

Report on Responsibility & Sustainability **2011**



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Editorial Policy

The Sumitomo Corporation Group is constantly striving to achieve prosperity and realize the dreams of its stakeholders by implementing its Management Principles. Serving as the universal and unchanging value and foundation for such endeavors is Sumitomo’s business philosophy, which teaches us to place prime importance on integrity and sound management, and not to pursue easy gains.

The Sumitomo Corporation Report on Responsibility & Sustainability 2011 is edited under the theme: “Growing Together.” Under this theme, Sumitomo Corporation’s ideas and principles related to CSR, and the business activities we carry out based on these ideas and views are reported, taking as examples our telecommunications infrastructure business to support socio-economic development in Mongolia, our food businesses that ensure a stable supply of safe foods and a wide range of our businesses that pursue the development of sustainable energy supply. As a new approach of our CSR reporting, we summarize how each business unit works to create social value in a way that seeks a more comprehensive fulfillment of CSR, as well as the original “strengths” of the Sumitomo Corporation Group.

For readers who would like to learn more about our CSR, we post on our Web sites reports on various themes, including our management systems, any detailed or additional data and more recent practices.



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

The Sumitomo Corporation Group regards this report as an important communication tool to connect us with our stakeholders. We always appreciate feedback from our readers.

Scope of the Report

- Period covered: April 1, 2010 to March 31, 2011 (Some activities starting on or after April 1, 2011 are included.)
- 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 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, which started to include social issues, in 2007 to Sustainability Report, and in 2010 to Report on Responsibility & Sustainability.
- The previous issue was published in September 2010.
- The next issue is scheduled for publication in the fall of 2012.

Referenced Guidelines

- ISO26000 (Guidance on Social Responsibility)
- Charter of Corporate Behavior (September 14, 2010), Nippon Keidanren (Japan Business Federation)
- GRI Sustainability Report Guidelines 2006, Global Reporting Initiative



* Please refer to the following site for the content index.

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

- “Environmental Reporting Guidelines 2007 — Towards a Sustainable Society —” issued by Ministry of the Environment, Government of Japan
- “Environmental Accounting Guidelines 2005” issued by Ministry of the Environment, Government of Japan

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.

To Achieve Prosperity and Realize the Dreams of Our Stakeholders

I would like to extend my deepest condolences and sympathy both personally and on behalf of the Sumitomo Corporation Group to all who were affected by the Great East Japan Earthquake. Our Group is committed to continuous support for people and communities in the affected areas, and we sincerely hope for their recovery at the earliest possible time.

Uncertainty is increasing around the world. A variety of issues that threaten the sustainable development of the international community are becoming more and more evident. Examples of these issues include: budget deficits and public debt issues in developed countries; an imbalance between the demand and supply of resources, energy, food, water, etc. primarily due to rapid economic growth in emerging countries; droughts and other climate change issues as a result of global warming; poverty and infectious diseases; political unrest in the Middle East, Africa and other nations; and many more. As the globalization of the economy advances, private corporations should assume greater responsibilities and play a larger role in finding solutions to the issues shared by all the people of the Earth.

Under these circumstances, the Sumitomo Corporation Group launched a new medium-term management plan for FY 2011-2012, “*f(x)*” (f-cross), in April 2011. We will carry on with the basic policies and measures adopted under our previous plan with a view to the next 10 years, “FOCUS’10”—represented by the “f” in “*f(x)*”—and at the same time undertake the execution—whence the x—of our business model innovation, based on a proper understanding of the true nature of the various societal challenges that we confront in various business fields. In doing so, every single member of our Group will work together with our partners to achieve cross-boundary growth across regions, generations, and organizations.

For the Sumitomo Corporation Group, a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society, our CSR means simply following our Management Principles: “To achieve prosperity and realize dreams through sound business activities.”



Japan has faced extremely difficult times in its history, such as the reconstruction period after WWII and the oil crisis. And our country has successfully overcome those challenges. At the Sumitomo Corporation Group, we also went through those periods, asking ourselves what roles and functions we should play as a good corporate citizen, anticipating future change and upgrading our business to stay relevant to society. In doing so, we have grown together with Japanese society—and ultimately global society. As a global citizen, we will continue to use our strengths to deliver new and greater value together with our partners and many other people around the world, aiming to build a better and more sustainable society.

October 2011

A handwritten signature in black ink, consisting of a stylized 'S' followed by several loops and a final flourish.

Susumu Kato
President and CEO

Message from the Chair of the CSR Promotion Committee

How We See CSR in the Sumitomo Corporation Group



Masayuki Doi

Director
Managing Executive Officer
General Manager
Corporate Planning &
Coordination Group

How we see CSR in the Sumitomo Corporation Group

At the preamble to the Management Principles, the Sumitomo Corporation Group states its corporate vision as “We aim to be a global organization that constantly stays a step ahead in dealing with change, create new value, and contributes broadly to society.” And the phrase “To achieve prosperity and realize dreams through sound business activities” follows as the corporate mission.

For the Sumitomo Corporation Group, CSR means promoting responsible corporate activities by placing prime importance on integrity and sound management with utmost respect for the individual and fulfilling our corporate mission to become the ideal organization set out in the vision; in other words, translating our Management Principles into specific actions and outcomes through our business activities and social contribution activities. We achieve prosperity and realize the dreams of our stakeholders by playing our role as a corporation in solving social issues and ultimately building a sustainable society. This is our mission in society and the fundamental basis of our CSR.

Underlying the idea is the principle to create new value for the sustainable growth of society and the Group. We accomplish this by building closer relationships with various stakeholders across the whole Group, correctly understanding social issues and strategically planning our business activities to solve those issues.

Based on these ideas for CSR, the Sumitomo Corporation Group will continue pursuing the sustainable growth of society and our Group based on our Management Principles.

Efforts to enhance our CSR practices

The Sumitomo Corporation Group operates its business globally, building a wide variety of value chains in many regions and business fields. Close collaboration among our seven business units and our regional organizations in 138 locations across 65 countries around the world makes our successful global operations possible.

Our Group strives to help create a better society by creating and delivering new value. We aim to gain a proper understanding of the true nature of the various societal challenges that we confront in various business fields and identify the most effective ways to use our strengths to address them, while implementing solid governance practices. We believe that we will be able to contribute to the sustainable development of society and achieve our own sustainable growth to a greater extent if our social value creation has more significant meaning and the social issues we intend to address are more urgent and have broader implications. This belief is consistent with the approach to social corporate responsibility under ISO 26000 released November 2010.

