics of an integrated trading company group. We specifically focus on developing human resources for the next generation (i.e., the generation that will achieve sustainable development for society), as well as activities that contribute to local communities wherever in the world our businesses take place. As a good corporate citizen, we participate also in many programs and events.

We value these business activities and social contribution activities because they can help us gain the support and trust of our stakeholders across a wide range of areas, and this in turn serves as a catalyst for sustainable growth in our corporate operations. We believe that is essential to remain aware of this cyclical situation.

### Implementing our Management Principles

At the preamble to the Sumitomo Corporation Group Management Principles the corporate vision of the group is described by the following: “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.” For us then, promoting CSR activities is simply implementing the Group’s Management Principles.

The Management Principles of the Sumitomo Corporation Group were laid down to reflect Sumitomo’s business philosophy, which has been maintained throughout the 400 years of Sumitomo’s history. The credo, “Benefit for self and others, private and public interests are one and the same” means that our corporate activities must benefit not only our own businesses, but also society and the nation. The principle that Sumitomo should “act by taking business activities within the scope of relationships with society” is no different from the principles behind CSR broadly discussed today. We will therefore pass on Sumitomo’s business philosophy as the fundamental value that forms the basis to all our activities. We will act to achieve the sustainable development of society and our group

companies by implementing the Management Principles of the Sumitomo Corporation Group.

### Sumitomo Corporation Sustainability Report 2009

In the Sumitomo Corporation Sustainability Report 2009 we report on the latest measures and actions taken by the Sumitomo Corporation Group in implementing our Management Principles. Needless to say, since the employees of the Group are the major players in our CSR activities, the first part of the report focuses on our training, through which we shape our employees into active “CSR players” and the actions taken by them to achieve prosperity and realize our dreams, as per our Management Principles.

In the following chapter, CSR in our business activities and social contribution activities is described with examples that are unique to integrated trading companies with global business operations such as the Sumitomo Corporation Group.

We also report on our management schemes that serve as the foundation for our various CSR activities.

We hope that this report will help readers understand more fully the CSR activities of the Sumitomo Corporation Group.

September 2009

#### Initiative for the United Nations Global Compact

In March 2009, the Sumitomo Corporation Group declared its support for the Ten Principles of the UN Global Compact (GC). With our participation in GC, we are committed to enhancing our corporate value by clearly identifying areas of improvement in our business activities in light of the values advocated by the Ten Principles.



#### The Global Compact's 10 Principles

##### Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

##### Labour Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

##### Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

##### Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.



### Takashi Kano

Representative Director, Senior Managing Executive Officer  
General Manager, Corporate Planning & Coordination Group

## Sumitomo's Business Philosophy

# Management Principles and Activity Guidelines Founded on the Sumitomo's Business Philosophy

Sumitomo has always been sincere in conducting its business, contributing to achieving prosperity and realizing the dreams of our business partners, our society and all other stakeholders. As a result, we have built up trust, and this has helped us to develop new businesses and create a cycle of positive growth. The Management Principles and Activity Guidelines of the Sumitomo Corporation Group are founded on Sumitomo's business philosophy that has been passed on for 400 years.

### Monjuin Shiigaki (the Founder's Precepts)

*Monjuin Shiigaki* (the Founder's Precepts) is a letter sent by Masatomo Sumitomo (1585–1652), the founder of Sumitomo and a religious man, to his family members in his old age. It succinctly describes the guiding principles of his business operations.

At the beginning, it urges the reader "Not only in matters of business but in all situations, make efforts with deepest gratitude in every aspect."

The precepts also include such teachings as "When goods are offered to you below the normal market price, under no circumstances should you ever purchase such goods, for their origins are unknown and they are probably stolen property," "Never give shelter to a stranger, no matter who it might be; also, never take a stranger's goods into your custody, no matter how innocent they might appear" (these acts were prohibited by the government), and "No matter what someone might say to you, never lose your temper or speak harsh words; politely explain your position until an understanding can be reached." These teachings have been handed down and form the base of Sumitomo's business philosophy. They are still seen in today's principles, such as "no pursuing easy gains" (i.e., only making a profit on a fairly priced transaction that can be explained with confidence), "compliance" and "integrity and sound management."



*Monjuin Shiigaki* (Source: Sumitomo Historical Archives)

### Rules Governing the House of Sumitomo

The Besshi Copper Mine (opened in 1691) encountered many adverse conditions during the Meiji Restoration (in the late 1860s), when the price of copper fell, operating costs increased sharply due to rising prices of rice and other items, and loans to the feudal lords were uncollectable. At one point, it was almost forced to sell out. Saihei Hirose (1828–1914), manager of the mine who later became Sumitomo's first Director-General, acted boldly and modernized the operation with Western style technologies. Hirose's operational reforms saved the mine and its community.

In 1882, when serving as Director-General, Hirose formulated the Rules Governing the House of Sumitomo, which consisted of 19 sections and 196 articles, to reflect the business philosophy the family had followed over its 250-year history. The Rules clearly illustrate Sumitomo's corporate philosophy in Article 3 in Section I: "We shall practice sound management in order to cope effectively with the changing times. Under no circumstances, however, shall we pursue easy gains or act imprudently."



Saihei Hirose, Sumitomo's first Director-General. (Source: Sumitomo Historical Archives)

### Business Principles

In 1891, the Rules Governing the House of Sumitomo were separated into two parts, the family code (corporate rules) and the family constitutions (the principles of the family head), to distinguish ownership from business operations. On that occasion, the principle of "integrity" was introduced and placed at the beginning of the Rules Governing the House of Sumitomo with the principle in Article 3, which then together became the Business Principles. In 1928, while Sumitomo's business expanded into a variety of areas, including the steel, machinery and chemical industries, Sumitomo's Business Rules were established. The two articles of the Business Principles have been passed on for generations and still serve as the corporate rules of all group companies.

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

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



Business Principles

1600

1800

1900



## Sumitomo Corporation Management Charter

Osaka North Harbour Co, Ltd., the predecessor of Sumitomo Corporation, was founded in 1919. Later, after World War II, the company changed its name to Nippon Kensetsu Sangyo Co, Ltd., starting a new life as a general trading firm. In 1952, when the company was incorporated with the current name, the Business Principles were chosen as the management philosophy for all corporate operations and the foundation to sustained growth.

While Japan's economy was growing rapidly after the war, environmental pollution, inflation and other public issues started to arise. Business corporations and their codes of conduct were challenged to make clear the relationship between the national government and corporations, as well as between citizens and corporations. To respond to this, Sumitomo Corporation laid down the Sumitomo Corporation Management Charter, an original charter that consists of the Basic Principles of Management and the Operational Guidelines.



Sumitomo Building Annex, where Nippon Kensetsu Sangyo's head office was located

## Management Principles and Activity Guidelines of the Sumitomo Corporation Group

In the early 1990s, the bubble burst, drastic appreciation of the yen continued, and the Japanese economy entered a long period of low growth. Sumitomo Corporation had no choice but to re-examine the *status quo* of its business transactions and risk management methods. Against this background, there was growing management recognition that the company needed to revert to Sumitomo's business philosophy, which had served as the base of Sumitomo's business operations and the driving force in overcoming many crises through the last 400 years.

This recognition further heightened in 1996, when the copper incident occurred, leading to the 1998 establishment of the Management Principles and Activity Guidelines of the Sumitomo Corporation Group.

The Management Principles and Activity Guidelines were compiled based on Sumitomo's business philosophy, which has been nurtured throughout the 400 years of Sumitomo's history, and today's global perspective, in a simple and systematic way.

The preamble to the Management Principles shows the corporate vision: "We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society."

The first item in the Management Principles,

"To achieve prosperity and realize dreams through sound business activities" describes our corporate mission, while the second item, "To place prime importance on integrity and sound management with utmost respect for the individual" shows our management style, and the third item, "To foster a corporate culture full of vitality and conducive to innovation" portrays our corporate culture.

The Activity Guidelines were generated based on these principles to guide employees in their daily business operations.

### Corporate Mission Statement

#### Corporate Vision

**We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.**

#### Management Principles

##### <Corporate Mission>

- To achieve prosperity and realize dreams through sound business activities

##### <Management Style>

- To place prime importance on integrity and sound management with utmost respect for the individual

##### <Corporate Culture>

- To foster a corporate culture full of vitality and conducive to innovation

#### Activity Guidelines

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

2000

## Core Competence and the New Medium-term Management Plan

### Establishing “A Growth Scenario on a New Stage” by leveraging our “Integrated Corporate Strength”

With the new medium-term management plan, FOCUS'10, we will strive to create “new value” as stated in our Management Principles by leveraging our integrated corporate strength—our core competence.

#### “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.



#### New Medium-term Management Plan FOCUS'10 (medium-term management plan for fiscal 2009–2010)

In the new medium-term management plan, FOCUS'10, we will further pursue management of a risk-adjusted return ratio based on the results of 10 years of management reforms. We will create “A Growth Scenario on a New Stage” to meet the requirements of the next 10 years.

<b>F</b>	<b>Future</b>	A Medium- to Long-term Perspective
<b>O</b>	<b>Originality</b>	Respect for Individuality and Diversity
<b>C</b>	<b>Core</b>	Solid Earning Pillars
<b>U</b>	<b>Unity</b>	Leveraging of Our Integrated Corporate Strength
<b>S</b>	<b>Soundness</b>	Reinforcement of Operational Soundness and Efficiency

#### FOCUS'10 Fundamental Principles and Qualitative Targets

##### Fundamental Principles

- Promote medium/long-term growth by enhancing value-creation capability while reinforcing soundness and efficiency
- Promote company-wide growth by leveraging the diversity and strengths of our businesses

##### Qualitative Targets

- Steady execution of selective & focused growth strategy
- Thorough reinforcement of soundness and efficiency
- Development of human and organizational dynamism to enhance value-creation capability

#### FOCUS'10 Quantitative Targets and Plan

##### Quantitative Targets

- Net income (FY2009) ¥115 billion
- Risk-adjusted Return (two-year average) Around 10%

##### Risk Asset Plan (two-year total)

Amount increasing over two years (gross)	¥200 billion
Decrease	¥100 billion
Amount increasing (net)	¥100 billion

##### Soundness & Efficiency

- Total Assets: Remains on the same level as of the end of March 2009
- Free Cash Flow: Positive two-year total

# Company Information

## Company Profile (As of March 31, 2009)

**Company Name:**  
Sumitomo Corporation

**Establishment:**  
December 24, 1919

**Number of Employees:**  
4,968 (70,755 including consolidated subsidiaries)

**Headquarters:**  
1-8-11 Harumi, Chuo-ku, Tokyo 104-8610, Japan

**URL:**  
<http://www.sumitomocorp.co.jp/english>

**Consolidate Shareholders' Equity:**  
1,353 billion yen

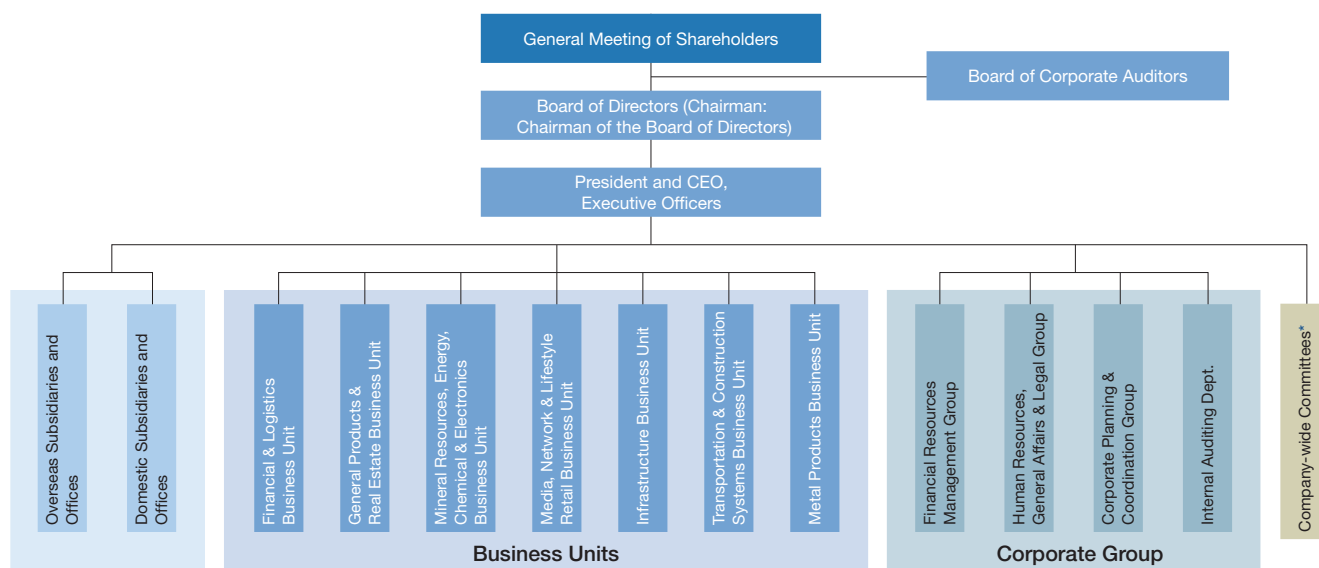
**Fiscal Year End:**  
March 31

**Number of Consolidated Subsidiaries:**  
557 (overseas: 402, domestic 155)

**Associated Companies (Equity Method):**  
229 (overseas: 171, domestic: 58)

**Total:**  
786 companies

## Organization



\* **Company-wide Committees:** CSR Promotion 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, Loan and Investment Committee, Medium-term Management Plan Promotion Support Committee, Information Security Committee and others.

## Financial Highlights

(Billions of yen)

		Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
Results of Operations	Gross Profit	706.6	857.7	934.5	<b>935.2</b>
	Net Financial Income	(9.5)	(23.0)	(27.6)	<b>(21.5)</b>
	Equity in Earnings of Associated Companies, net	51.4	70.3	56.9	<b>90.0</b>
	Net Income	160.2	211.0	238.9	<b>215.1</b>
Financial Position at Year End	Total Assets	6,711.9	8,430.5	7,571.4	<b>7,018.2</b>
	Shareholders' Equity	1,304.0	1,473.1	1,492.7	<b>1,353.1</b>
	Interest-Bearing Liabilities (net)	2,622.2	2,913.3	3,247.6	<b>3,186.8</b>
Ratios	Shareholders' Equity Ratio (%)	19.4	17.5	19.7	<b>19.3</b>
	ROE (%)	14.3	15.2	16.1	<b>15.1</b>
	ROA (%)	2.6	2.8	3.0	<b>2.9</b>
	Debt-Equity Ratio (net) (times)	2.0	2.0	2.2	<b>2.4</b>

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



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

# Chapter I

## With the People

**CSR is dependent on the main players—the employees of the company. The Sumitomo Corporation Group provides the best possible environment and training programs so that each and every employee can use their capabilities to the full.**

### Nurturing Employees' Abilities

Developing and efficiently allocating its human resources are the most important themes for the Sumitomo Corporation Group in maintaining a leading position and ensuring sustainable growth through the course of changing times. We see our employees as the best resource we have. How can we maximize their capabilities and use their potential to implement the business strategies of each division while complying with the Management Principles and Activity Guidelines? We always ask ourselves this question in our corporate operations.

In answering this question, we are training and educating new employees as a company-wide task. We also ensure that Sumitomo's business philosophy filters down to all our employees, while our human resources development programs, including on-the-job training, focuses on rotation and the best combination of off-the-job training for the unique features of each business. In 2006, we reviewed our HR scheme to leverage our human resources and best use the capabilities of all our employees. Under the two major themes: "giving more opportunities to young people" and "giving more opportunities to seniors," we reviewed and improved our related systems and measures. In our new medium-term management plan, FOCUS'10, we chose "development of human and organizational dynamism to enhance value-creation capability" as our goal for sustainable growth. We continue our efforts to further develop our human resources and to allocate the diverse talents of our employees.