Earlier this year, we took a new measure to enhance our CSR practices even further. We conducted individual interviews with our representative directors, who are also general managers of our seven business units that fulfill our social responsibilities through our business operations. Based on the results of the interviews, this 2011 report includes the social value creation charts, which offer a summary of each business unit’s analysis of the social and environmental context, our goals for social value creation to achieve through its business activities, and our capabilities to provide solutions the business unit can demonstrate toward its social value creation goal.

We hope the social value creation charts of our seven business units will help you gain a more comprehensive picture of our CSR practices through our various business operations.

October 2011

Please refer to the following websites on our Corporate Governance and Management Principles:

Corporate Governance



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

Internal Control and Internal Audits / Compliance / Risk Management / Human Resources Management



http://www.sumitomocorp.co.jp/english/company/management_policy/index.html

Environmental Management



http://www.sumitomocorp.co.jp/english/society/environment/env_policy.html

Major CSR Promotion Activities

The "Aritai" Project

The Sumitomo Corporation Group will mark its 100th anniversary in 2019. In our "Aritai" Project last year, we held workshops to discuss each organization's ideal image of its business for the next 10 years, namely, what we "want to be" (the meaning of "aritai" in Japanese) in a decade, and the actions necessary to realize this ideal image from three key perspectives: global power structure, industrial structure and our expected role as an integrated trading company.

The workshops were participated in by team leaders and other employees in equivalent positions, who play a central role in the frontline operations of the Group's 25 divisions and regional units in Japan and abroad, as well as general managers of those departments, divisions, and business units. The participants held in-depth discussions regarding how their organizations and businesses should be in 10 years' time and what "growth stories" and roadmaps they should follow to reach those respective goals. The results of the workshops were made visible in a unified format and shared across the entire Group.

After the completion of this project, we will continue this action of making visible and sharing long-term ideal images on the front lines under our new medium-term management plan, "*f(x)*" (f-cross).

CSR Workshop

Following 2009, we held a series of CSR workshops in November and December 2010 to provide employees with an opportunity to better understand what CSR means to the Sumitomo Corporation Group. In the workshops, participants discussed how best we should integrate CSR practices into our business activities, particularly in connection with our social value creation.

A total of 44 participants joined the workshops from each business unit and regional unit and chose a real business project of each to review the value of their businesses from their stakeholders' point of view. In the case study, they also examined processes to develop new partnerships with stakeholders and to redesign and create new business models.




CSR workshop

Please refer to the following websites on:

The Sumitomo Corporation Group CSR Action Guidelines for Supply Chains

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

Support for the UN Global Compact

 http://www.sumitomocorp.co.jp/english/society/global_compact/index.html



Our response to the Great East Japan Earthquake

We would like to extend our deepest condolences and sympathy to those who were affected by the Great East Japan Earthquake in March 2011.

Sumitomo Corporation took an immediate response to the devastating earthquake and tsunami by launching an emergency response team headed by the President & CEO. Under the team, we promptly confirmed the safety status of our Group's employees, started relief efforts, checked the status of our business partners and clients, provided support for them and took other necessary measures.

Fortunately, it was confirmed that all the employees of our group companies in the affected area were able to survive the disaster safe and sound, although our Group's offices and other facilities have suffered some damage.

In the wake of that calamity, the Sumitomo Corporation Group wasted no time in making concerted efforts to collect and deliver relief supplies to the devastated areas and provided financial contributions. In addition to this emergency

support, we are also committed to providing humanitarian support and support for industrial reconstruction in the region over a long period of time. We have been thinking how best we can provide support by using our strengths and extensive business network and geographical reach as an integrated trading company, and turning the conclusion reached into specific actions.

Examples of our support for industrial rehabilitation efforts include sponsorship of the project "Signal of Hope" to facilitate early recovery of fishing ports and thereby resumption of fishing operations in the Tohoku region. As humanitarian support, we have been engaged in various activities under our volunteer programs that were launched based on the needs in the disaster-struck region and our employees' will.



We will continue to release announcements on our response to the Great East Japan Earthquake on the following website:

 <http://www.sumitomocorp.co.jp/english/announcement/atten.html>

Growing Together: Making the greatest use of our value-creation capability

Davis: Mr. Kato, when you made a commemorative speech to celebrate the centennial anniversary at Tsinghua University* in China this April, you used the phrase “Growing Together.” I was impressed with the phrase and your idea. Could you elaborate more on this?

Kato: I first used the phrase “Growing Together” in my New Year’s speech to our employees. I used it as a fundamental idea for sustainable growth. Sumitomo Corporation is first and foremost a trading company. That means we never work alone in our creative business. We cannot carry on our business without a large number of partners, not to mention our customers. If we are to keep growing further, it is not enough that we should grow on our own. We need our partners to grow too, wherever they are

Special Dialogue

Each and every employee working in cooperation with all our partners to build a better society

“Growing Together”

With All Our Partners across Regional, Generational and Organizational Boundaries

Now a Japan’s integrated trading company with more than 90 years of history, Sumitomo Corporation has been leading the Japanese business scene. In that period, we have consistently grown and transformed ourselves to keep offering new value in changing times. While we have already faced with global-scale challenges concerning the environment, energy, food, water and other issues, the massive scale of the earthquake and tsunami this year brought a new, unprecedented level of challenges to Japan. How can the Sumitomo Corporation Group use its integrated corporate strength in value creation to make a responsible contribution in such a world? How can we build the future? In the following dialogue, Professor Scott Davis of the College of Business at Rikkyo University and Susumu Kato, President and CEO of Sumitomo Corporation, discuss the Sumitomo Corporation Group’s ideas on building a sustainable society and identify the direction it should follow in pursuing the creation of new value.

Susumu Kato
President and CEO

located in the world. This is the idea of “Growing Together” that I wanted to address.

Davis: That is a great phrase that expresses an important idea. But I believe that it is not a totally new idea. Rather, it should be the basic philosophy of all trading companies.

Kato: That’s right. As stated in our Management Principles, our basic idea is to “constantly stay a step ahead in dealing with change and create new value.” The value we create must be recognized as valuable by our customers and partner companies. In order to create value that is recognized by other organizations, we need to have accurate understanding on what is needed at the current time. Again, the idea of “Growing Together” serves as a base. In my speech at Tsingua University, I wanted to address the idea of “Growing Together” for the people from that prestigious academic institution with its long history.

Davis: I see. To me, corporations seem to be divided into two groups. While one group of companies tries to create value from a long-term view, the other group places focus on acquiring existing assets—value created by others—from a short-term perspective. Of course, both of these approaches are necessary and it is important for companies to keep these approaches in balance. What is your idea on this, Mr. Kato?

Kato: Creating new value and acquiring existing assets share some aspects, but they are not the same. When creating new value, we seek value that can be recognized as valuable by our partners. Such value is beneficial to both parties and makes a contribution to society. How much of a contribution we make

to society with our new value and how we do it will directly affect our own business achievements. So, value creation is undoubtedly important. But we also carry on business by acquiring and using existing assets. What is important when using an existing asset is to multiply its value. The success of this approach depends on how much creativity and integration we can employ in the project.

Davis: In other words, when using a wide range of capabilities with a clear vision, value creation and value acquisition become one. And the idea of “Growing Together,” or the idea of “coexistence and co-prosperity,” plays a role in this stage, too.

* **Tsingua University:** Established in 1911, Tsingua University is one of the most prestigious universities in China. Since 2007, Sumitomo Corporation has been offering courses bearing its company name.

Developing our integrated corporate strength, the core competence of Sumitomo Corporation Group

Davis: Creating new value requires many different capabilities. You’d need good marketing skills to know the needs of society and production capabilities to develop a new market. You also have to have a good vision to successfully take the initiative in the market.

Kato: Exactly. We cannot survive in the coming times without such integrated corporate strength. Therefore, it is very important to be ready to take action and try new things before being told. To this end, we started the “Aritai” Project* as a company-wide project last year, based on the idea that we have to encourage employees to be more proactive.



Professor Scott Davis
College of Business, Rikkyo University

Davis: Integrated corporate strength has been stressed as the core competence of the Sumitomo Corporation Group. It has a very profound meaning and there are more than enough reasons to emphasize the importance of this as an advantage to Sumitomo Corporation Group. Meanwhile, it is also rather difficult to understand the real value of this concept. To tell you the truth, I had not fully understood the concept until I learned about the “Aritai” Project.

Kato: The “Aritai” Project served as an opportunity to motivate each employee to plan a new direction for business and propose the idea in our company. How did the explanation of the “Aritai” Project help you to understand our integrated corporate strength?

Davis: The ideas of “Aritai” (the long-term ideal images of organizational units at every level of the Company, or what they want to be) vary a lot among different organizational units. There are many kinds of “Aritai” depending on the region in the world or the business field the organizational unit deals with in its business. But when all the ideas are combined, they make a perfect portfolio with different fields and regions evenly distributed in good balance. I see such collaboration and cooperation among organizational



units serving as the key and a basic premise for the integrated corporate strength of the Sumitomo Corporation Group.

Kato: I am very glad to hear that. In fact, that is one of my plans. If the results of discussions in each organizational units are shared with other units, including overseas units, throughout the Company globally, they can stimulate other units, serve as a hint for new ideas, or give the opportunity to start a new collaborative project among different units. If that happens, the integrated corporate strength we have long developed can be further enhanced and more effectively used.

Davis: Now I understand why many people at Sumitomo Corporation often mentioned the activities of other organizational units when I talked with them before. They are always interested in what is going on in other units and think about the future of the Company globally, paying attention to the balance of business companywide. The idea of “Growing Together” has already been fully working within the corporation and making stable growth possible.

Kato: That’s right. The boundaries—between countries, industrial fields and companies—are becoming lower in every level in the current world. It doesn’t make sense to build boundaries between our organizational units at any level, including business units, regional units, corporate groups, divisions and departments within a company. If we are to understand the needs of the age in a timely manner and create new value that effectively meets the most current needs, different organizational units must cooperate and share the same vision. The idea of creating new value by taking advantage of different strengths is very important. In doing so, we can expect further development of our advantage—integrated corporate strength. That is exactly what we expressed in the phrase we used in the new medium-term management plan, “cross-boundary growth.”

* The “Aritai” Project: Please refer to p. 4.

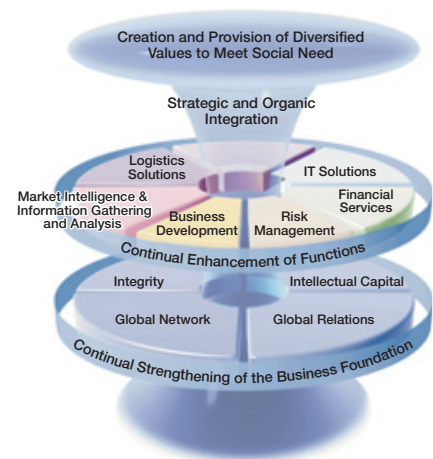
“Integrated Corporate Strength,” the core competence of the Sumitomo Corporation Group

“Integrated Corporate Strength” is our driving force in market competition, and the core competence of the Sumitomo Corporation Group. It consists of a business foundation and diverse functions that have been developed through the long history of the business activities of the Group.

Our business foundation comprises the integrity of Sumitomo Corporation Group; its global network, which covers every corner of the world; global relations with more than 100,000 partner companies worldwide; and intellectual capital, including superior human resources.

On this business foundation, we have built various functions in different areas, such as risk management, business development, market intelligence & information gathering and analysis, IT solutions, logistics solutions, and financial services.

We integrate this business foundation and our functions strategically and organically to meet a wide range of needs and to create new value. This capacity is what we mean by our “integrated corporate strength.”



For Sustainable Growth—From “Focus’10” to “ $f(x)$ ” (f-cross)

The Medium-term Management Plan for fiscal 2009 and 2010

FOCUS’10 “A Growth Scenario on a New Stage”

Fundamental Principles

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

The four key actions under “ $f(x)$ ”

1. Make visible and share long-term ideal images on the front lines.
2. Accelerate strategic resource management.
3. Enhance our integrated corporate strength on a global basis.
4. Strengthen human resources management on a company-wide level.

The Medium-term Management Plan for fiscal 2011 and 2012

$f(x)$ (f-cross) “cross-boundary growth through business model innovation”

Basic Policy

We will carry on with the basic policies and measures adopted under our previous plan with a view to the next 10 years, FOCUS’10—whence the f—and at the same time undertake the execution—whence the x—of our business model innovation. We are doing this to meet the demands of the times based on our Corporate Mission Statement, which define value creation as our corporate vision, with the aim of achieving growth together with all our partners across regional, generational, and organizational boundaries.

Medium-term Management Plan for further growth depends on a future-oriented development of human resources

Davis: I learned that the theme of the new Medium-term Management Plan that started in fiscal 2011 is $f(x)$ (f-cross) and its key phrase is “cross-boundary growth.” Could you explain more about your intention in this phrase?