**Sumitomo's  
Business  
Philosophy**

### Supporting Employees' Activities

If each employee can have a better life—not just professionally but as a whole—and better health management both mentally and physically, it will act as a good driving force for the active running of the corporation as well as for creating new value. That is, if our employees lead good lives, this will lead to sustainable growth and development of both our employees and the company. In 2005, Sumitomo Corporation established its Work-Life Balance Policy designed to harmonize work and private life and implemented the Work-Life Balance Project as a way to support the variety of work styles our employees choose to meet the special needs of a trading company for well-organized and prompt action.

Work-Life Balance at Sumitomo Corporation was given a further impetus when the Company was selected as one of ten model companies for the "Work-Life Balance Promotion Project" of the Ministry of Health, Labour and Welfare (Japan) in 2008. With "Creating more flexible and supportive childcare system" and "Awareness-raising (for changes to working styles)" as our two action policies, the Company is encouraging a better work-life balance for employees by providing them with the systems and awareness-raising opportunities they need.

Focus	1	Instructor System	p13
		The values shared in the organization and basic attitude for our work are handed on from experienced employees to new employees	
Focus	2	Site Visits to the Besshi Copper Mine	p15
		Visiting the place where Sumitomo's business philosophy was born	
Focus	3	Career Adviser Program	p17
		Building an environment where every employee can exercise their potential to the full	
Focus	4	Human Resources Development in Business Units or Divisions	p18
		New style of human resources development at actual business sites	
Focus	5	Training for Locally Hired Employees Overseas	p19
		To improve human resources across the whole Sumitomo Corporation Group	



Chapter I  
With the People



Chapter II  
Creating  
a Better Society

Focus	6	Providing Training Programs in Japan for Locally Hired Employees Overseas	p20
		Improving business skills in the actual business scene in Japan	
Focus	7	Opening a Nursery on Company Premises	p21
		Flexible service supports working parents	
Focus	8	Counseling Center	p22
		Supporting mental health care for employees	
Focus	9	“Use Up Your Paid Summer Vacation” Campaign	p22
		Managers lead the campaign to change the work style	
Focus	10	Massage Room Opened	p22
		Good for your body, good for your work	

# Instructor System

**The values shared in the organization and basic attitude for our work are handed on from experienced employees to new employees**

For more than 40 years, Sumitomo Corporation has been using its Instructor System as the major scheme for new employee training and education. We emphasize mutual trust built through honest communication in daily work as the most important element to be taught to new employees in their training programs. Based on this mutual trust, experienced employees become instructors to teach the values shared throughout the Company and the Sumitomo Corporation employee attitude, and to thoroughly prepare new employees on a one-on-one basis. Sustainable growth in Sumitomo Corporation depends on its human resources, and the base for development and training of these human resources is our Instructor System.

## Voice

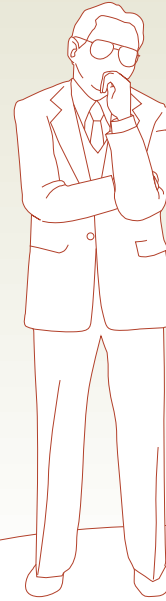
### Conveying how important it is to think through the purpose of each task

#### What I was taught and what I have been maintaining

Sumitomo's business philosophy and the Management Principles of the Sumitomo Corporation Group show us how we should act—not only as employees but also as people. When I am not sure how to act, the philosophy and principles serve as guidelines in deciding whether I am making a decision that lives up to my own expectations and those of the people around me. As an instructor, I endeavor to convey to Mr. Ishiguro these principles and other principles and ideas I have learned from more experienced seniors.

#### What I have tried to pass on

I always tried to emphasize that it is important to think through the purpose of each task when making a decision and taking actions in daily work, as well as to keep a positive curiosity for everything. I also told him that as long as we are getting paid by the company, we must produce results for the company. When my knowledge in this on-the-job training was not enough, my supervisors and colleagues always helped me. This is in fact a typical example of the Sumitomo Corporation way of solving problems together, and I believe that I conveyed this company culture clearly to Mr. Ishiguro.



**Tsutomu Makino**

General Manager  
London Line Pipe Department  
Tubular Products Unit  
Sumitomo Corporation Europe  
Group

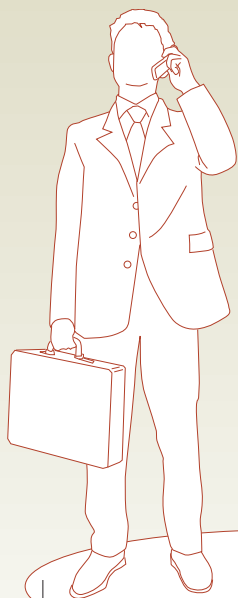
#### Profile

Tsutomu Makino joined Sumitomo Corporation in fiscal 1988 and worked in iron and steel trading, including some years in Vietnam. Became an instructor for the Tubular Products International Trading Department No.2 in fiscal 1998. He has been serving as a General Manager of the London Line Pipe Department for the Tubular Products Unit in London since 2008.

## System explained Instructor System

At Sumitomo Corporation, the Instructor System plays the main role in on-the-job training (OJT) for new employees. An employee with five to ten years' experience at Sumitomo Corporation will be assigned as an instructor for a new employee in their section (both in career-track group and clerical group) and give them training on a one-on-one basis for six months. The training follows the plan laid down by the instructor with the advice and

support of the general manager and other managers who are responsible for human resources development. The training policies and goals are known to all members of the section so that new employees can receive training in a supportive environment. To share information on best practices in training new employees and motivate each other to achieve them, instructors hold regular business unit-level and group-level meetings.



### Junpei Ishiguro

Deputy General Manager  
Tubular Products Department  
Sumitomo Corporation Iran, Ltd.

#### Profile

Junpei Ishiguro joined the Tubular Products International Trading Department No.2 in fiscal 1998 and received training in exports from Mr. Makino. In April 2006, when working in the OCTG Business Department, became an instructor for Chiaki Oka. Since September 2006, he has been engaged in the sales of OCTG and line pipes for oil and gas wells as a Deputy General Manager of the Tubular Products Department in Sumitomo Corporation Iran, Ltd.

#### Voice

### Wanted to support her in building a foundation for working in the trading business

#### What I was taught and what I have been maintaining

I am grateful for what I learned from Mr. Makino. He taught me basic actions, such as how to communicate well with others (e.g., reports, notices, and consultation), how to manage my time effectively, and how to respond promptly. These basic skills have been supporting my daily business activities along with the other things I learned from Mr. Makino. He repeatedly told me how important it is to thoroughly understand the purpose of each task and to have a professional attitude. Because of what I learned from Mr. Makino, I am able to solve problems and move things forward, even in a changing business environment or when starting a new business project.

#### What I have tried to pass on

When I was acting as an instructor for Ms. Oka, I taught her the basic actions I learned from Mr. Makino and repeatedly told her that knowledge of our products and business tasks are very important. Accumulated knowledge helps us to understand the purpose of the task, and in turn to have confidence and satisfaction in our daily work. Ms. Oka did not hesitate to ask questions and tried to learn from as many people as possible. Her positive attitude was very encouraging for me as her instructor. I was also grateful for our corporate culture and the high awareness of other staff members, since it is the task of the whole company to train new employees.



### Chiaki Oka

Staff of the OCTG Asia Oceania Team  
OCTG Business Department

#### Profile

Chiaki Oka started her career at Sumitomo in the Planning and Administration Department, Metal Products Business Unit in fiscal 2006. After two months of training in the section, she was assigned to a position in the OCTG Europe Africa CIS Team of the OCTG Business Department. She received training in the basics of business from Mr. Ishiguro and other more experienced colleagues as well as through seminars held by the department, while being engaged in work exporting pipes for oil wells. Her current responsibility involves exports to China and Southeast Asia.

#### Voice

### I inherited Sumitomo's business philosophy and trust with humility and continuous learning

#### What I was taught and what I have been maintaining

I was told that "knowledge and experience will become a useful weapon and help you someday in the future." I was also told to learn the basics thoroughly. The major focus of my training was time management, which has become more important for me as my current responsibilities cover a larger geographical area and a larger variety of tasks. Working at a trading company requires you to be always one step ahead of the rapidly changing times and movements in the market. I am grateful that I was able to learn the most important principles and ideas when I was new to the company.

#### What I want to pass on

I was very impressed with Mr. Ishiguro and the other people who never stop learning even though they already have accumulated ample experience. This kind of attitude by professionals working in the trading industry reflects the value they place on trust, which is based on the idea of not pursuing easy gains that is part of Sumitomo's business philosophy. I would like to pass on the principles I have learned from my instructor and other people to newer employees so that I can help maintain and further increase the trust people place in Sumitomo Corporation, and which has been maintained throughout the long history of the company.

## Voice

### A far-sighted view is the key to management decision-making

When I was in Besshi, the birthplace and springhead of Sumitomo's business philosophy, I felt the philosophy seep into my mind and body.

The Besshi Copper Mine was developed with a massive investment in terms of time and labor. Managing such a mine must have come with difficulties. Yet, the early managers were brave in making radical decisions from the long-term view. They started a reforestation program to restore the mountain greenery in the devastated area. They moved the refinery to Shisaka Island, an uninhabited island, to stop the air pollution at the original site.

After visiting Besshi, I try to remember that a long-term viewpoint is essential in certain situations for group leaders, and that I have to put Sumitomo's business philosophy into a visible form in my daily work, just as my predecessors did.



**Takehiko Arai**

Assistant to  
General Manager  
Telecommunication,  
Environment &  
Industrial Infrastructure  
Business Division  
President of Sumitomo  
Shoji Machinex Co.,  
Ltd.

## Voice

### Recognizing the DNA of miners that is passed on

As a businessperson working in the mining industry, I had always wanted to visit Besshi. I wanted to see with my own eyes the mine whose operation has survived for several hundreds of years, the will and determination of the people engaged in mining, and the techniques and systems that supported the operation. I also wanted to pass on what I would see and feel at Besshi to my staff and business partners outside Japan.

During the program, I was especially impressed with the fact that the managers of the time saw the miners and their families as team members in developing the mine. I was very proud to be a member of the Sumitomo family. At the site of the old mine, I could feel strongly the spirit of the miners who devoted themselves to mining.

We no longer conduct mining in Japan, or do mining ourselves. Rather, we invest in mining businesses abroad through partnerships with local mining companies. I would like to share what I experienced during the trip, the history of the Besshi Mine and the sense of the DNA of the Sumitomo miners, with my partners in other countries. I know they will be able to appreciate the spirit of those miners.



**Kazuyuki Takahashi**

General Manager  
Coal Department

## Focus 2

# Site Visits to the Besshi Copper Mine

## Visiting the place where Sumitomo's business philosophy was born

All the business activities of Sumitomo Corporation and our ideas for CSR are based on Sumitomo's business philosophy. Each year, groups of managers from Sumitomo Corporation participate in a site visit program to the Besshi Copper Mine to experience firsthand the birthplace of the Sumitomo's business philosophy and DNA, which have been passed on throughout the long history of the company. Managers renew their recognition of the value of the philosophy to follow it in performing their daily tasks and pass it on to younger generation in their division.

### System explained

### Site Visits to the Besshi Copper Mine

Originally, the site visit program to the Besshi Copper Mine was started as a part of a training program targeting employees who have been promoted to a corporate officer (management position). In fiscal 2006, it was designated as a required program for all general managers in Sumitomo Corporation in response to a suggestion by the Human Resources Development Promotion Committee (a company-wide committee that discusses issues on the broad theme of human resources development and makes suggestions for policy planning). Since then, the program serves each year as an opportunity for participants to experience firsthand the

birthplace of Sumitomo's business philosophy, which is our corporate DNA, renew their recognition of its value, and to exchange ideas beyond divisional barriers. In 13 visits in fiscal 2008, a total of 149 participants walked the five hours through the mountain to visit the old mine. They also learned about the history of the mine and the early managers of Sumitomo in the Besshi Copper Mine Memorial Museum and Hirose Memorial Museum. We are planning to develop the program by widening participation to team leaders (section manager class) in addition to corporate officers and general managers who have not visited the site yet.



**Voice**

**Reality found while hiking in the mountains in Besshi**

I climbed up to the Besshi Copper Mine, the “holy ground for the spirit of the Sumitomo Group,” when I was assigned to the position of branch manager at Niihama, where the mine was located. I wanted to see the history and business philosophy of Sumitomo with my own eyes and experience the place firsthand.

When I visited historical sites in the area, I was able to feel the determination of the people who were engaged in the mining business at altitudes of over 1,000 m with the mission of bringing prosperity to the country. I was also impressed with the high ethical standards and foresight of the managers of the time who involved themselves in restoring the natural environment in mountains polluted with smoke. Equally impressive and new to me was the fact that Sumitomo is still engaged in the treatment of water coming from the mine, at which operation has now been suspended.

The Sumitomo Group runs its businesses in the nation’s interest and in the interest of conserving the global environment with a strong sense of responsibility. I believe that if I reflect the business philosophy in my own acts and pass that on to my staff and customers, it will lead to the growth of the Sumitomo Group and social contributions.



**Shigeo Kishi**

Assistant General Manager  
Global Strategy & Research Department  
(ex-General Manager of both the Shikoku Branch Office and the Niihama Branch Office)

**Voice**

**Providing a good example of following Sumitomo’s business philosophy and Management Principles**

Before attending the program, I had only limited knowledge about the Besshi Copper Mine and other historical items that gave rise to Sumitomo’s business philosophy. I attended the training program because acquiring knowledge about the company and passing it on to team members is an important task for a new team leader.

I was especially impressed with the far-sighted view of Teigo Iba, Sumitomo’s second Director-General, who was extremely quick to take environmental measures. This is the origin of what we call CSR today. Visiting the place where Sumitomo’s business philosophy that exhorts us “to be a business that benefits not only the company but the nation and the whole of society” started meant a lot to me.

Now that I have renewed my knowledge of the history and tradition that has been passed down throughout the long history of Sumitomo, I am more determined than ever to set a good example to my staff on how to pursue the Management Principles of the Sumitomo Corporation Group in my daily business operations.



**Kosuke Okamoto**

Manager  
Wire Rod & Speciality Steel Team  
Metal Product Business Dep.No.2  
Nagoya  
Chubu Regional Business Unit



Mountain greenery restored around the Besshi Copper Mine through reforestation programs (photos provided by Sumitomo Forestry Co. Ltd.)

At Sumitomo Corporation, the communication between managers and their staff in each section is the basis of career development for employees. The Career Adviser Program was started in April 2007 to facilitate this style of career development. With the program, employees of Sumitomo Corporation with experience in career advancement are chosen from each division and designated as career advisors (CAs) to support the career development of all employees.

These CAs, who serve all employees, have three major roles to play. They give support to individuals (staff), give advice to management in their organization (their managers), and give indirect support by acting as a communication bridge between individuals and the organization.

CAs need specialized knowledge and skills in career development support in addition to their own experience at

the company. Under the instructions of Professor Mitsuyo Hanada of the Career Resource Laboratory at the Keio Research Institute at SFC, Sumitomo Corporation organizes training programs for CAs to give them the required knowledge and skills.

The CAs support career development by facilitating communication between managers and their staff, so that a good work environment can be built in which employees can exercise their capabilities and personalities to the maximum.