Kato: In “FOCUS’10,” our 2009–2010 Medium-term Management Plan, we aimed at writing “a growth scenario on a new stage” with a view to the next 10 years. In $f(x)$, we will carry on with the basic policies and measures adopted under our previous plan and undertake the execution of our business model innovation to achieve growth together with all our partners across regional, generational, and organizational boundaries, or what we call “cross-boundary growth.”

Davis: I believe the growth across the three types of boundaries you mentioned includes not only organizational growth but also the growth of each employee.

Kato: That’s right. Growth of each employee is the basic and primary premise, and the paradigm shift we have recently experienced is the best opportunity for us to prove it. For example, “growth across regional boundaries” can be translated into development of human resources so that our employees will act with a global point of views across regional boundaries in order to respond to the globalization that expands the market from the developed countries to emerging countries.

Davis: Now that the regional boundaries have become lower, it is a good opportunity for corporations to develop human resources with global views. Then what do you see in the next key phrase, “growth across generational boundaries”?

Kato: “Growth across generational boundaries” means that the current generation, who are responsible for the current growth, should also recognize their responsibility for the growth of the next generation. This is essential for the sustainable growth of the Group. We want the Sumitomo Corporation Group to be a group that sustains, keeps growing and receives respect from society not only for the next five or 10 years, but for 50 years or 100 years to come. To achieve this goal, teamwork across generational boundaries to achieve cross-generational growth is very important.

Davis: I see. That is, growth of the Group cannot be expected without the growth of younger generations, because they are the ones who will decide the future of the Group. And does “growth across organizational boundaries” mean cooperation across organizational units as we have just discussed?

Kato: Yes, it does. But it does not end with cooperation across the organizational units within the Company. We need people who can coordinate a great variety of organizations, including the different units in the Company and partner companies globally, or someone like a “concert master” in a symphony orchestra, if you will. That’s what we aim at in our human resources development. In order to implement large scale projects, such as social infrastructure development, we have to lead the project to success by ensuring that many partners with different functions cooperate together and that we utilize the strength of each partner in the most effective way. What are necessary in such process are continuous efforts and the attitude of “Growing Together.”

Davis: To create larger value, it is important to have the ability to maximize the potential of each individual and all the others involved.

Kato: That's right. If you have these abilities, your growth will be accompanied by the growth of your partners. And you can solve the issues facing society through successful accomplishment of the project and create a better society.

What an integrated trading company can do for society after 3.11

Davis: Giving solutions to social challenges through business activities is a major social responsibility for integrated trading companies. You are expected to play a significant role in the issues the world is facing currently, such as environmental and energy conservation, food shortage, poverty and hunger. In Japan, the devastating earthquake and tsunami of March 11th, and the disaster-triggered nuclear plant accident, wreaked massive damage on the whole society. How do you think the Sumitomo Corporation Group can deal with this situation?

Kato: First, I would like to express my deepest condolences and sympathy to all the victims of the earthquake that occurred in March. The Sumitomo Corporation Group will continue giving the maximum support available to the people in the affected areas for as long as possible. We organized a Long-term Recovery Support Promotion Team to implement various forms of support and examine specific methods of contribution.

Davis: What do you think are the prospects for Japanese society in the post-3.11 era?

Kato: Japan after the earthquake impressed me in two ways. First, I was greatly moved by the patient recovery efforts of the people in the affected areas. They are working hard to recover amid such devastation. At the same time, people in other areas of Japan demonstrated strong willingness to cooperate to help people in the afflicted areas, which also impressed me. Also, I was astonished and touched by the support and help extended to Japan from more than 160 countries and regions all over the world in a variety of forms. This proves that people in the world have a great interest in Japan and they hope for mutual growth between their countries and Japan. These two encouraging forces make me believe that Japan will be able to survive and recover from the disaster, using its wisdom and knowledge.

Davis: The calm attitudes and disciplined behavior of Japanese people during the emergency impressed the whole world. I was impressed, too. On the other hand, what concerns me is the pessimistic attitude about the future that has prevailed throughout Japanese society since the disaster.

Kato: To clear the pessimistic clouds overhead, we need an attitude to challenge the future and a solid determination to make society better. To invigorate the country, we have to encourage the young to develop their skills so that they can give back to society.



Davis: And I believe that integrated trading companies can provide a good environment in which young people can develop value creation capabilities.

Kato: Yes, by working in an integrated trading company like Sumitomo Corporation, young people can have the opportunity to work and develop ideas for creating a new business model that is needed by society. Also, since integrated trading companies have many associated companies and operate many different kinds of businesses, even young employees can have the chance to get involved in the management of an associated company. In this respect, an integrated trading company can offer a lot of opportunities for young employees to grow as business professionals. We will take these opportunities to develop the capabilities of our young members, not only to support the sustainable development of the Sumitomo Corporation Group, but also to support the future of Japan and build a more prosperous society.

For the Sumitomo Corporation Group, pursuing business means fulfilling CSR

Davis: Sumitomo Corporation's efforts to develop human resources for the future are not limited to Japan. You are actively carrying out human resources development programs overseas, particularly in China and other parts of Asia. Sumitomo Corporation offers courses at Tsinghua University and runs scholarship programs*.

Kato: As a global company, we naturally work on human resources development in every part of the world. Of course it would be great if young people who studied through our programs end up working with us at the Sumitomo Corporation Group, but that is not our primary intention. We believe that it would mean a lot for society as a whole if young people who take one of the courses we offer or use our scholarship to study will play a role in the development of their own country.

Davis: I agree with your ideas. If a region is developed industrially, it means new business opportunities will emerge in the region. And more importantly, it is valuable for local communities to have those educated young people who are willing to work as members of the community.

Kato: We believe that locally oriented human resources development is important not only in terms of educational support but in business practices, too. To obtain successful results in business projects, we have to produce benefits both for ourselves and for the local community. In other words, we have to build a win-win relationship with the local community. The benefits we bring to the local community must be more than temporary gains. We must help build a foundation on which the local community can keep growing by themselves in the future.

Davis: I see. So the Sumitomo Corporation Group sees it as more important to develop human resources that will support local industries in the future than to bring short-term financial benefits, because it will mean continuous benefits to the local communities.

Kato: Yes. Some people mistakenly believe that a social contribution means donation, even at making a loss, but that is not a true contribution. That kind of charity cannot last long, nor will it lead to growth of those supported. True support means to help people to become self-supportive by improving their capabilities.

Davis: In addition to your own growth, the growth of your partners counts. That is exactly what you mean by "Growing Together."

Kato: Yes. For example, the natural resources development projects that we are operating in several parts of the world are not only about mining and exporting ore or mineral crystal. We design a business model where more value can be added to the product. In order to add value to the product, we need adequate technologies and industries. When technologies and industries are developed, jobs are created. The knowledge, skills and business knowhow people gain through their jobs will become a foundation that will bring growth to industry in that country. Only after completing these processes can we gain the understanding and trust of the local people.

Davis: That is a great contribution you make. In other words, when the Sumitomo Corporation Group pursues its business activities, it makes a direct social contribution. For the Sumitomo Corporation Group, the pursuit of business means fulfillment of CSR.

Kato: Yes, that is what we intend to do. Otherwise, we cannot make a long-term social contribution. Business operations and CSR should not be two separate acts. Rather, CSR should be an extension of our business practices. Or CSR and business practices should mean one and the same thing.

Davis: That is very encouraging. I am very pleased to have learned about CSR at the Sumitomo Corporation Group. Thank you very much.

Kato: Thank you very much.

* **Scholarship programs:** Sumitomo Corporation established the Sumitomo Corporation Scholarship program in 1996 to provide scholarships for university students in China, Vietnam, Indonesia, Thailand and other Asian countries as a means to support human resources development for the future of the developing countries in Asia.



Sumitomo Corporation Group's Corporate Mission Statement 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.

1600

The Founder's Precepts "Monjuin Shiigaki"

The Founder's Precepts "Monjuin Shiigaki" 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.

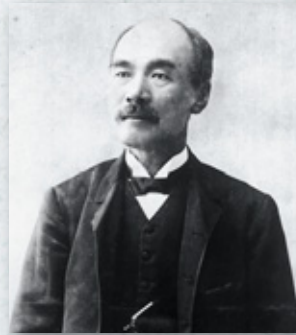
At the beginning, it urges the reader "Not only in matters of business but in all situations, make efforts with deepest gratitude in every aspect."

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)

1800



Saihei Hirose, Sumitomo's first Director-General (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."

1900

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

2000

Sumitomo Corporation Group's Corporate Mission Statement



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

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.

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 Sumitomo Corporation Group's Corporate Mission Statement.

The Corporate Mission Statement, consisting of Management Principles and Activity Guidelines, was 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

Company Information

Company Profile (As of March 31, 2011)

Company Name:
Sumitomo Corporation

Establishment:
December 24, 1919

Number of Employees:
5,159 (64,886 including consolidated subsidiaries)

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

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

Consolidated Shareholders' Equity:
1,619.9 billion yen

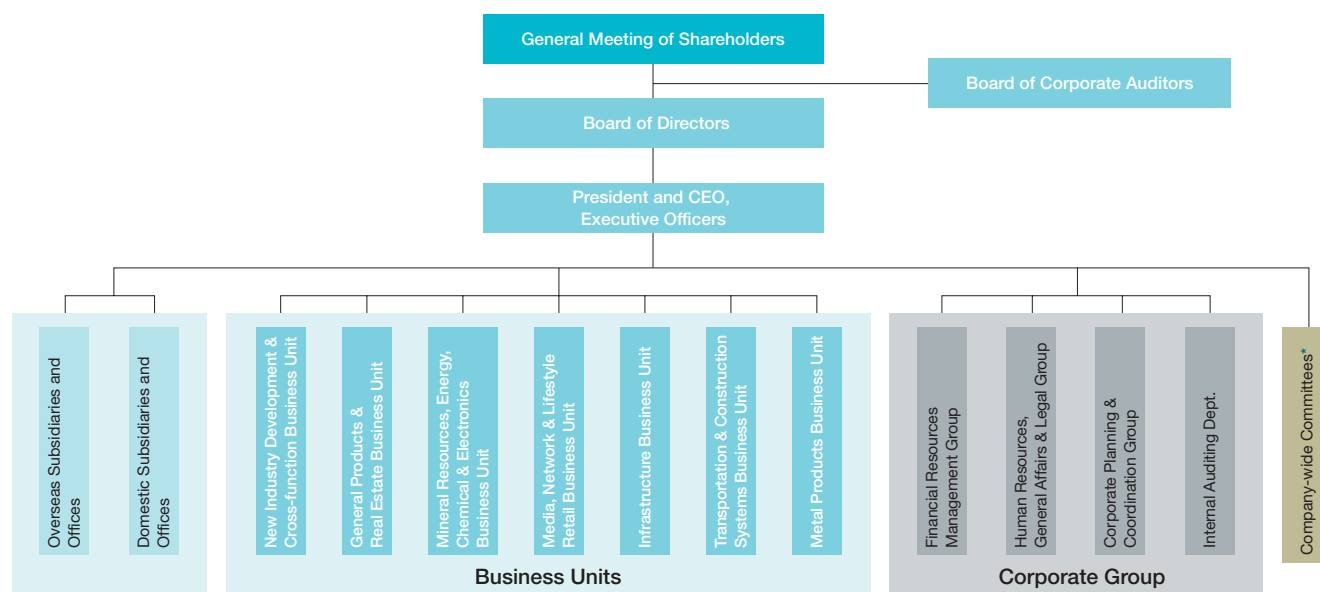
Fiscal Year End:
March 31

Number of Consolidated Subsidiaries:
576 (overseas: 434, domestic:142)

Associated Companies (Equity Method):
216 (overseas: 161, domestic: 55)

Total:
792 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, ICT Committee, and others.