### Career Adviser Program



### Voice

#### Encouraging employees to be brave in taking the next step

I always try to give the support that is best suited to each person so that they can enjoy their working life and remain full of energy. When I interview each person in my division, I listen closely to their concerns on their career, job, work environment and subordinate training and on personal matters. Through the interview, I try to develop a trusting relationship with the person I am advising. I ask the person to tell me what they are thinking about in their own words. During that process, they often come to better understand themselves or find a clue to resolving their own concern. I encourage them to be brave and take the next step.

A person's career is something that each of us develop for ourselves. When an employee is engaged in development of career self-reliance and of their own free will, the organization as a whole will also become invigorated and energized. I would like to continue supporting my colleagues in developing their own career self-reliance.



**Hisafumi Ejima**  
Career Adviser  
Media, Network & Lifestyle Retail Business Unit

## Focus 3

# Career Adviser Program

## Building an environment where every employee can exercise their potential to the full

Sumitomo Corporation started its Career Adviser Program as a way to support the career development of each employee. Career advisors provide support in designing and achieving the career development plan best suited to each individual's situation, so that the capabilities of each person can be used to the full and further developed.



Focus 4

# Human Resources Development in Business Units or Divisions

## New style of human resources development at actual business sites

The main stage for human resources development at Sumitomo Corporation is the business section. By clearly distinguishing the role of our business sections and our Human Resources Department in personnel development, Sumitomo Corporation builds a stronger system for human resources development to be carried out in each business unit or business division.

Sumitomo Corporation provides training for new employees in two major programs: on-the-job training (OJT) where training is given at each business section and off-the-job training (Off-JT) where training is provided in groups by the Human Resources Dept. New employees learn the knowledge and skills that are needed in common by all who work in the trading industry ("standard equipment") in Off-JT. Specific knowledge and skills that largely vary between the business units or divisions are given through the OJT provided at each actual work section, and at Sumitomo Corporation, an integrated trading company, more emphasis has been placed on OJT.

The problem with OJT is that the training content and timing tend to vary considerably depending on the type or field

of business new employees are assigned to and how their instructors (experienced employees) train them. This tendency is intensified by increasingly sophisticated and advanced business operations and diversified business domains.

In response to this issue, recognition of the need to provide systematic training programs specific to each different business unit or division has been growing. We have started to design, and are now expanding, programs that would meet the needs and conditions in each business domain.

Sumitomo Corporation will review the results of these measures to seek the best combination between systematic Off-JT programs and OJT on a one-on-one or rotational basis in human resources development under the leadership of our business sites themselves.

### Voice

## Evolving our businesses by passing on our knowledge through training

In 2004, the Construction & Mining Systems Division started to formulate its own human resources development plan.

We first decided to make an inventory of the implicit knowledge on construction machinery that our members had in their brains. Then we organized the results in the form of training menus so that the specialized knowledge could be updated, improved and passed on to new members. The training menus are incorporated into OJT plans for new employees to provide more standardized and uniform training content to all trainees and to improve the efficiency and effects of the training.

We also have been reviewing training programs designed for different employee levels to better match their capabilities for changing business models. For example, the mainstream construction machinery business is shifting from the conventional export business to a more locally based sales dealer business throughout the world. To reflect this trend, we started a new career development plan. New employees first learn about international trading, the base of our business as an integrated trading company, for the first three to five years through OJT in the section of our division they are assigned to. Then they work at a subsidiary or an associated company in or outside Japan as a business trainee or language trainee. After spending about ten years with our division, they again have the opportunity to learn about company management at a

Japanese or foreign subsidiary or associated company, or at a local organization overseas.

Specific training programs include a series of seminars given to division members inviting specialist speakers in various areas who work at construction machinery manufacturers. We also send young and mid-career members to a subsidiary or an associated company overseas on a short-term basis to give them the opportunity to experience frontline operations firsthand.

And we are always making improvements and adjustments to our career development programs. We are aware that training or instruction that is based on training menus is effective in offering standardized contents. But if we rely too much on training menus, we are prone to lose the practical benefits of OJTs, especially when the instructors become too familiar with the menus. The business carried out by the Construction & Mining Systems Division is changing and evolving all the time, and training menus should be modified accordingly. We who are responsible for planning and running the training programs must evolve our training systems as well.



**Masato Ishiguri**

Construction & Mining Systems Division

# Training for Locally Hired Employees Overseas

## To improve human resources across the whole Sumitomo Corporation Group

As a globally operating business group, the Sumitomo Corporation Group has many locally hired employees working at overseas subsidiaries and associated companies. At training programs for locally hired employees, important knowledge and skills are shared while respecting each other's culture and customs.



Localization of human resources has been promoted in the Sumitomo Corporation Group to gain an advantage in the global business scene. We increase the competency of locally hired employees who work at overseas subsidiaries and associated companies through our training programs, for different career levels (staff in charge, managers and senior executives). At the training, participants from all over the world get together in Japan to learn more about Sumitomo's business philosophy, the Management Principles of the Sumitomo Corporation Group, as well as the Group's management directions and strategies. They attend "skill-up" seminars on a variety of themes, such as financing, risk management, and compliance, as well as cultural exchange programs, which are shared with their Japanese counterparts. Throughout the program, they share the DNA that runs through all members of the Sumitomo Corporation Group and reaffirm their sense of unity in the group.

### Message from a Japanese participant

#### Recognizing the common values shared by the Sumitomo Corporation Group employees

At the beginning of the training program, we sometimes found it difficult to reach a conclusion because there was a big gap in views among participants with different nationalities and different backgrounds. When we continued talking, however, we gradually learned that we all shared the same idea as the baseline. When we found a direction we all shared, we were able to come up with many good ideas, and realized that exchanging different views has a great synergetic effect. As employees of the Sumitomo Corporation Group, we all share common values. During the program, I realized how important those values are.



**Yuri Takahashi**  
Tire Dept.

### Voice

#### Opportunity to gain new knowledge and skills

The program was very valuable for me because I was able to learn more about the company history, the current strategies and direction for the future. Also, I learned how to create new business opportunities, while expanding my network with my counterparts in Japan. Through discussions with the locally hired employees working in different parts of the world, I learned that it is very important to see the issues from a global perspective.



**Vitor Hugo de Pinho Valente**  
Commercial Dept.  
Sumitomo Corporation do Brasil S.A.

### Voice

#### Acting with the PDCA cycle is the key

The most important lesson I learned during the program was the value of following the PDCA (Plan, Do, Check, Action) cycle in our activities. I realized that if we analyze the business environment quickly, make detailed plans and strategies, and put the exact plans into action, instead of rushing straight into action without a clear understanding of the situation, we will be able to explore many more potential business opportunities.



**Christine Koh**  
Risk Management Dept.  
Sumitomo Corporation Asia Pte. Ltd.

## I want him to feel directly and understand profoundly the Management Principles of the Sumitomo Corporation Group

Since October 2007, Tamer Cankardes of Sumitomo Corporation Dis Ticaret A.S. (Istanbul, Turkey) has been working at the Power & Water Investment Dept., No. 2 in Tokyo to receive training designed for future executives. I expect him to learn about our business transactions and directly absorb a sense of Sumitomo's business philosophy and the Management Principles of the Sumitomo Corporation Group by working together with other employees at the Head Office of Sumitomo Corporation in Tokyo.

As an on-the-job training (OJT), Tamer is now working in a project team to learn the development procedures for the IPP/IWPP (IPP: Independent Power Producer; IWPP: Independent Water & Power Producer) and water treatment businesses. In the IWPP project for Saudi Arabia, he first learned about the rather complicated project scheme and the whole picture of the many different contracts involved while working as a team member. Then he took charge of a contract and learned the negotiation procedure in more detail. Now I would like him to learn how to use that accumulated experience and knowledge and apply it to becoming a project manager and realizing a new project.

**Jun Minase**  
Power & Water Investment Dept., No. 2

## I want to bring a high level of business transaction skills to use in my office back home

Since graduating from Istanbul Technical University and living in Nagasaki for two years (1997 to 1998) as an Ambassadorial Scholar of Rotary International, I had always wanted to work in Japan someday. Then in 1999, I got a position in Sumitomo Corporation Dis Ticaret A.S., a subsidiary of Sumitomo Corporation.

Then I had the opportunity to work in the Headquarters as a trainee. Since joining the Power & Water Investment Dept., No. 2 in 2007, I have been involved in a project that makes investment into electricity wholesales, IPP/IWPP, and water treatment using global financing schemes. Currently, I am trying to increase the power generation capacity to achieve the goal set for the end of 2010.

I am very grateful that I was given an opportunity to live again in Japan, especially to work as a member of an enthusiastic group of professionals. I truly respect the honesty, dignity and tradition of Japanese members at Sumitomo Corporation. I will try to develop as many skills as possible while supporting other members of the Dept. No.2. Then I will go back to Turkey and use all the knowledge and skills learned to work for the Sumitomo Corporation Dis Ticaret A.S..

**Tamer Cankardes**  
Power & Water Investment Dept., No. 2



## Focus 6

# Providing Training Programs in Japan for Locally Hired Employees Overseas

## Improving business skills in the actual business scene in Japan

The Sumitomo Corporation Group is operating business globally, and invites locally hired employees to work with their business counterparts in Japan to experience Sumitomo Corporation's business operations. This is a way to develop human resources that will play a major role in each local region in years to come.

Triton Sukesuku Square, Sumitomo Corporation's childcare facility, was opened by the company in October 2008 as a part of the work-life balance promotion project.

The nursery is located in Harumi Triton Square, a commercial complex where the Sumitomo Corporation's Headquarters are housed. Employees of Sumitomo Corporation and group companies can leave their children up to five years of age from 8:00 a.m. to 7:00 p.m. either on a monthly basis or on a needs base with a fee no higher than at other nurseries in the same district. To be of more help to parents, the health requirements for the children are set more flexibly than for the regular nursery.

### Voice

#### Services supportive of working parents

The largest concern for us when choosing a nursery was how to deal with the situation if neither of us are able to get out of work to pick up our child. Both of us work in sales departments in Sumitomo Corporation and tend to work late hours. So far, we have not encountered any serious problems because my wife is on a system that allows her to work shorter hours and our supervisors and colleagues are supportive. Also, it is a great help to us that Triton Sukesuku Square accept children even when they have a slight fever (up to 38°C compared with 37.5°C for regular nurseries) and keep close contact with the parents regarding the child's health. If they can take care of children for longer hours (the latest possible now is 7:30 p.m.), it will become even easier for working parents like us to use the facility.



**Satoshi Kitagawa**  
Line Pipe Business Dept.

**Arisa Tsukamoto**  
Leasing Business Dept.

### Voice

#### It's a luxury to know he is right there

For any parent, knowing that their child is near them is very reassuring. Triton Sukesuku Square is the ideal place in that sense. We can concentrate on our job.

Because Triton Sukesuku Square is located very close to work, I can spend all of my commuting hours with my son. Of course it is not easy to travel in a train with a small child, but the one hour of commuting has become a very important time together for us. And more importantly, he seems comfortable at Triton Sukesuku Square. I am very grateful that Triton Sukesuku Square is there because I could not find a nursery close to my house. I would not have been able to return to work were it not for Triton Sukesuku Square.



**Ikuko Sohma**  
Global Logistics Dept.

## Focus 7

# Opening a Nursery on Company Premises

## Flexible service supports working parents



Focus 8

# Counseling Center

## Supporting mental health care for employees

Sumitomo Corporation opened the SCG Counseling Center in April 2005 at Harumi Triton Square.

Employees of Sumitomo Corporation and group companies can call upon services for the early detection of potential problems either at work or at home, and seek solutions from one full-time senior occupational counselor and four part-time occupational counselors. Appointed as general manager of the center is a long-term sales specialist of Sumitomo Corporation who has a total of 15 years of experience working abroad. The center is staffed to provide support for employees who may encounter problems unique to people engaged in complex global work in an integrated trading company.

The center strictly protects the confidentiality of personal information to avoid any unnecessary worry by employees that using a company-run counseling center could adversely

affect their performance evaluation or promotion. The name of the client and the content of the counseling are never disclosed to their department, the Human Resources Department, or to any person in the company. Appointments are arranged so that the client will not be seen by other visitors.

These detailed measures to protect confidentiality are now well known, and the center is functioning as a convenient place to go for counseling. Several hundreds of employees visit the center every year.



Providing counseling

Focus 9

# “Use Up Your Paid Summer Vacation” Campaign

## Managers lead the campaign to change the work style

Sumitomo Corporation has been encouraging its employees to take their allotted paid holiday to promote a better work-life balance. In this campaign, each employee sets their own target number of holidays. Those in managerial positions, who tend not to take much of their paid holiday, were the focus of the campaign in fiscal 2008. With the slogan, “Boss first,” the campaign aimed to encourage employees to use 100% of their paid summer vacation. The campaign ended very successfully. The ratio of summer vacation taken by all its employees in Japan was 80.3% (13.4% up on last year) and 79.3% (15.7% up) for managers.



Sumitomo Corporation was selected as one of the ten model companies in the Work-Life Balance Promotion Project by Japan's Ministry of Health, Labour and Welfare.

Focus 10

# Massage Room Opened

## Good for your body, good for your work

Sumitomo Corporation opened “Koriton,” a massage room, in April 2008 in Harumi Triton Square to provide employees of Sumitomo Corporation and group companies with relaxing and refreshing therapy for their body and mind. Licensed therapists listen carefully as each visitor describes how they feel and what they would like and provide massage therapy accordingly. It has become a popular place because it provides a quick relaxation service accessible during working hours.



The “Koriton” massage room

## Chapter II

# Creating a Better Society

The vast resources of the Sumitomo Corporation Group means that it can work effectively on a wide range of social issues. The Group's Management Principles are put into practice in the wide range of business and social contribution activities it performs.

## Business activities

"To achieve prosperity and realize dreams through sound business activities" is our corporate mission and a management principle of the Sumitomo Corporation Group. We recognize achieving prosperity and realizing the dreams of stakeholders as the social mission of the Group and the fundamental basis to CSR.

We are involved in a wide range of business operations in the global market, continuously expanding our value chain and supply chain. The diverse stakeholders that constitute the basis of our success include business partners, suppliers of products and services, customers, local communities in regions where the group is trading, citizens organizations, and our employees, who are the driving force behind our business. We believe that deepening our relationship with these stakeholders while identifying and working strategically on social issues through our business at each location with the aim of improving our triple bottom line (economic, social and environmental aspects) is the most effective way to create new value for the entire group.



Sumitomo's  
Business  
Philosophy

## Social contribution activities

The Sumitomo Corporation Group is committed to social contributions that make full use of its integrated corporate strength.

We believe that the most important factor in social contributions is to perform and improve our activities continuously with both a modest attitude and ambitious aspirations, and to make the utmost effort to maintain a high level of transparency by disclosing all the available information, while strengthening our relationship with our stakeholders. Based on this belief, we are involved in a wide variety of activities that only we can offer as an integrated trading company, with particular emphasis on fostering the next generation of human resources who will drive sustainable development in society in the future, and on contributing to local communities in and outside Japan wherever we do business. We also take part in various outside activities as a corporate citizen. Information on the current status of these social contributions is constantly being made available on the Company's website and through other media outlets.