Consolidated Financial Highlights

(Billions of yen)

		Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	
		U.S. GAAP	U.S. GAAP	U.S. GAAP	U.S. GAAP	IFRS
Results of Operations	Gross Profit	934.5	935.2	779.5	863.5	864.0
	Net Financial Income	(27.6)	(21.5)	(12.8)	(5.6)	(8.1)
	Equity in Earnings of Associated Companies, net	56.9	90.0	76.1	92.2	95.6
	Net Income	238.9	215.1	155.2	202.7	200.2
Financial Position at Year End	Total Assets	7,571.4	7,018.2	7,137.8	7,269.3	7,230.5
	Shareholders' Equity	1,492.7	1,353.1	1,583.7	1,619.9	1,570.5
	Interest-Bearing Liabilities (net)	3,247.6	3,186.8	2,781.8	3,041.8	3,056.3
Ratios	Shareholders' Equity Ratio (%)	19.7	19.3	22.2	22.3	21.7
	ROE (%)	16.1	15.1	10.6	12.7	12.9
	ROA (%)	3.0	2.9	2.2	2.8	2.8
	Debt-Equity Ratio (net) (times)	2.2	2.4	1.8	1.9	1.9

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



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

Project Report

To achieve cross-boundary growth together with all our partners across regions, generations and organizations



Project Report 1 ▶ p.15
Building a Telecommunications Infrastructure in Mongolia to Contribute to its Socio-economic Development



Project Report 2 ▶ p.19
Supporting Healthy and Enjoyable Meals for the World in the New Age



Project Report 3 ▶ p.23
Operating a Wide Range of Businesses to Pursue Sustainable Energy Supply

Project Report 1

Building a Telecommunications Infrastructure in Mongolia to Contribute to its Socio-economic Development

Mongolia, a country with abundant natural resources, has been growing rapidly in recent years, buoyed by rising demand for resources in concert with rapid economic growth in the emerging countries. The country's gross domestic product (GDP) per capita increased significantly from US\$ 500 in 1996 to US\$ 2,200 in 2010.

Until the mid-1990s, the vast country was a sparsely populated land that did not have a good telecommunications infrastructure. The lack of this basic infrastructure for economic growth was taking its toll on Mongolia's development. In 1995, MobiCom Corporation (hereinafter 'MobiCom'), Mongolia's first mobile phone operator, was established as a joint venture between Sumitomo Corporation and its Japanese and Mongolian partners and this has played a significant role in improving the telecommunications infrastructure in the country. MobiCom offers a wide range of telecommunications services, including mobile phone services, for the sustainable development of Mongolian society.



Yoshiaki Benino
General Manager
Telecommunication
Business
Department



Naohiro Miki
Assistant General
Manager
Power Energy
Solution Business
Department



Endeavoring to build a telecommunications infrastructure in Mongolia that will bring sustainable development

Mongolia occupies an area almost four times the size of Japan, and roughly 80% of the area is grassland. Some 2.8 million people, including many nomads, live in this vast land. Except for the nation's capital Ulaanbaatar, there are few large cities in Mongolia and the population is geographically dispersed, which hampered the development of a telecommunications network. The situation did not change even after the country moved to a market economy after the collapse of the Soviet Union in 1990. Recognizing the need to develop a telecommunications infrastructure for the economic development and the convenience of people's lives Mongolian government decided to develop a mobile phone network—which does not require the installation of phone lines to connect households across the country—and announced tenders for a mobile phone service license in 1994.

As a result of this, Mongolia's first mobile phone operator MobiCom Corporation was born in 1995. Sumitomo Corporation owns a 34% stake in the company. We had already developed relationships of trust with the government and business community in Mongolia through our previous participation in their telecommunications and broadcasting infrastructure projects, including the supply of international satellite telecommunications system equipment in 1992 and international switching systems equipment in 1993, as part of Japanese official development assistance (ODA) projects. Leveraging such relationships with local stakeholders and business expertise developed through those past projects, Sumitomo Corporation and our Japanese and Mongolian partners, KDDI Corporation (then Kokusai Denshin Denwa Co., Ltd.) and Newcom LLC, bid for the license. Newcom LLC is Mongolia's first private communications operator, established with the aim of improving the telecommunications environment in the country. Winning the bidding competition out of three groups, our team obtained a license as Mongolia's first mobile phone service operator in September 1995.



MobiCom Corporation Head Office

“Back then, mobile phone penetration was only 3%, even in Japan. Indeed, there was skepticism within our company about the viability of a mobile phone business in Mongolia, a country with a per-capita GDP of just US\$ 500 in 1996. We were told it would be premature to proceed with the plan. Despite such internal concerns, we knew that a mobile phone service had substantial potential in the country, with cities and villages scattered across a vast area, where no adequate fixed-line phone network was in place. And more importantly, it was obvious that developing a mobile phone network and other telecommunications infrastructures were essential for Mongolia's development. With the belief that any business that is essential in developing local communities will succeed in the long term, we decided to enter that market,” Miki recalled.

Promoting widespread use of mobile phones with an aggressive growth strategy

In March 1996, after a lot of preparatory efforts including the construction of base stations and local marketing activities, MobiCom made its debut as the first mobile phone operator in Mongolia.

“As a marketing effort, we worked with MobiCom staffs in handing out pocket tissue advertising packets brought from Japan, to promote name recognition of MobiCom among the local population. We also conducted surveys, which included questions such as ‘What calling rate would make you feel you want to use a mobile phone?’” Miki explained.

Based on the market research results, MobiCom slashed its calling rate in the first year of operation from the initial 35 cents per minute to 21 cents. The company also lowered the deposit charged to new subscribers. The new prices accelerated expansion of MobiCom's subscriber base, allowing the mobile phone operator to achieve stronger-than-expected results. For instance, the company's fifth-year target of subscriber population was met during the second year.

In 1998, MobiCom introduced prepaid calling plans. These pay-as-you-go plans that do not require a deposit enjoyed great popularity and spurred the widespread use of mobile phones in the country. When the new plans were rolled out, the company was overwhelmed with applications from thousands of prospective subscribers every day. Prepaid calling plans have become the flagship of MobiCom's service portfolio: 90% of its customers use these plans.

A second mobile phone operator started operating in Mongolia in 1999 and currently four companies are competing in the market. Supported by strong consumer confidence in MobiCom, which contributed to ensuring that mobile phones take root in Mongolian society as an industry pioneer, MobiCom

Three MobiCom shareholders and their roles

Sumitomo Corporation

- Corporate governance
- Corporate planning
- Supporting new businesses
- Human resources support

KDDI Corporation

- Marketing
- Technological support
- Offering know-how
- Human resources support

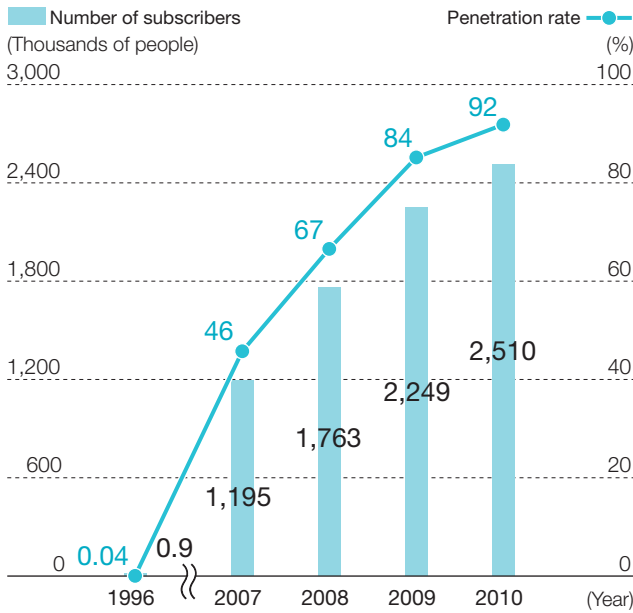
Newcom LLC

- Supporting the management team
- Employee training
- Local support
- Human resources support

MobiCom Corporation

has been maintaining its leading position in the market. Now, more than 90% of people in the country use mobile phones, and over 50% of them are MobiCom customers. According to Benino, people usually use the moniker “MobiCom” for their mobile phones in general. As mobile phones have risen in popularity, the MobiCom brand has become part of Mongolian society as mobile phones have been prevailed.