Theme	<b>1</b>	<b>Contributing to Solving the Food Problem and Fighting Malaria</b> p25
		Sumitomo Corporation's agriscience business supports the development of agriculture and health care
Theme	<b>2</b>	<b>Developing a Sustainable Business Model</b> p29
		A new model for a timber business achieved through a solid partnership
Theme	<b>3</b>	<b>Urban Development with Future Generations in Mind</b> p33
		Creating towns that will be treasured by local communities no matter how the times change



Chapter I  
With the People



Chapter II  
Creating a Better Society

Theme	<b>4</b>	<b>Developing Urban Infrastructure in an Emerging Country</b> p37
		Developing the transportation infrastructure revitalizes urban functions
Theme	<b>5</b>	<b>Supporting the Development of Human Resources for the Next Generation</b> p39
		Sumitomo Corporation Scholarships support the development of human resources in Asia
Theme	<b>6</b>	<b>Our Social Contribution Activities around the World</b> p41
		Because of its integrated corporate strength, the Sumitomo Corporation Group is involved in a wide range of social contribution activities around the world

Theme

# 1 Contributing to Solving the Food Problem and Fighting Malaria



## Sumitomo Corporation's agriscience business supports the development of agriculture and health care

Sumitomo Corporation performs a wide range of business operations that contribute to the development of agriculture and an increase in food production around the world. These include the supply of high-quality agricultural chemicals, the provision of agricultural technology and know-how, and the development, popularization and sales of various devices in the fight against malaria.

Nobuhiko Yuki, General Manager, Life Science Division who has been promoting these activities for many years, talks about Sumitomo Corporation's agriscience business, particularly projects to support food production, that the Company had pushed forward, and malaria control projects currently underway.



### A comprehensive range of agriscience businesses from upstream to downstream operations

Sumitomo Corporation's Life Science Division comprises three business lines: (1) medical science (pharmaceuticals and medical care) to promote people's health, (2) agriscience (agricultural chemicals, countermeasures for communicable diseases) to support food safety and security as well as to expand food production, and (3) pet-care science (pet supplies, insect control) to offer a comfortable and relaxing living environment for pets owners. While all these business lines, which are concerned with health, food, and living environments, are closely connected with people's everyday lives, the agriscience business in particular deals directly with two global issues that are seriously affecting our lives—namely, the food problem and environmental problems.

The mission of our agriscience business is to contribute to a stable food supply and to develop environment-friendly agriculture, and to market on a global scale a variety of agricultural materials including agricultural chemicals produced by



### Nobuhiko Yuki

Corporate Officer  
General Manager  
Life Science Division

After joining Sumitomo Corporation in 1976, Yuki was sent to Paris and Abidjan as an overseas trainee in 1978 for two years. He has been mainly involved in the agriscience business ever since. After working in France twice (14 and a half years in total), and as General Manager of AgriScience Department, he was appointed to his current position in April 2007.

Japanese manufacturers who are known for their high safety and performance levels, seeds and fertilizers. The unique point about this business is that it covers all upstream, midstream and downstream operations.

In upstream businesses, for example, in addition to three of our own fungicides, we also acquire ownership of, or obtain licenses to sell products made by major overseas pesticide manufacturers that are actively looking for business alliances, in order to expand our lineup. In the midstream area, we act as the sole export agent for leading Japanese agricultural chemicals manufacturers in supplying high-quality products to overseas markets. In downstream businesses, we have developed a direct sales system for end users in 28 countries (as of July 2009) including China and those in Europe and South America, and conduct marketing activities in a way that is appropriate to each market. In the Middle East, Africa and Central America regions where we do not have direct sales channels to end users, we have established a strong relationship of trust—not just a transactional relationship—with local distributors, and supply them with products from almost all the Japanese agricultural chemicals manufacturers.

By utilizing a business structure that covers the whole process from the procurement of products to export and local sales, we can not only supply products but also undertake testing and registration of agricultural chemicals in each market, and even give guidance to local farmers and disseminate information on the safe and effective use of agricultural chemicals. This, we believe, is one of our greatest strengths.

### Contributing to increase of food production in Africa through both product supply and technical support

Sumitomo Corporation's integrated corporate strength in the agriscience business had been further refined by the Japanese government's "Grant Aid for Increase of Food Production"



(2KR) scheme. 2KR was one of the bilateral grants available to developing countries under the Official Development Assistance (ODA) program, which was used to purchase agricultural chemicals, fertilizers, agricultural machinery and other materials and equipment designed to increase food production. Grants of about 20 billion yen had been provided to more than 40 countries in Asia, Africa, Latin America and other regions every year since 1977.

Of these countries, Africa in particular often was suffering large-scale famines because priority tends to be placed on the production of cotton, coffee and other export crops to earn foreign currency, leaving little money to spare for the production of food for their own people.

In this situation, it became our firm belief that safe and high-quality agricultural chemicals produced by Japanese manufacturers would work effectively to bring about a successful increase in food production in African countries, and in cooperation with the Japanese government, we made proposals to and worked with African governments in using ODA for their plans to increase food production.

As a result of these efforts, in 1979 we were awarded an aid project for Madagascar, a rice-producing country whose forms of agriculture and food culture are similar to Japan's, and began supplying Japanese agricultural chemicals to the country.

However, as the project progressed, we realized that farmers in Madagascar did not have sufficient knowledge or know-how to use the agricultural chemicals effectively. As a matter of fact, not only in Madagascar but also in other African countries to which 2KR was provided, agricultural chemicals were left in warehouses until they exceeded their expiry dates instead of being used on farmland because they had been provided before these countries were ready to accept such huge quantities.

So we decided that, along with supplying agricultural chemicals, it would also be essential to send technical advisers.

This decision led us to establish Sumisho Speciality Chemicals International Co., Ltd in 1983—in collaboration with an agricultural chemicals manufacturer—to provide agricultural technical support. The new company recruited people such as ex-Japan Overseas Cooperation Volunteers, who have a good command of French, Swahili or other languages and have experience in providing agricultural support, and provided them with technical training. A technical support team made up of these people and led by a technical manager from an agricultural chemicals manufacturer was then sent to Madagascar and other African countries. The team members visited the villages and provided knowledge on agricultural chemicals and detailed guidance on how to use them to local farmers, sometimes using presentation tools like picture cards in regions where literacy is low.

Since this technical support proved effective in enhancing agricultural productivity, it was acclaimed by local agricultural interests and the government of Madagascar, and continued for three years. After this success, we were involved in implementing a business model combining the supply of agricultural chemicals and technical support for the projects to increase food production in more than 20 African countries for about 10 years. In addition to Madagascar in the east, the technical support team traveled extensively and visited many countries including Zambia in the south, and Mali, Senegal, and Mauritania in the west. The team visited not only the suburbs in the capitals of each country but also remote villages to work enthusiastically in providing guidance on safe and productive agriculture using agricultural chemicals.

In this way, our agriscience business utilized both “hardware” (agricultural chemicals) and “software” (technical support) to support these countries with a host of 2KR projects, and played an important role in disseminating Japanese agricultural chemicals produced under stringent safety standards, as well as in increasing food production in Africa.



## Fighting malaria with a variety of insect control devices

While we were conducting activities to support agriculture in Africa, we felt clearly that there is a need to control malaria, which poses a great obstacle to local food production and other activities. Malaria is a communicable disease spread by *Anopheles spp* (plasmodia-carrying mosquitoes.) According to the World Health Organization (WHO), 350 million to 500 million people are affected by the disease, and more than one million people die each year across the world, mainly in tropical regions. Ninety percent of malarial infections occur in the sub-Saharan region of Africa, and the majority of fatalities are infants under five years old, who will play an important part in the future workforce, and expectant mothers. Although people other than infants and expectant mothers are less likely to die, the incidence rate of malaria is high, and once affected, patients are confined to a sickbed for many days, and may even die. Malaria thus hinders mobilization of the workforce necessary in increasing food production.

Against this background, Sumitomo Corporation began promoting agricultural chemicals that were known for their high safety and lasting effects and were recommended by WHO to eliminate harmful insects, in cooperation with a Japanese agricultural chemicals manufacturer. At about the same time, we also initiated a Malaria Control Project to apply insecticide to the walls of houses—a method recommended by WHO—as part of Japanese government aid to Sudan, Tanzania, and other African countries, as well



Applying insecticide to the surface of a wall

as in some countries in other regions including Pakistan, Haiti, and Honduras, to help reduce the transmission of malaria.

However, since this insect control method requires reapplication of the insecticide at regular intervals, it is

troublesome and costly, and can be adopted only in urban areas due to problems of transportation and efficiency, neglecting rural areas that need support more than the urban areas.

To solve this problem, we have started a new project using an insecticide-incorporated mosquito net developed by a Japanese agricultural chemicals manufacturer. The fibers are incorporated with an insecticide, and even when the chemical on the surface of the net gets removed by repeated washing, the insecticide gradually seeps out of the fibers to cover the net, so that the net remains effective for up to five years. The net can be used easily, and once delivered, it is expected to work effectively even in remote areas where transportation is difficult.

In one example, we established a communicable disease control team in 2003 to promote this net through various support projects planned using Japanese government aid or based on funds from the United Nations Foundation and the World Bank. Since the first delivery of the net to Senegal in 2002, efforts have been made to popularize it across Africa, and it was supplied to more than 10 locations in inland regions of Democratic Republic of the Congo in 2008.

However, protecting only the inside of the house using a net is not sufficient to prevent malaria completely. Malaria-

## Voice

### Pursuing technological innovations to fight malaria in developing countries

Teijin Fibers entered into a technological partnership with Earth Chemical in 2003 to develop a new type of insect-repellant cloth, and launched SCORON® with its lasting anti-insect effects in 2005. With SCORON®, each fiber of the cloth (whether woven or knitted) is impregnated with the insect repellent developed by Earth Chemical using a special binding agent after the cloth is dyed, and this is very effective in preventing mosquito and other insect bites, remaining effective even after repeated washing.

In Japan, hooded jackets, trousers and other products made from this cloth are available through the National Federation of Agricultural Cooperative Associations (ZEN-NOH) and on the Internet as well as from clinics for overseas travelers, and they offer an effective means of repelling insects. The cloth has also started to be used for outdoor wear

and fishing wear.

For overseas markets, we are currently planning to develop a new product that is expected to be certified by the World Health Organization (WHO) and approved for use in various projects to fight malaria, Dengue fever, and other communicable diseases. We will continue working hard to develop various new products to tackle global infectious diseases in cooperation with Sumitomo Corporation's global network.



**Setsuya Nanba**

General Manager  
New Business Department  
Manager  
SCORN Project Team  
Teijin Fibers Limited



carrying mosquitoes are active not only in the cool morning and evening hours, but also during the daytime, particularly in the shade. So people may be affected by the disease while they are outside. To address this, we have been collaborating with leading manufacturers

in various areas, such as Mitsui Chemicals Agro, Earth Chemical, Teijin Fibers, and SDS for the last several years to develop and commercialize clothing, tablecloths, curtains, sheets and other products made of cloth in which all of the fibers are impregnated



An insect-repellant sheet

with an insecticide or insect repellent. We have already begun preparations to acquire WHO approval for this new technology, and it is expected that we can start official negotiations with WHO for approval after the technology had been proven to be effective in field tests in African villages. As soon as approval is obtained, we are planning to introduce these new insect control devices in Angola, Madagascar, and other countries that we are familiar with through the Malaria Control Project to support for increasing food production.

It is already more than 30 years since we began our association with Africa through our agriscience business. Food production and communicable diseases are serious social issues hindering efforts of African countries to become self-supportive. Sumitomo Corporation will continue to explore solutions to these social issues through its agriscience business by utilizing various new technologies and extensive know-how, and to provide products and services that will support the sustainable development of agriculture in Africa and across the globe and help to improve the living environment.

## Column

### Promoting pheromone-based pest management globally to support agricultural development that has a low environmental impact

A new insect control concept called "Integrated Pest Management" (IPM) is becoming common recently, particularly in Europe where interest in environmental problems is high. The main idea behind this concept is to combine various techniques for pest management, such as the use of chemicals, the introduction of predators, and physical control, in an optimum manner—rather than relying solely on agricultural chemicals to exterminate pests—to reduce the environmental impact while minimizing the damage caused by pests. The concept is thus expected to help conserve agricultural environments including soil, water, and ecological systems for many years to come.

One of the new pest control techniques for IPM that is currently attracting attention is the use of synthetic pheromones. Pheromones released by female pests are artificially synthesized and sprayed over farmland so that male pests become unable to locate and mate with the females, thus preventing them from reproducing. This method cannot prevent damage caused by the first generation of pests, and it takes one year until the full effects are displayed. Nevertheless, since this method works only against the species of target pests and does not affect honey bees and other useful insects, and naturally causes no harm to soil, water, or the agricultural environment, it is highly rated as a pest control technique

with an extremely low environmental impact. This method is also effective for pests hiding in crops that are difficult to eliminate with existing insecticides, such as leaf miners, which wrap themselves in tea leaves, and codling moths found in apples and other fruits.

Using synthetic pheromone developed by Shin-Etsu Chemical, Sumitomo Corporation's agriscience business has had great success in demonstrations performed in apple orchard and other farms in France. We have actively promoted the product since it was registered in 1996, and these efforts have led us to capture about a 60% share of the total apple acreage in France as of 2008. We will continue promoting synthetic pheromones in global markets, such as for peaches in France, grapes in Spain, tomatoes and green peppers in Mexico, and cotton in Brazil, as part of our commitment to environment-friendly, sustainable agricultural development.



Application of synthetic sex pheromones



Plastun

## Theme 2 Developing a Sustainable Business Model

### A new model for a timber business achieved through a solid partnership

How can we maintain and develop our business in the global economy?  
How can we develop a sustainable business model that is friendly to the environment and local communities?  
Under our rock-solid partnership with Terneyles, an integrated forestry company in Russia with which Sumitomo Corporation shares the same principles, we have taken on the challenge of creating a new timber business model with a particular focus on “high added value,” and the business has achieved stable growth. We are also pursuing sustainability for the future.

#### New model for a Japanese-Russian joint timber business

Terneyles is Russia's largest integrated forestry company based in Plastun, a port in the Maritime Province, with forest holdings of about 2.6 million hectares, an area equivalent to 1.4 times the size of Japan's Shikoku Island.

Terneyles used to be a state-owned company under the communist regime of the former Soviet Union, and business was based on the national policy. However, after the Soviet Union was dissolved in 1991, Terneyles was turned into a private company, and as the country shifted towards capitalism, they had to find new ways to survive. This was when the company decided to take advantage of its location in Plastun, a port on the Sea of Japan close to the Hokkaido and Hokuriku regions of Japan and with easy maritime transport routes to these regions, and export its rich forestry resources to Japanese markets.

However, in order for Terneyles—which was then a newly privatized company with no experience in international trade—to move into the Japanese market, the company needed a partner well versed in timber trading and with extensive

knowledge of potential markets and customers in Japan.

Terneyles studied partnerships with several Japanese trading companies, and finally selected Sumitomo Corporation because of its credibility. Sumitomo's business philosophy throughout all the years since the start of our relationship with the company during the Soviet era has been to attach importance to sincere and dependable business with the company, as well as to compliance with laws. We had also been pointing out issues surrounding the Japan-USSR timber trade accurately to the company based on our extensive experience and know-how on the timber business. Our basic stance and accurate advice were highly valued by Mr. Scherbakov, General Director of Terneyles.

On the other hand, when we received an offer of partnership from Terneyles, while we were well aware of the high potential of the company, we thought that there was a need to completely change the company's USSR-style management structure if we were to develop an effective partnership.

This led us to propose to Terneyles a shift to a customer-oriented business style, and we emphasized that more than

## The Sumitomo Spirits

The same values shared between the two companies have made it possible to accomplish a difficult project

When I asked Mr. Scherbakov, General Director of Terneyles, what the company's most basic philosophy is, he answered, "Compliance." Since compliance with laws is also something that Sumitomo Corporation regards as very important, I have found another common basis between the two companies—we share the same values. And I think this is what allowed us to accomplish the challenge of establishing a new business in Russia, a country that is currently undergoing rapid change.



**Hiroshi Tomishima**  
General Manager  
Wood Resources  
Business  
Department

## Voice

We chose Sumitomo Corporation as our partner because their honest and sincere attitude was trustworthy

The reason why we chose Sumitomo Corporation as our partner is because we can trust them. When we were still a state-owned company, only they pointed out the problems and improvements necessary in the timber business of the former Soviet Union. Their advice was sharp-edged at times, but we thought their honest and sincere attitude was trustworthy. We are glad we made the right choice.



**Vladimir Scherbakov**  
General Director  
A/O Terneyles



anything else, the ability to stand in the customers' shoes is important to survive in the capitalist system. This is how the two companies started their long journey in pursuit of a new model of a Japanese-Russian joint timber business.

### The keyword is "high added value."

The qualities of timber most in demand by customers in Japan at that time were "stable strength and shape." This reflected an increasing demand for earthquake-resistant houses after the Great Hanshin-Awaji Earthquake of 1995.

Until then, houses usually had wooden frames, built with timber sawn from logs. But in some cases, the timbers were not aged properly, and the frames gradually warped as they dried out after the houses were completed, resulting in reduced overall strength and badly-fitting doors. Inevitably this has an adverse effect on the earthquake resistance of the houses, and the demand for timber with a higher strength that does not warp has been mounting.

Our answer to these needs was glue-laminated timber. Glue-laminated timber are wood-processed products made

by sawing logs into boards and laminating them after they have been cured. After this process, the timbers used in house frames are highly stable in both strength and shape.

"Even timber sawn from logs prone to warp can be turned into high added-value products once processed into glue-laminated timber, and this will lead to increased competitiveness for Terneyles." This was the main idea—one that General Director Scherbakov also agreed with—and the two companies decided to launch Russia's first glue-laminated timber business together.

Sumitomo Corporation and Terneyles established STS Technowood in 1996, a joint venture for the start-to-finish production of glue-laminated conifer posts for single-family houses. The posts became Russia's first Japan Agricultural Standard (JAS)-certified product, and are produced so that they are specifically suitable for the Japanese market. In 2000, we also established PTS Hardwood, another joint venture for the start-to-finish production of broadleaf glue-laminated timbers for the interiors of Japanese houses and condominiums. We have thus developed a glue-laminated timber business specifically for the Japanese market.

### Our shared values: Aiming for steadfast growth

By developing a business model suited to the Japanese market, Terneyles grew rapidly.

Although it would have been possible—considering the high potential of Terneyles—to further accelerate growth, General Director Scherbakov stuck to his policy of “annual growth of around 10%.” This is because he was concerned that excessive focus on rapid expansion would only put a strain on the company’s operations, and that the development of human resources in particular would lag behind the growth of the company.

Mr. Scherbakov was aware that it would take time to alter the mindset and the working style of employees who were accustomed to working in a state-owned company under the communist regime of the former Soviet Union, and based on this awareness, he chose to grow in a steadfast, sustainable manner.

We respected his ideas, and supported the development of Terneyles’ human resources by, for example, inviting employees in managerial positions to Japan for training.

Terneyles’ stance is similar to Sumitomo’s business philosophy that emphasizes the importance of not pursuing easy gains and growing under sound management while maintaining an enterprising spirit. It is this shared philosophy underlying the two companies that has made it possible for them to build strong ties.

### Establishing a sustainable timber business

Sumitomo Corporation and Terneyles also share the same values with regard to the environment. Both companies are aware that coexistence with the natural environment and consideration for biodiversity are indispensable to achieving expansion and sustainable growth in the timber business.

The forests owned by Terneyles are so vast and the land is so cold that it is extremely difficult to replant trees by hand after logging. The company therefore decided to adopt a ribbon cutting (strip felling) method in which logging is done in strips, to allow seeds from surrounding trees to drop in the logged areas to promote natural growth of new forest.

Since it usually takes about 100 years for a forest to return to its original state naturally after being logged, the company limits their annual logging to an area of 1/150 of their total holdings to ensure that the volume of trees logged will never exceed the volume of trees grown.

In addition to compliance with these and other strict logging rules in Russia, we proposed that Terneyles should also acquire Forest Stewardship Council (FSC) certification, which is considered the global standard on forestry accreditation. Although investing to protect the environment was still unthinkable in Russia at that time, Terneyles recognized the importance of certification, and decided to take on the challenge of acquiring it.

However, in the early 2000s when this challenge began, there was no precedent for FSC-certified companies, or even accreditation bodies in Russia. Terneyles therefore started by calling on the provincial government to establish an inspection body for FSC accreditation. Then, the company carried out the necessary inspections and worked on developing rules for optimum forest management.



Ribbon cutting (strip felling) method

While engaged in these activities, the company was confronted with an issue regarding the protection of the native people who live in harmony with forests and rivers in the Samarga area, in forests owned by the company. The company decided on their own initiative to freeze the development plan for the area, which had been approved legally, for two years, and during those years, conducted inspections in the area while continuing its dialog with the native people to formulate a plan friendly to both the native people and the environment. The company supported the construction of public facilities such as a school in the area, donated funds for education, and left a part of the forest in





the area as a forest reserve.

Thanks to those earnest efforts, Terneyles became the first company to receive FSC certification in Far Eastern Siberia in 2004. Even on a global scale, it is very rare for natural forests where no tree planting is conducted to receive this certification.

In 2005, Sumitomo Corporation's Lumber and Building Materials Dept. (current Wood Resources Business Dept.) received Chain-of-Custody (CoC) certification, which is granted to processing and distribution businesses that meet specific standards in their handling of wood from FSC-certified forests. This certification, which proves that we manage FSC-certified wood properly throughout the entire process from procurement to processing and distribution, completed our system to ensure that FSC-certified wood is delivered to end users.

In this way, Sumitomo Corporation and Terneyles are in pursuit of sustainable timber trading in an area of environmental conservation as well. The business should continue to be maintained and developed for many years to come through this mutual cooperation.

### A token of prosperity and a dream realized in Plastun

The environment surrounding the timber business in Russia is still changing drastically, including revision of tariffs. To respond to these changes quickly, and further promote their high added-value strategy, Sumitomo Corporation and Terneyles constructed a huge wood processing complex in Plastun with a total investment of 18.1 billion yen. The new complex, where all timber cut by Terneyles is processed into products, was completed and inaugurated in March 2009.

This complex, as well as the development of Terneyles over the past many years, has changed the town of Plastun as well. Of a total population of about 7,000, up to 3,700 people are involved in some way or another in Terneyles' timber business.

In 1996, when Sumitomo Corporation and Terneyles established their first joint venture, Plastun was, in the eyes of our staff, a quiet village with almost no shops. But the

## Column

### Considering the ecosystem —Protecting Amur tigers—

The natural forests in the Far Eastern region of Russia are home to Amur tigers, the largest feline in the world. The environmental destruction caused by large-scale forest development and illegal logging has brought the animal to the brink of extinction with current numbers being only 400 to 500. However, it was reported that the number of Amur tigers is increasing in forests owned by Terneyles thanks to its painstaking efforts to protect the environment. This achievement was recognized by the World Bank, which is taking the initiative in tiger conservation, and Terneyles was invited to a memorial forum organized by the organization in 2008. The company is receiving acclaim for its sustainable forest management.



Amur tiger

town has continued to grow since then, and we can now see restaurants, cafés and supermarkets, and people dress more smartly.

It has become clear that this new model of a Japanese-Russian joint timber business developed by the solid partnership between Sumitomo Corporation and Terneyles has led to prosperity and the realization of their dreams for many stakeholders involved in this project.



Inauguration ceremony for the new complex





Theme 3 Urban Development with Future Generations in Mind

**Creating towns that will be treasured by local communities no matter how the times change**

Harumi Island Triton Square, a front-runner major redevelopment project for the 21<sup>st</sup> century, was completed in April 2001 under the concept of “integration of offices, entertainment and housing.” One of the features that continue to draw attention is its unique approach to protecting the environment, preventing disasters, creating comfort, and growing in harmony with the local community. We believe this demonstrates a fresh model for new town development. A complex of this kind is the result of Sumitomo Corporation’s enthusiasm for its construction and real estate business.

**Outline of the complex Harumi Island Triton Square**

Harumi Island Triton Square, located in Harumi 1-chome, Chuo-ku, Tokyo, three kilometers from Tokyo Station and two kilometers from the Ginza district, was built in April 2001 as a forerunner to the entire Harumi redevelopment project, a project for the 21<sup>st</sup> century on a massive scale. Under the concept of “integrating offices, entertainment and housing,” this new complex consists of high-rise office towers, a variety of shopping and cultural facilities, and comfortable condominiums, which all blend with the lush greenery. The total area of this large site is around 10 hectares.

Triton was the son of Poseidon, god of the sea in Greek mythology, and the name suggests a location that is open to the sea.

And because the prefix “tri” means “threefold,” the name also suggests the three elements behind the concept of the project—offices, entertainment and housing—as well as with the three high-rise office towers (Office Towers X, Y and Z), which serve as symbols for the complex.

Sumitomo Corporation led this project, and sited its head office in the complex. Many of its group companies, such as Sumisho Building Management, Sumisho Urban Kaihatsu, Sumisho Tatemono, and S.C. Building Service—companies supporting the construction and real estate business of Sumitomo Corporation—also have their head offices in the complex.

## Message

# Bringing out the full potential of Harumi, and creating a town that will function as social capital for the 21<sup>st</sup> century

Takashi Yamazaki

President, Harumi Corporation

### Bringing out the full potential of Harumi

The need to redevelop Harumi was spotlighted in the early 1980s when the apartment complex and warehouses built in the 1950s became obsolete and in need of renovation.

Harumi Island covers about 100 hectares, larger than the Ginza district, and is conveniently located about three kilometers away from Tokyo Station. Momentum was increasing toward redeveloping the area with the aim of utilizing the whole of Harumi Island more effectively to exploit its potential.

While this kind of redevelopment project is usually led by local government, the Harumi redevelopment project adopted a new method in which landowners created their own master plans based on their vision, and organizations to promote the project were established for each *chome* block. Harumi Corporation was established by this method to undertake redevelopment of the *1-chome* block and operation and management of the facility after completion. As one of the landowners of the *1-chome* block, Sumitomo Corporation took the initiative in establishing Harumi Corporation, and organized other landowners in promoting the redevelopment project. Harumi Island Triton Square (or more simply, Harumi Triton Square) was finally completed in 2001.



Harumi before redevelopment

Harumi now

### Creating a town with comprehensive functions based on a long-term vision

The basic concept of Sumitomo Corporation's construction and real estate business is "creating towns with comprehensive functions based on a long-term vision," and we have carried out numerous projects using this concept up to today.

For the Harumi Triton Square project, we wanted to create a new town that would be treasured by the local community regardless of the age, and that could function as social capital for the 21<sup>st</sup> century. To accomplish this goal, we adopted "integration of offices, entertainment and housing" as the development concept, and the project

embodies that concept. Harumi Triton Square is a complex where offices, commercial buildings, and housing are integrated, but efforts were also made to create a different atmosphere for each area: a lively atmosphere in the commercial area, and a calm atmosphere in the office area.

The project also puts importance on the environment, disaster prevention, and comfort from the planning stage. In environmental planning, we pursued every possible way to make the complex environmentally friendly, adopting a unique district heating & cooling (DHC) system that supplies significant volumes of heat using air and water while reducing CO<sub>2</sub> emissions. These efforts have been highly praised and the project is known as the "Triton model." For disaster prevention, we put particular focus on anti-earthquake measures, and in the belief that it is important not only to minimize the damage caused by an earthquake but also to enable the quick restoration of peaceful everyday life, we introduced various "software" and "hardware" measures.

Harumi Triton Square was thus a project developed utilizing our unique know-how in making plans around a clear-cut concept together with landowners, and constructing and operating it. I am confident that Harumi Triton Square is a complex that will be in use for 50 or even 100 years.

Eight years after its opening, the complex has perfectly blended into the landscape of Harumi. We will continue working hard to bring out the potential of Harumi and to satisfy the needs of all the people who work, visit, and live in the complex.

### Profile

Yamazaki first took charge of the Harumi redevelopment project in Sumitomo Corporation in the early 1980s. When Harumi Corporation was established in December 1988, he was assigned to the company as Director. After serving as the General Manager of the Building & Overseas Real Estate Business Department of Sumitomo Corporation and the President of Sumisho Building Management, he was appointed to his current position in 2005.



## Environment

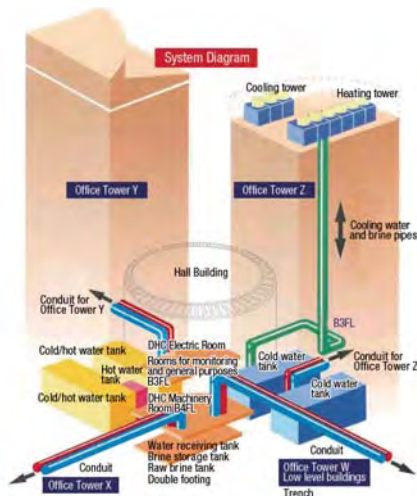
# 環境

### The “Triton” model: a very effective energy-saving solution

Harumi Triton Square has employed various energy-saving systems based on three principles—avoiding unnecessary use of heat, effective use of electricity, and effective generation of heat—to significantly reduce energy consumption.

Of these systems, the one that is attracting particular attention is the high-efficiency district heating & cooling (DHC) system, which supplies heat from the basement of Hall Building to all the buildings on the premises. This DHC system is one of the largest thermal storage-type heat pump systems in Japan, combining a heat pump that capitalizes on atmospheric heat to enable the maximum possible energy-saving effects and a large heat storage tank whose volume is equivalent to 12 50-meter swimming pools (19,000 m<sup>3</sup>). The heat pump is activated late at night when electricity costs are low to generate heat from the air and store it in the tank.

### System Diagram



### Controlling the quantity of garbage to make tenants more aware

Reducing garbage is also an important issue in Harumi Triton Square. We have developed our original garbage weighing machines and installed them in the waste processing rooms of each building. Then for 11 designated recyclable items and three designated disposal or combustible items, we have made it mandatory to weigh the garbage each tenant disposes of, and charge tenants according to the volumes they dispose of, just like electricity and water charges. This has resulted in effectively raising awareness among tenants of the importance of reducing unnecessary garbage and using recyclable garbage as resources, and we have reduced the total volume of garbage to less than 50% compared with other buildings of the same size. In the office buildings, about 57% of waste is currently recycled.

## Disaster prevention

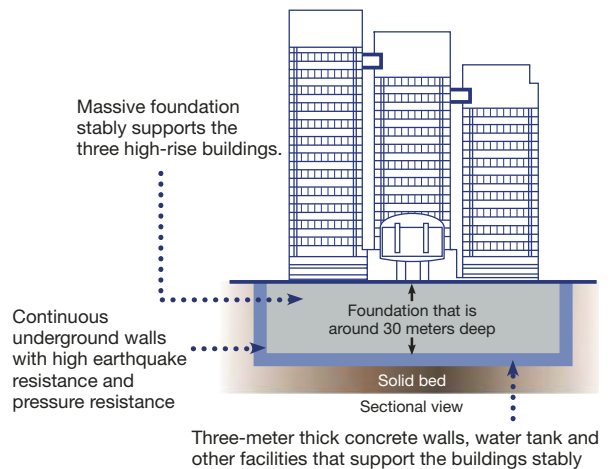
# 防災

### Stable structure locked on a solid bed

Since Harumi is land reclaimed in 1931 and surrounded by the sea, many people are under the wrong impression that the ground is soft. The fact is that Harumi is built on a solid bed about 30 meters below ground, with a strength almost the same as that of the Marunouchi and Shiodome inner-city districts.