Mobile phones in Mongolia



Sources: World Bank (1996 to 2009)
ICTPA (2010)

Nurturing local industries under the slogan of coexistence and mutual prosperity

For MobiCom, seeking harmonious relationships with local businesses and local society is one of the basic policies behind its business operations, although it cannot avoid facing free competition in whichever market it operates on a commercial basis.

The mobile handsets business is one of genuine examples how this policy is applied in an actual situation. MobiCom’s mobile phone network is based on GSM, the world’s most common network standard, which means that subscribers can access the network with any GSM-compatible mobile phone. In

A retail shop selling mobile phones in Ulaanbaatar



Prepaid service counter

fact, since MobiCom started its mobile phone operation, many local businesses and entrepreneurs have opened mobile phone stores that sell imported low-end and used handsets. Although these vendors are by nature competitors of MobiCom, which also sells handsets at its own stores, MobiCom has determined to build a harmonious relationship with them, since they are the business partners who are supporting the mobile phone service business. As a result, MobiCom’s mobile services are now sold through around 2,000 special agents and around 13,000 dealers, as well as in some 50 company stores. In other words, MobiCom’s business has created a new industry, the mobile phone handset retail business in Mongolia.

The public phone service is another new business. MobiCom started its fixed wireless phone service, Wireless Local Loop (WLL), in 2000. At a cost lower than the mobile phone service, this wireless telecommunications service has been well received by corporate users. In addition, many commercial businesses have used the WLL network to launch their own public phone services at many locations in the urban area.

“Since WLL is a relatively low-margin business, MobiCom’s board of directors, at one time, discussed whether or not this service should be continued. The conclusion they reached was that as long as the service is truly needed, the company must continue offering it. I believe that judgment has paved the way for widespread use of this new telecommunications tool supplementing the mobile phone service, leading to an enhanced telecommunications system in Mongolia,” Miki said.

The growth of MobiCom itself, of course, has been contributing to the economic and social development of Mongolia. At the present time, MobiCom generates revenues equivalent to 3% of Mongolia’s GDP. It consistently ranks among the largest tax payers in the country: third in 2009 and fourth in 2010. Starting with only 15 employees, the company has grown to employ more than 1,400 in eight group companies. MobiCom Group has contributed to creating some 17,000 jobs, including employees at local contractors and dealers. MobiCom has also been listed among the most popular prospective employers in Mongolian student surveys.

“Since the beginning, MobiCom has been delegating

decision-making on daily operations to staff on the ground, while decisions on major business issues, such as those involving large-scale capital expenditures, have been made by the board of directors. Under this longstanding policy, an increasing number of high-caliber local employees have developed the skills and capabilities necessary as future MobiCom leaders who can take over the company's management responsibilities," Benino said.

Offering a wide range of high value-added services as an integrated telecommunications company group

With mobile phones attaining a high penetration rate and the maturing of the Mongolian economy and industry, MobiCom has been aggressively diversifying its telecommunications services since the mid-2000s. Additional service line-up include: a mobile content distribution service which offers ring tones, wallpapers, games, and other contents for mobile phones; operation of web portal sites; and an Internet access service that offers wired and wireless access to the Internet using MobiCom's optical fiber and wireless broadband networks.

In October 2010, MobiCom launched another new service, mobile commerce, enabling users to conduct e-commerce transactions from their mobile phones.

"Given that few Mongolians have a bank account and there are no common online banking systems in the country, MobiCom's mobile-commerce service, which allows users to shop and receive their salaries through their mobile phones, will make Mongolian people's lives more convenient and help to stimulate the country's economic activities, I hope," Benino said.

As you can see, MobiCom has been supporting the development of Mongolia by building its telecommunications network, an indispensable social infrastructure, and delivering a wide variety of value-added services. Leveraging our experience and business know-how obtained through this integrated telecommunications service provider, at Sumitomo Corporation Group, we are planning to expand our telecommunications business into the Far East, Central Asia, South East Asia and other areas around the world.

"Successful implementation of a social infrastructure project requires collaborating with a local partner who is truly passionate about contributing to the development of their country. Our joint venture in Mongolia is a good example. Without our good local partner Newcom LLC, the JV would not have been able to grow to the point it has today. Working together with local partners, we will continue to operate our telecommunications businesses around the world, which help to develop the countries and regions in a sustainable manner," Benino said.

Stakeholder's Voice

The strong ties among the three shareholders from Japan and Mongolia has made MobiCom's success possible

Founded in 1993, Newcom LLC is the first private telecommunications operator in Mongolia. We offer telecommunications and other services to corporate clients, and support the management of MobiCom together with Sumitomo Corporation and KDDI Corporation. Recently, we have also started an airline business to contribute to the development of traffic infrastructures in Mongolia, which, just like telecommunications infrastructures, are necessary for the country's development.

I believe that the strong partnership between the three shareholders of MobiCom is one of the main reasons why the company achieved a rapid growth during the 15 years since it was established in 1996. While exchanging opinions in an

open and candid manner, the three companies have been able to reach decisions unanimously at the general shareholders' meetings and the board meetings. What brings us so closely together is a strong, mutual passion to make a positive contribution to Mongolian society through the development of telecommunications infrastructures. This mutual goal must have nurtured mutual trust and built win-win relationships. I hope the three shareholders will continue to bring their own individual expertise and insights together for further growth of MobiCom Group and further development of Mongolian society.



Mr. Boldbaatar Tserenpuntsag

Chairman
Newcom LLC

Column

School Lunch Project for students from financially underprivileged families

Despite rapid economic growth in Mongolia, many households are still facing economic difficulties. In fact, there are many students who cannot bring a lunch to school for financial reasons.