The foundation of Harumi Triton Square was built on this solid bed, and the three high-rise buildings stand directly on a massive foundation. This design keeps the center of gravity of the buildings low, and makes the whole complex well-balanced, stable, and secure.

### The bed and foundation



### Introduction of a damage control design

Since the Great Hanshin-Awaji Earthquake, earthquake resistance has become a very important issue for large buildings.

Harumi Triton Square has adopted a damage control design with energy absorption devices for the first time in Japanese high-rise buildings. The energy absorption devices absorb seismic energy during an earthquake to protect the main structural members and people's lives. The energy absorption devices are replaceable, and even if the buildings are damaged, they can be restored relatively easily by replacing the devices.



Energy absorption device

Comfortable

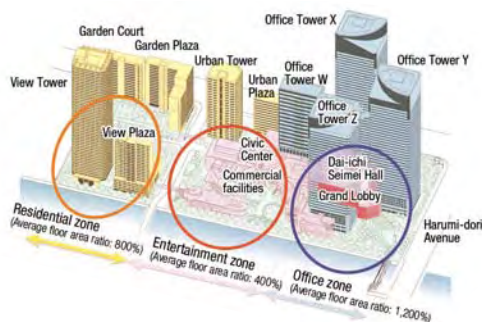
# 快適

## A project aimed at creating an attractive urban complex

Harumi Triton Square was developed with the basic concept of “integration of offices, entertainment and housing.”

The vast site of about 10 hectares is divided into three well-balanced zones: an office zone centering around the high-rise office towers, an entertainment zone comprising shops, restaurants, a day nursery and other facilities, and a residential zone consisting of several apartment buildings. All these zones are connected by roads lined with greenery to give a unity to the town.

### Zones in Harumi Triton Square



### Three terraces with flowers, greenery and water themes

People can relax on benches, or stroll around the three terraces located at the center of the complex to enjoy the beauty of the season. These terraces offer a moment of comfort where everyone can forget the hustle and bustle of city life. The Cherry Tree Promenade along the canal and the two parks in the south and north of the site are also pleasant and invigorating open spaces.



Flower Terrace



Green Terrace



Water Terrace



Cherry Tree Promenade

## Column

### Deepening communication with the local community by focusing on “humanware”

Communities cannot be given life by incorporating sophisticated facilities and equipment alone. What they need is the warmth of people—humanware. Harumi Triton Square considers communication with the local community to be very important.

For example, we organize seasonal events based on Japanese traditions and culture, such as pounding rice cakes at New Year, carp streamers in May, and a Star Festival in July every year. Harumi Triton Square is also the venue for the Harumi Harukko Festival in spring, when stalls selling favorite dishes line the 300-meter long Cherry Tree Promenade, as well as for the Inforata (festival of flower carpets) in autumn, an Italian-inspired festival where works of art made from rose petals are on display, offering a fun time for everyone, young and old, men and women, who visit and participate in the events. We also actively take part in festivals at the local traditional shrine. In this way, Harumi Triton Square functions as a lively plaza where local people gather.

Since the buildings in Harumi Triton Square are the tallest in the area, they also play the role of “fire lookouts” to help protect the local community from fires. Security cameras installed on the rooftops help the fire department and police in wide-area video surveillance extending as far as the Tsukiji district. As a responsible member of the local community, we have also organized a system that enables us to rescue elderly people in the nearby special old people’s nursing home in the case of a disaster or other emergency. In addition to these, we also hold a Disaster Prevention Exhibition on Disaster Prevention Day (September 1) every year to raise awareness of the importance of disaster precautions among local residents, as well as an Environmental Exhibition in July to introduce the efforts made by the complex to protect the environment.

With these activities, Harumi Triton Square enables deeper communication and exchange of opinion with people who work, visit, or live in the complex and people in the local community and it is through these activities of developing mutual trust that the complex is growing into a town full of energy.



Inforata



Disaster Prevention Exhibition



Environmental Exhibition

## The world's first BLT-based transportation infrastructure development project

Continuous expansion of Manila, the capital of the Philippines, has formed the National Capital Region (NCR) or Metro Manila, which is made up of 14 cities and three towns. The size of Metro Manila is approx. 640 km<sup>2</sup>, about the same as the total area of Tokyo's 23 wards (622 km<sup>2</sup>), and its population now exceeds 10 million, making the city a huge and overpopulated city like Tokyo.

This rapid expansion of the city caused serious traffic congestion because the development of the urban railway network lagged far behind the increase in population and road traffic volumes. Currently three lines with a total length of 45 km operate in Metro Manila, but until the opening of MRT-3 in 2000 and LRT-2 in 2004, the city had only LRT-1 (14 km, 18 stations), which opened for service in 1985.

In particular, Epifanio de los Santos Avenue (EDSA), above which MRT-3 currently runs, is one of the most important arterial roads in Metro Manila. Whilst the road is very wide, with six lanes in each direction (five lanes in each direction after the completion of MRT-3), it often becomes congested not only during the morning and evening rush hours but also during the daytime, obstructing the flow of

traffic and logistics and other urban functions.

With this as the background, the Department of Transportation and Communications (DOTC) planned the construction of MRT-3 comprising 13 stations and spanning 17 km above EDSA Avenue to connect the Quezon and Makati areas in the center of Manila. It was also decided, due to the tight economic and financial situation, that the project would adopt the Build-Lease-Transfer (BLT)\* method, a world first for railway projects undertaken by private companies. The project was commissioned to a private company, Metro Rail Transit Corporation (MRTC), who awarded Sumitomo Corporation the contract for the construction of MRT-3 and maintenance of the line for 10 years after completion.

\* **Build-Lease-Transfer (BLT):** A project scheme utilizing private resources in which, after a project is financed and facilities are constructed by private companies, the facilities are leased to the government, and after the lease expires, they are transferred to the government.

## Introduction of the new line alleviates traffic congestion and is revitalizing urban functions.

Sumitomo Corporation has been in the transportation business for many years, centering around the export and marketing of Japanese-made axles and rolling stock. However, to meet

# Theme 4 Developing Urban Infrastructure in an Emerging Country

Manila

## Developing the transportation infrastructure revitalizes urban functions

Railway systems are currently attracting attention around the world as an efficient mode of transport with a low environmental impact.

Sumitomo Corporation has built an urban railway network in Metro Manila in the Philippines utilizing Japan's railway technology, known throughout the world for its safety and reliability.

We have been supporting the development of local society from various aspects, including alleviating traffic congestion to revitalize the city, creating employment, and transferring technology.

the increasing demand for new railway systems in Asia and the global market, we have also begun to focus on more comprehensive transport system development projects that involve supplying rolling stock, rails, and signal systems, as well as the civil engineering and construction work for stations, depots, and other facilities. The Metro Manila MRT-3 project was one such project, and was the first full turnkey transport system project we were awarded.

With strong support from the Philippine government, MRTC acquired a loan from a syndicate of banks including the Japan Bank for International Cooperation (JBIC). Construction started in October 1996, and after a partial opening in December 1999, MRT-3 came into full service in July 2000. The number of passengers has increased steadily ever since, with the current average number of passengers per day being 470,000, the greatest of all the three lines in Manila. In fact, although trains run every three minutes during the morning and evening rush hours for workers and student commuters, the rate of congestion exceeds 200% at the peak, already making it necessary to consider increasing the number of rolling stock.

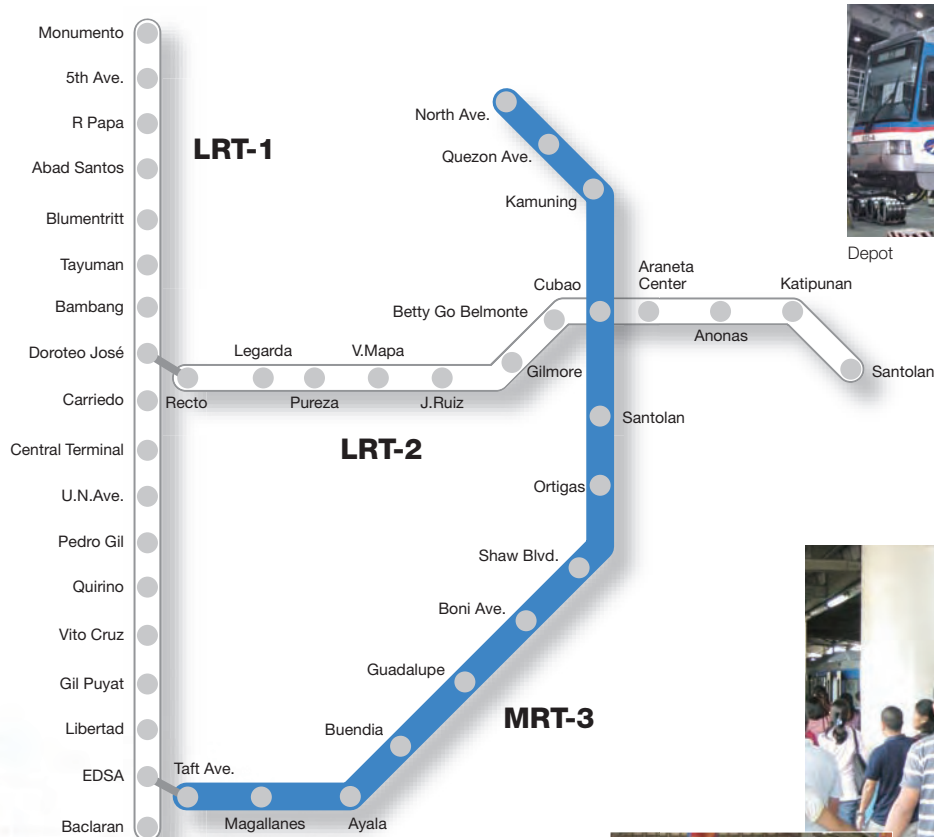
The opening of MRT-3 has led to significant alleviation of the deteriorating congestion on EDSA Avenue, as well as to

the stimulation of various urban functions, such as the construction of new shopping facilities and housing along the line and redevelopment around the stations.

Since MRT-3 has now become an indispensable way of going to work, school, and shopping for the people of Manila, their daily lives will be greatly affected if service on the line is suspended due to mechanical troubles with trains or facilities. We have been responsible for maintaining the line since its opening under a contract that remains valid until 2010, and there have been almost no serious problems with malfunctioning of trains or facilities. The stable operating record of the line has been praised by local railway interests.

In addition, about 300 Philippine staff members have been recruited by the local maintenance company working on this project, and Japanese engineers stationed in Manila are providing guidance on maintenance work. In this way, we are contributing to the development of society by creating employment and through technology transfer.

Utilizing the track record and experience accumulated through the MRT-3 project, Sumitomo Corporation will continue to offer safe and reliable transportation infrastructures developed with Japan's sophisticated railway technology to cities around the world.



Depot



Scenes during the morning rush hour





Theme **5** Supporting the Development of Human Resources for the Next Generation

**Sumitomo Corporation Scholarships support the development of human resources in Asia**

Sumitomo Corporation Scholarships were established in 1996 as part of Sumitomo Corporation's 50<sup>th</sup> anniversary in the trading business.

The scheme is aimed at nurturing leaders who will shape the future of developing countries in Asia, and has supported more than 9,000 young people in their studies up to today.

This section introduces our commitment to supporting young students who are the future of Asia.



Sumitomo Corporation established Sumitomo Corporation Scholarships in 1996 as part of its 50<sup>th</sup> anniversary in the trading business, and since then it has offered scholarships to college students in China, Vietnam, Indonesia, Thailand, and other Asian countries. The main objective of the scheme is to support the nurturing of human resources who will shape the future of Asian countries currently on the path of development. Scholarships were awarded to about 950 students at 42 colleges in 11 countries during fiscal 2008, with the total number of awardees over the last 13 years exceeding 9,000. Those people who completed their studies with the assistance of our scholarships and graduated from college are now playing important roles in their respective fields.

The scheme is run in cooperation with our local business sites (overseas subsidiaries, branches, offices) in the countries in which the scholarships are offered. This kind of scheme is only possible for companies like us, with a global network encompassing Asia, and through this scheme each local business site has been deepening its relationship with the community in the country where it is doing business. As a result of these efforts, in August 2008 our continuous commitment won an official commendation from Vietnam's Ministry of Education and Training (MOET) for our contribution to students' education in the country over many years, based on a recommendation by Vietnam National University-Ho Chi Minh City (VNU-HCM), one of the universities to which scholarships are offered under the scheme.

Our relationship with the local community is important for our business, and we believe that deepening that relationship and winning further support and trust from a

wide range of local stakeholders will eventually lead to the sustainable growth of our business. We will continue to cooperate closely with each local organization in further refining the scheme to ensure that it meets the needs of each country and region, and to achieve sustainable growth together with those local communities.

## The Sumitomo Spirits

### I feel rewarded when I read messages from scholarship students.

I am the manager of both Human Resource Section and General Affairs Section of the Planning & Administration Department and responsible for running the scholarship scheme.

Sumitomo Corporation (Guangzhou) currently awards scholarships to 60 students at three universities. We have maintained close relationships with these universities through the selection of scholarship students, symposiums, company tours, and other activities. Because of these activities, awareness of Sumitomo Corporation has been enhanced, enabling us to recruit good students.

I have to manage the scholarship scheme in addition to my regular job, and to be honest, I sometimes feel that the extra work is tiring. But every time I read a message from a scholarship student, I feel rewarded.

To make this scheme even more effective, I'd like to develop a system that will allow more employees to assist in running the scheme, referring to how similar schemes are run in other countries.



**Chen Eve**

Planning & Administration Department  
Sumitomo Corporation (Guangzhou) Ltd.

## Voice

### Gaining a foothold in life though university study

Receiving higher education is very important for people to grow.

As in Archimedes' famous saying "Give me a foothold, and I shall move the Earth," we can also grow by gaining a foothold in life through university study. Of course, merely studying at a university is not sufficient; we cannot acquire any sense or depth of knowledge without the guidance of university faculty members. I was able to gain a foothold thanks to the support of Sumitomo Corporation through the Sumitomo Corporation Scholarship, and I am now using this to study hard. For me, the scholarship is like a sweet candy. I was first attracted to the "sweetness" of the scholarship, but later I began to gradually realize and appreciate its "real taste" or value. I cannot see my future clearly yet, but I want to open up my future without losing my passion for writing as a student studying journalism, and by keeping in mind the importance of being guided by faculty members.

Thank you.



**Alina Dadayeva**

The National University of Uzbekistan

## Voice

### I want to become a person contributing to the development of Pakistan

Being the eldest child in a middle-income family, I knew that I couldn't burden my parents much. To support myself with miscellaneous educational expenses, I applied for Sumitomo Corporation Scholarship and fortunately I won it. This scholarship not only helped me to minimize my parents' burden but also showed me the possibility to grow and thrive.

I want to do something for the youth of Pakistan so they are able to improve their standard of living and contribute to the development of our nation. Building a world-class business school for the youth of Pakistan is the highest aspiration of my life and to fulfill this dream, I know I need to work hard and prepare myself properly. I need to enhance my personality and my leadership skills and this is why I joined Institute of Business Administration (IBA) as I believe education is the first step of the ladder. I thank Sumitomo Corporation to become part of my dream and help me move a step towards my goal.



**Summera Ali**

The University of Karachi

## In Europe·Middle East·Africa

- Support for Shakespeare's Globe Theatre (UK)
- Donations to Centrepont (UK) **1**
- Support for children with disabilities to encourage them to attend school (Romania)
- Support for the Japanese School and Japan Center (Russia)
- Support for students participating in the Arab Robotic Competition (United Arab Emirates) **2**
- Support for the reopening of the Japanese School in Doha (Qatar) **3**
- Support for mine clearance projects (Angola) **4**
- Donations of books for teacher training (Madagascar)



Photographed by Andrew J. Pritchard



## In Japan

- Support for the Junior Philharmonic Orchestra **5**
- Promotion of "barrier-free movies" **6**
- Support for the Table for Two Meal Program
- Company training for junior and senior high school students and teachers
- Organizing events in which local people can participate for Summit supermarkets and J:COM cable TV company **7 8**
- Cooperating with vocational training for people with disabilities, and sales of goods produced by vocational training center
- Participation in and sponsorship for local cleaning activities and various events
- Organizing of events in which local people can participate in commercial facilities at various business sites operated by the Sumitomo Corporation Group companies
- Tours of the Sumitomo Corporation Group companies' factories for schoolchildren and local residents
- Contributions to the relief fund for the Iwate-Miyagi Nairiku Earthquake



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# Theme 6 Our Social Contribution Activities around the World

**Because of its integrated corporate strength, the Sumitomo Corporation Group is involved in a wide range of social contribution activities around the world**

The Sumitomo Corporation Group promotes CSR through sound business activities and diversified social contributions. Our social contribution activities are performed globally with particular focus on nurturing human resources for the next generation and revitalizing local communities.

As a corporate citizen, we are participating in various activities around the world.

## In America

- Support for the activities of the Center on Japanese Economy and Business, Columbia Business School (US)
- Donations to the Lincoln Center (US)
- Donations to the Metropolitan Museum of Art (US)
- Support for the launch of Japan Day (US) **9**
- Support for the construction of the Technology Center at Arkansas State University (US) **10**
- Support for and donations to medical institutions (US)
- Food and clothing aid for Santa Catarina flood sufferers (Brazil)
- Support for educational and infrastructure improvements for the local community as part of the San Cristobal Mine (silver, zinc, lead) development project (Bolivia) **11**



9



10



13



11



14



15



16



12



17

## In Asia·Australia

- Sumitomo Corporation Scholarships for 42 colleges in 11 countries (various Asian countries)
- Courses bearing the Sumitomo Corporation name at Tsinghua University and Nankai University (China)
- Support for the tours of Japan for Chinese college students (China)
- Donations to IT display sites and IT vocational schools (Mongolia)
- Donations of books and stationery to local schools (Thailand, Indonesia, Myanmar)
- Support for local medical care and education (The Philippines)
- Support for educational and infrastructure improvements for local communities as part of overseas industrial park development projects (The Philippines, Indonesia, Vietnam) **12**
- Support for education and health care improvements for the local community as part of the Batu Hijau Mine (copper, gold) development project (Indonesia) **13**
- Donation of a mobile ophthalmologist clinic to a local foundation (Indonesia) **14**
- Japanese language education, cultural exchanges (Vietnam) **15**
- A course bearing the Sumitomo Corporation name at Hanoi National Economic University (Vietnam)
- Donations of picture books for children (Laos) **16**
- Contributions to the relief funds for the Great Sichuan Earthquake and Myanmar cyclone (China, Myanmar)
- Donations to medical institutions and foundations (Australia)
- Support for advanced technology research facilities at the University of Sydney (Australia)
- Contributions to the relief fund for the Victoria bushfires (Australia) **17**

# Corporate Governance System

We have 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. Positioning “Sumitomo’s business philosophy” and the Company’s “Management Principles” as the cornerstones of our corporate ethics, we work to establish the most appropriate managerial system by strengthening our corporate governance and to realize management that serves the interests of shareholders and all other stakeholders.

Our approach to corporate governance is embodied in the “Sumitomo Corporation Corporate Governance Principles,” which can be accessed from the following web page.

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

## Past Initiatives to Strengthen and Enhance Corporate Governance

To date, we have 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.

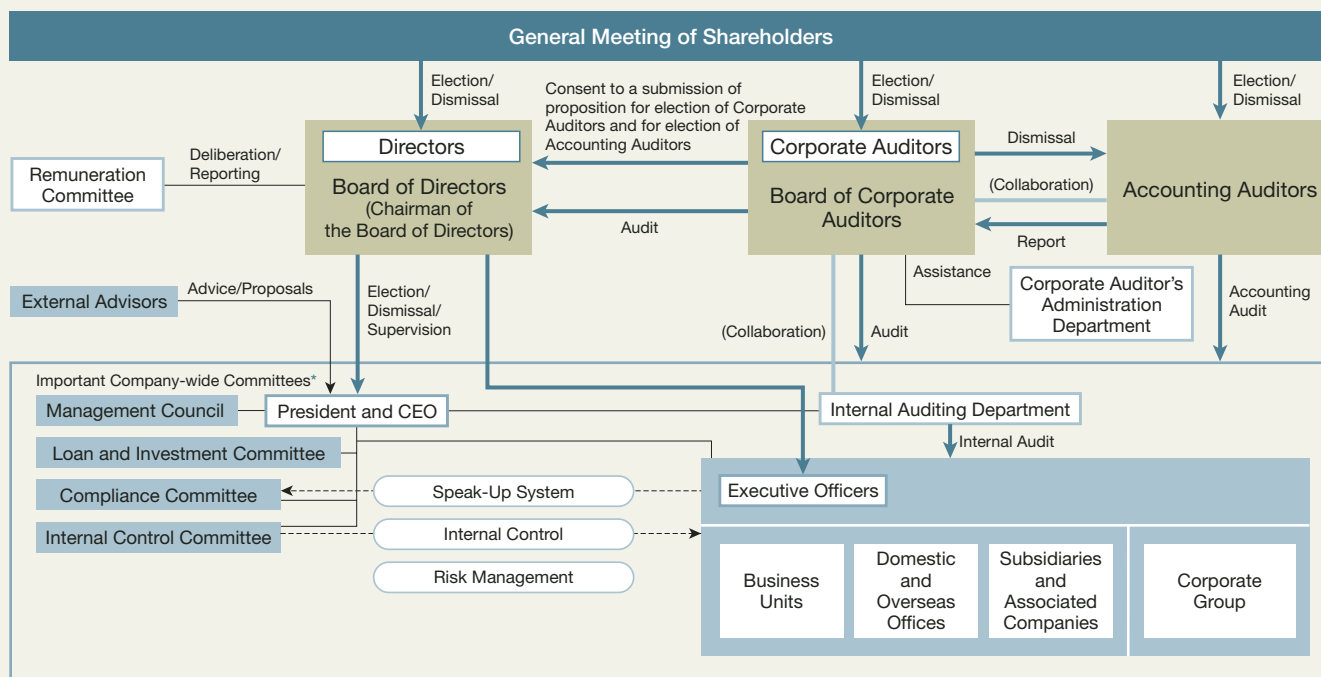
## Features of Our Corporate Governance System

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.

Thus, Sumitomo Corporation will continually study the most appropriate corporate governance system.

## The Company’s Corporate Governance System



\* **Management Council:** Exchange of opinions and information on basic policy and important matters related to management  
**Loan and Investment Committee:** Deliberation of important matters, such as investment and financing  
**Compliance Committee:** Enhancement of Group compliance focused on “maintaining sound management”  
**Internal Control Committee:** Promotion of efficient and effective Internal Control

## Framework for “Improving Management Efficiency” and “Maintaining Sound Management”

### Directors and the Board of Directors

#### Optimization of Size of Board of Directors

We halved the number of Board members from 24 in 2003. As of July 2009, 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.

#### 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, no fewer than half of the Committee members are from outside the Company. The Remuneration Committee is in charge of studying 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 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 President of the Tokyo High Court) 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 the monitoring function of the Board of Directors. We currently have 33 Executive Officers selected by the Board of Directors. Of these, 11 Executive Officers also serve concurrently as Directors, including seven 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.

## System for Ensuring Management Transparency

### 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 the disclosure of information required by law but also actively pursuing the voluntary disclosure of information.

### Communicating with Shareholders and Other Investors

#### Encouraging the Execution of Voting Rights at the General Meeting of Shareholders

We send out a Notice of Convocation to shareholders three weeks prior to each regularly scheduled General Meeting of Shareholders. For the convenience of overseas shareholders, we also provide an English-language translation of the notice on our website. We have allowed our shareholders to exercise their voting rights via the Internet using personal computers since 2004 and via the Internet using mobile phones since 2005. In 2007, we introduced the Electronic Voting Platform operated by Investor Communication Japan, Inc. (ICJ), a joint venture instituted by Tokyo Stock Exchange, Inc. and others. The new platform allows institutional investors sufficient time to thoroughly examine the propositions to be resolved at the meeting.

#### Disclosing Various Information

The IR section of our corporate website provides various materials that may be useful in making investment decisions in a timely manner. These materials include financial results, *yukashoken houkokusho* (Japanese annual securities

reports), *shihanki houkokusho* (Japanese quarterly securities reports) and other Tokyo Stock Exchange filings as well as streaming and related documents of various meetings, and *Sustainability Report*. Moreover, we provide our *Annual Report*, and *SC News*, our public relations news magazine and endeavor to ensure proactive disclosure.

#### Investor Relations

In order to ensure direct communication with shareholders and other investors, we hold quarterly meetings attended by top management to provide information on our financial results for analysts and institutional investors. Also, we periodically visit the United States, the United Kingdom, and other countries in Europe and Asia to hold one-on-one meetings with investors in each region. In addition, in fiscal 2004 we began regularly holding meetings with individual investors in Japan. In fiscal 2008, we held such meetings in five cities, with a total of 1,400 individual investors attending.

In fiscal 2008, the Tokyo Stock Exchange commended our efforts to actively expand the number of individual shareholders through nationwide meetings attended by top management, the upgrade of our Website targeting individual investors and other initiatives.

While increasing management transparency, we aim to strengthen our relationships of trust with shareholders and investors.

While working to strengthen and enhance our corporate governance structure and systems, from the perspectives of "improving management efficiency" and "maintaining sound management," we will continue to further strengthen internal control programs, internal auditing, risk management, compliance, to further improve the effectiveness of internal control.

# Internal Control Program and Internal Audit

The Sumitomo Corporation Group has strengthened its internal controls in order to retain the trust of all its stakeholders. Our Internal Control Program and internal audits are key components of our internal control system for monitoring operations.

## Internal Control Program

The Sumitomo Corporation Group is formed of seven Business Units as well as regional organizations in Japan and overseas. The Business Units, organizations and group companies collectively work together in broad business fields. It is essential that we provide a uniform standard in operational quality at these businesses, irrespective of their business sector or region. This standard must also meet the expectations of our stakeholders.

From this perspective, we launched our Internal Control Program in 2005 to perform a comprehensive evaluation of the status of internal controls using a standards-based checklist. This Internal Control Program checklist covers 350 points pertaining to general operations that should be common across the Group, including risk management, accounting and financial controls and compliance.

To ensure that this checklist assessment is conducted effectively, we make concerted efforts to educate all our officers and employees, including those at Group companies, on the essential fine points of internal controls that must be verified.

We are undertaking checklist assessments of the Internal Control Program at more than 500 operations around the world, including all major business locations, regardless of industry field, business model, region or scale. The Planning and Administration Department and other relevant departments in each Business Unit and region review the assessment results and provide support for the formulation and execution of necessary improvement measures.

### Fulfillment of Legal Requirements

In recent years, due to social demands, legislation requiring companies to constantly improve and monitor their internal control systems has been passed under the Japanese Company Law and the Financial Instruments and Exchange

Law. We have treated meeting these legal obligations as an opportunity to further reinforce our internal control program, which we had implemented ahead of the enactment of this legislation. Our efforts in this area are ongoing and not transitional.

The 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 fulfills the requirements of this law.

Our Internal Control Program monitors these systems 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.

For the fiscal year ended March 31, 2009, the first fiscal year that the law applies to, as a result of evaluations and subsequent improvements, we found our internal controls related to financial reporting to be effective and received an unqualified opinion from the accounting auditor upholding the results of our assessment.

Through the aforementioned efforts and measures, the Sumitomo Corporation Group aims to continuously improve the quality of its operations.

## 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 Sumitomo Corporation and at each consolidated subsidiary. In fiscal 2008, we undertook 120 audits in Japan and 50 at overseas locations.

# Risk Management

In order to cope effectively with the diversifying risk environment, we have 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 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 ranging from 1.5% to 50% is set for each rating criteria. A higher ranked officer’s approval is required to provide credit to low-rated customers, with larger Risk-adjusted Assets being calculated. This consideration provides each Business Unit with an incentive to reduce the amount of credit extended to customers with low credit ratings. We are expanding the scope of the SCR system to subsidiaries and associated companies to enhance Groupwide credit risk management.

### Managing Market Risks

We set limits on contract balances as well as the maximum amounts of allowable losses for the interim and/or full year for commodity and financial instrument transactions. At the same time, we constantly monitor Value at Risk (VaR)—an estimate of potential risk. In the event of a periodical loss, VaR includes accounting loss—to ensure that VaR falls within the maximum amounts of allowable losses. In addition, we conduct liquidity risk management for each product on an individual futures market basis in order to be prepared in the event that it becomes difficult to close positions due to shrinking 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 the soundness of 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. In addition, we refine our business portfolio, in order to avoid the excessive concentration of resources in any specific field and maximize our corporate value.



## 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.

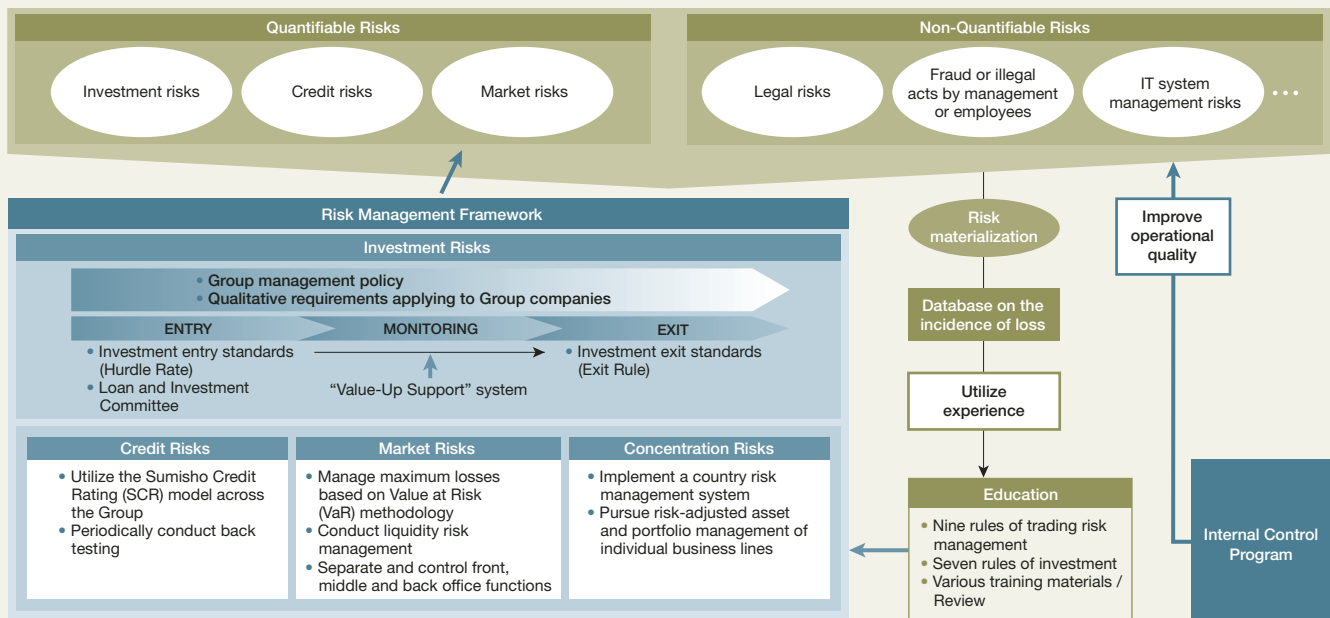
## Embedding the Sense of Risk Management

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.



# 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

It is our policy that both officers and employees should never risk transgression in pursuit of profit for the Company. In order to promote compliance, Sumitomo Corporation established the Compliance Committee under the direct supervision of the President and CEO. The Compliance Committee is responsible for preparing the Company's *Compliance Manual* 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." 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

#### 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

#### 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

#### Maintenance of a Good Working Environment

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

#### 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 employees, managers and corporate officers new to the Company; 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 2008, approximately 2,600 people attended the 57 seminars and conferences on compliance held for members of the Company and Group companies. In addition, we hold e-learning compliance seminars open to employees from all levels and plan to continue these seminars for new and other employees. Such e-learning is also held at Group companies.

## Speak-Up System

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" was introduced to allow individuals to report a potential problem directly to the Compliance Committee. Outside legal counsel and our Corporate Auditors have been included as additional points of contact to further augment the system. Although, in principle, reporting individuals are asked to identify themselves so that they can 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 2009, similar systems have been implemented at approximately 120 domestic Group companies.

### Speak-Up System Diagram



# 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.

## Environmental Policy

Throughout its 400-year history, the Sumitomo Group has pursued industrial development that co-exists with local communities and the natural environment. Using the experience it has built up over this long period, the Sumitomo Corporation Group has been working on environmental preservation through its business activities.

All group companies carry out environmentally sound management under a common environmental policy, including those participating in the Group's environmental management system based on the ISO14001 standard, in order to reduce our environmental impact and improve environmental conditions through our business activities.

## Environmental Management System in the Sumitomo Corporation Group

The Sumitomo Corporation Group has established an environmental management system that adheres to the ISO14001 standard. With the president of Sumitomo Corporation at the top, activities at multiple sites and organizations are centrally managed under our "multiple-site system." As of June 2009, more than 14,000 employees at all Sumitomo Corporation business sites in Japan as well as at 34 group companies have participated in these environmental management activities.



Data on the environmental impact of office activities, environmental accounting, a list of ISO14001-certified group companies, the ISO14001 system in the Sumitomo Corporation Group, and internal and external environmental audits are accessible at: [www.sumitomocorp.co.jp/english/environmental](http://www.sumitomocorp.co.jp/english/environmental)



ISO14001  
JQA-EM0451

## 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**

## Major Activities in 2008 and Environmental Targets for 2009

Environmental objectives, targets and achievements for 2008 are listed below. In addition to the existing targets, the following three targets are chosen for 2009.

1. Promote efficient use of electricity and gas in all offices in Japan.
2. Increase the level of chemical substance control. More actively encourage suppliers and other partner companies to participate.
3. Encourage domestic carriers to achieve efficient transportation and evaluate their performance.

## Environmental Objectives, Targets and Achievements for 2008

Management Area	Objective	Target	Achievement Level (January to December 2008)
Environmental business	Improve the environment through business operations.	(1) Promote projects to reduce greenhouse gases.	(1) Completed 11 capital investment and operation startup projects (target: 10). Acquired approval from the Japanese government for 12 cases (target: 10).
	Expand environmental business.	(2) Expand businesses utilizing renewable energy sources.	(2) Achievements in promoting geothermal and hydroelectric power generation in Asia and Oceania; sales of solar power generation equipment, materials, raw materials, and manufacturing equipment; startup solar power generation business in Spain; sales of green electricity.
Assessment of environmental impact	Reduce environmental impacts of business operations.	(1) Carry out environmental impact assessment and soil pollution surveys.	(1) Reviewed the environmental assessment reports for overseas mine developments. Completed historical reviews of 63 sites (out of 114 sites) that are subjects of soil pollution surveys.
		(2) Strengthen global warming countermeasures, including energy-saving practices at offices, and establish (review) targets for 2010.	(2) For the specific goal set in 2002 to reduce electricity consumption (the largest percentage of energy used at offices) by 1% from the previous year level annually, a 2.5% reduction from the previous year was achieved in fiscal 2008.
Hazardous substance management	Prevent accidental spills or leakages of hazardous substances during transport or storage.	(1) Confirm that safe transportation and appropriate education are conducted by transportation and storage companies.	(1) Confirmed safe transportation and appropriate education. Ensured proper management of the hazardous substance ledgers. Confirmed that MSDSs are being issued.
	Comply with chemical substance regulations in the EU, China, etc.	(2) Communicate the content of regulations to all staff members of the Sumitomo Corporation Group. Prepare for REACH preregistration.	(2) A seminar was held on REACH preregistration with 277 participants. Completed preregistration for 504 substances.
Logistics management	Promote energy conservation in logistics.	(1) Establish and implement a specific energy conservation plan for transportation as a cargo owner.	(1) The internal working group worked on improvements to energy efficiency for each of the designated sales divisions.
		(2) Improve energy consumption efficiency compared to the previous fiscal year.	(2) The goal for 2008 (1% improvement) was reached by using larger trucks and cargo vessels for domestic shipments.
Legal compliance	Proper disposal of waste in accordance with the Waste Disposal and Public Cleaning Act.	(1) Increase the level of review and control practices for waste disposal contracts with collection, transport and disposal companies, as well as for industrial waste management books ("manifests"). Submit reports to local governments on issuance of manifests.	(1) Contracts and manifests were checked during internal environmental audits. Reports on waste disposals, including issuing of manifests were submitted to a total of 26 local governments.
		(2) Improve employees training on the Waste Disposal and Public Cleaning Act. Improve management systems within group companies often disposing of waste materials. Carry out stricter site inspections, and share information with other group companies.	(2) Employees received training through seminars (161 participated in seminars on site inspection, and 39 of these also attended a workshop on the actual site; 220 participated in in-house seminars on issuing manifests; 280 participated in a seminar jointly organized with group companies on waste management).

### Pick Up Seminar on biodiversity

Biodiversity is one of the most important aspects we have to focus on in order to create a sustainable society. In order to further familiarize ourselves as a corporation with the issues and take proper measures for conservation, the Sumitomo Corporation Group held a seminar in July 2009 with guest lecturer Mr. Hiroshi Ishihara, Chairman of The Planning Section, Nippon Keidanren Committee on Nature Conservation, and Councilor of the Sumitomo Trust & Banking Co., Ltd. This was considered especially important because the 10th Conference of the Parties to the Convention on Biological Diversity (COP 10) is scheduled for the fall of 2010 in Nagoya, Japan. About 90 employees and officers of the Group attended the seminar and learned about international movement on biodiversity issues and what specific actions corporations should take. The seminar deepened their understanding of the issues.



Seminar on biodiversity

### Pick Up On-Site Waste Management Seminar

An increasing number of local governments in Japan have been legally requiring waste generators to verify the qualifications of the transport and waste treatment companies in order to ensure lawful and proper management of industrial waste. In 2007, in response to this movement and in cooperation with waste management companies, Sumitomo Corporation started seminars with guest lecturers on the on-site verification of industrial waste management. The seminar in November 2008 was attended by 161 people from group companies, including 39 who also participated in the program held at an actual waste treatment site to learn how to verify that treatment procedures comply with legal regulations. We will continue to hold seminars of this kind to ensure that all staff members recognize how important it is to verify the qualifications of the waste treatment companies and to promote proper management of industrial waste treatment.



On-site waste management seminar

## Developing Carbon Offset Products and Services

The Sumitomo Corporation Group takes a wide range of approaches to global warming issues through sound business activities by using its core competence—our integrated corporate strength made up of a global network and other business foundation combined with functions of many different kinds.

For example, we carry out greenhouse gas reduction projects in nations outside Japan, including in Asia and CIS, to generate carbon credits and offer them to customers in Japan. We also develop carbon offset products\* that are offered in smaller volumes of carbon credits to accommodate the needs of consumers who seek environmentally friendly lifestyles. The Sumitomo Corporation Group can offer these unique products and businesses, including the creation of carbon credits through various overseas sources, carbon credits separated into smaller volumes and carbon offset products, because of our ability to create new value.

As examples of the carbon offset products of the Sumitomo Corporation Group, carbon offset carpets, bananas and car lease are shown on this page.

\* **Carbon offsetting:** Although we make the utmost efforts to reduce greenhouse gases, they are emitted through our daily life and economic activities. The thinking behind carbon offsetting is to estimate the emissions and offset the amount by investing in greenhouse gas reduction activities.

## Sumisho Interior International Inc. — Carpet tiles with “zero CO<sub>2</sub> emissions”

SUMI GREEN from Sumisho Interior International is a line of carpet tiles that are backed with recyclable materials to reduce the waste that is created in tile replacement process. The upper layer is made from fiber recycled from used PET bottles. Thus, both sides are either recyclable or recycled.

Calculated on a lifecycle assessment (LCA) basis, SUMI GREEN causes 19% less CO<sub>2</sub> emissions than the most popular type of carpet tile products in the Japanese market. The other 81% of emissions is offset with carbon credits preliminarily obtained by Sumitomo Corporation.



Flooring with SUMI GREEN carpet tiles



Label on SUMI GREEN SG-400

## Sumifru Corporation

— Part of the proceeds from banana sales is used for CO<sub>2</sub> reduction activities

Sumifru Corporation has been engaged in the sale of “Eco bananas,” a line of environmentally friendly bananas produced using mainly organic fertilizer and reduced chemicals, use of biofuels for some tractors in the banana fields, and recycling of washing water. In response to higher awareness in consumers on environmental issues, in September 2008 Sumifru started sales of “Shizen-ohkoku Eco bananas,” which incorporates a carbon offsetting program. Part of the proceeds from consumers purchasing the bananas will be used for CO<sub>2</sub> reduction activities. This means that for each bunch of “Shizen-ohkoku Eco bananas” they buy, consumers can contribute to a one-kilogram reduction in CO<sub>2</sub> emissions. In addition to the current carbon offsetting programs, Sumifru is planning to start sales of bananas that are labeled with their carbon footprint shown in the total amount of CO<sub>2</sub> emissions from production and distribution to consumption and disposal.



Bananas with carbon credits (On purchasing a bunch, one kilogram of carbon credits is bought and donated to the national government.)

## Sumitomo Mitsui Auto Service Co., Ltd. — Offset CO<sub>2</sub> emissions from leased vehicles

Starting in April 2008, Sumitomo Mitsui Auto Service (SMAS) offers an “Eco-Fleet” of leased vehicles that provide carbon credits to corporate customers. Based on individual customers’ monthly fuel consumption data, SMAS offsets the CO<sub>2</sub> emitted by the automobile using carbon credits preliminarily obtained by Sumitomo Corporation.

SMAS also offers hybrid vehicles and electric vehicles, the type of vehicle with a small environmental impact, to its lease customers. With “Safety & Ecology” as keywords, SMAS works on preventing and reducing accidents involving customers and promoting “ecological driving.”

## Third-Party Review



### Professor Scott Davis

Professor of College of Business,  
Rikkyo University

Divided into four parts—a value statement, an exposition of the strategy and processes for instilling Sumitomo’s values in employees and further developing their social awareness, a series of examples of the design and implementation of socially beneficial business, and an overview of the management structures in place to ensure effective governance and overall transparency—Sumitomo Corporation’s Sustainability Report for 2009 gives the reader a unique view of the way in which it perceives the meaning of its business and of the processes by which its businesses are operated. As an example of process-based reporting this report has been very well designed and executed with great effect.

### Principles

The current economic crisis has given many corporations both within Japan and overseas a convenient excuse to cut back on their social initiatives—and in some cases even to renege on their social responsibilities—in order to preserve “business as usual.” In marked contrast, President Kato in his introductory message states that the global economy is not simply faced with an economic downturn but with what amounts to a paradigm shift. Far from taking the defensive stance of many corporations, Mr. Kato clearly maintains that a sound and prosperous business is no longer possible without first resolving the global problems of environmental degradation, and shortages of food and water as developing nations come to play an increasing role in the world economy. The significance of this statement cannot be overemphasized. Sumitomo—a major corporation with over 400 years of tradition and operations spanning the globe—is publically stating that good business is impossible without social responsibility. Sumitomo Corporation interprets this paradigm shift as representing both a challenge to overcome and an opportunity to further enhance its value as a business. This report explains how a new medium-term management plan—FOCUS’10—has been formulated to face this challenge, and how the current crisis is being taken as an opportunity to reaffirm its founding principle that business activities must contribute to social and national welfare in order that they may truly benefit the corporation.

### Processes

In section one the report outlines several of the processes whereby Sumitomo Corporation nurtures and supports employees both within Japan and overseas. The importance attributed to this topic shows a clear understanding that simply announcing strategies and plans alone is insufficient for achieving social betterment or strengthening a commitment to values, and that in the end it is the people who comprise the organization that must embody its values in order to realize corporate objectives and create a business capable of contributing to the betterment of society. The processes introduced here are presented in a clear and objective manner. It is interesting to note that of these systems only half have been designed and initiated by corporate management. Half have in fact resulted from the suggestions of employees or programs initiated by individual business divisions or departments within the organization.

### Partnership and Social Contribution

In section two the report gives a detailed account of four examples of how the company plans and operates its business for the betterment of society, and two examples of how Sumitomo leverages its corporate resources to support worthy causes such as promoting the education of future generations of entrepreneurs. Theme six is a list of social support initiatives organized by region—the overwhelming majority of which have been planned and implemented at the initiative of overseas subsidiary and partner organizations.

### In Conclusion

Although facing the same severe economic downturn which has even led some corporations to abandon their CSR reporting entirely, Sumitomo Corporation has instead reconfirmed its social commitment and in fact strengthened its reporting by declaring social betterment to be a precondition for strong business, demonstrating the depth and breadth of the processes by which it develops social awareness and sensitivity among its employees, and the methods which it employs in order to leverage its corporate abilities and develop partnerships which reflect and promote the interests of the communities involved in its business activities around the globe. This is an excellent report—it provides a valuable foundation for further promoting greater understanding between Sumitomo Corporation and its many stakeholders.

I look forward to reading in the next report about how Sumitomo sets its strategic social goals for the development of both its employees and its business operations, how it evaluates and measures the effectiveness of its processes for developing social awareness among its employees and the social value created by its operations, and the processes by which it promotes social responsibility and awareness among its many partners.

## Response to the Third-Party Review

We thank Professor Scott Davis for his valuable review of our Sumitomo Corporation Sustainability Report 2009.

This year's report reflects the review of the last issue we received from Professor Davis, along with opinions and advice we have received from various stakeholders through surveys and by other means. To compile this issue, we specifically paid more attention to how to describe the latest results of our measures to implement the Management Principles of the Sumitomo Corporation Group and to gain further understanding of our CSR measures from our readers. Still, there is always room for improvement, and Professor Davis's precise advice has certainly helped us to recognize the issues.

We are well aware that the contents of the report must keep changing in depth and range in order to best describe the progress of our CSR measures and activities. The specific items Professor Davis pointed out in his Third-Party Review, including the ways we set strategic social goals and measure our achievements and evaluate the performance of our CSR activities, will be fully examined and used for our future activities as well as in the next issue of the report.

The Sumitomo Corporation Group will continue to promote CSR measures through business activities that follow the group vision described at the preamble to our Management Principles: "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." Also, we will do this by turning the big changes brought by the current paradigm shift into business opportunities and by finding solutions to social problems through sound business activities. Sumitomo Corporation's Sustainability Report and other media reports will act as tools to clearly inform our stakeholders of our strong determination to maintain the performance of the Group.

### Takashi Kano

Chair of the CSR Promotion Committee  
Representative Director, Senior Managing Executive Officer  
General Manager, Corporate Planning & Coordination Group

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