To provide a better learning and living environment for students in the country, MobiCom started to provide nutritionally balanced boxed lunches for free at 13 public elementary schools in 2006. The program, modeled on Japan's school lunch system, has produced positive results: improved health and higher attendance rates for students. Inspired by these results, the Mongolian government has launched a school lunch program in all elementary schools in the country, and is planning to expand the program into junior high schools and eventually senior high schools in the future.



Project Report 2

Supporting Healthy and Enjoyable Meals for the World in the New Age

For many years, the Sumitomo Corporation Group has been exploiting its global business network to ensure a stable supply of safe and high-quality foods that meet the high standards of Japanese consumers. More recently, we have started to apply the know-how, which we have developed through our business practices in the Japanese market, to markets in China and other Asian countries. In this section, the General Manager of the Food Business Division reports on the latest developments and future plans for our food businesses that support people around the world by providing healthy and enjoyable meals every day.



Using the Sumitomo Corporation Group's know-how and value chains, fully to ensure a stable supply of high quality foods



Shoichi Kato
Corporate Officer
General Manager
Food Business Division

For years, the Food Business Division of Sumitomo Corporation has been developing a wide variety of food businesses under the slogan, "Farm to Fork." To ensure a stable supply of a variety of foods to meet consumer demand—from cereals and fresh produce to processed food—we have constructed global value chains that cover the whole upstream (sales of fertilizers and other agricultural materials), midstream (crop harvesting and picking and export), and downstream (importing, processing and sales of products) areas.

To deliver safe foods to consumers, we have improved the traceability of our products. In 2003 we started a Food Safety Management Team to prevent the occurrence of any food-related accidents and to lay down regulations for emergency countermeasures and information disclosure. The team also works on employee training, as well as safety management and awareness-raising in subsidiaries and associated companies both in and outside Japan.

The Sumitomo Corporation Group employs these value chains and safety management system to deliver safe and high-quality foods that can meet the high expectations and specific needs of the Japanese consumer. Items in especially high demand are fresh produce such as bananas and pork.

Our bananas are grown in farms operated by a group company in Mindanao Island in the Philippines. Quality is ensured even during shipment using our low-temperature transportation network that covers the full length of the distribution chain from the farms to the retail stores. To respond to a variety of consumer needs for bananas, we chose a marketing strategy that offers a big line-up, from reasonably priced brands to the high-end brands, typified by Kanjuku-Oh, a brand of highland bananas that are super sweet and have a well flavored taste.

Our original pork brand, Yongenton Silky Pork, is developed specifically to suit the taste of the Japanese consumer, in cooperation with our partner, Smithfield Foods Company of the U.S., the world's largest pork producer. We deliver safe and tasty pork to the Japanese market with full quality management and traceability.

In addition to these items of fresh product, we have started wheat trading in the Australian market to export wheat to Asian countries, where a western style diet is becoming popular.



Developing advanced food businesses in China and other Asian countries with our ample experience and know-how

As their economies grow, consumers in China and other Asian countries are seeking foods of a higher quality in dairy-based meals. The Sumitomo Corporation Group sees this movement as an opportunity for us to contribute to improving the diet and enriching the food culture in these countries. We can use the knowledge and techniques from Japan together with our trading scheme to deliver safe high-quality foods developed in the Japanese market, where consumers are said to have the world's highest expectation for their food products. That is why we are focusing on the food business in Asian countries.

Our top priority in this area is the Chinese market, the largest food market in Asia. Sumitomo Corporation invested in Guangzhou Hua Xin Commercial Trading, the largest food wholesale trading company in South China, in 2007. In 2009, we purchased some shares of its subsidiary, Shenzhen Hua Xin Chuangzhan Commercial Trading. These companies now function as our intermediaries to deliver beverages, alcoholic drinks, processed food and other high quality products, including Japanese brands. In China, wholesale companies work as an agency for the manufacturer. In addition to this traditional role, Shenzhen Hua Xin also functions as a coordinator for a wide range of food manufacturers and retailers. The company has

gained its status as a unique food wholesaler by learning and incorporating the roles of Japanese wholesale companies that meet the needs of retailers in a comprehensive manner.

In September 2010, we launched a comprehensive alliance with Jilin Grain Group Co., Ltd., a group of leading state-operated companies engaged in grain collection and processing. The Jilin Grain Group is located in Jilin Province, a major rice producing region. Sumitomo Corporation work with the Group to enhance domestic sales and promote export of rice, and improve quality by bringing Japanese technologies for rice milling and advanced chemicals management methods to produce a better quality of rice. We are planning to develop new businesses, including the production and sales of high-end brand rice and pre-rinsed rice, which are expected to increase demand from wealthy consumers and the restaurant industry.

Asia is a big consumer of food, but this is not the only role the region plays in the world food business. Asia is also a major producer, and the Sumitomo Corporation Group supports the growth of local food production through our fertilizer business in Asia, especially in China, Thailand and Malaysia.

The Sumitomo Corporation Group is continuing to develop a range of food businesses in China and other Asian countries while preserving mutual success and prosperity with local food industries. We continue our support to enrich the dinner tables and food culture in the area.

BUSINESS CASE 1

Building value chains in Australia and Asia to ensure a stable supply of wheat to Asian countries

Hiroyasu Kurosaki
General Manager
Grain & Oils Department



In Asia, typically in China, where the ongoing economic growth has been upgrading income levels, consumer demand for a wider variety of luxury foods, such as different kinds of bread, snack foods, noodles and frozen foods, is increasing. To meet these needs, demand for high quality wheat is also growing rapidly in the region. Sumitomo Corporation responded to these market trends by expanding wheat business in Asia. Using our ample experience and business know-how developed through many years of stably supplying good quality wheat from major production areas located throughout the world to Japan, we are developing value chains to supply wheat to China and other Asian countries.



Wheat harvested by Emerald Group

While China can grow enough wheat to satisfy its own demand, other countries in Asia need a stable supply from other countries to meet their growing needs. To ensure that supply, a good value chain in the upstream, or production areas, is essential. Sumitomo Corporation concluded that the best region in which to construct a value chain was Australia, a leading producer and exporter of wheat, which is well located to serve as a supply base for Asia. In 2005, we invested in Australian Bulk Alliance (ABA) to enter the grain storage & handling business at inland sites and export terminals. In 2010, we obtained shares in Emerald Group Australia Pty Ltd., a major grain trader (crop picking and sales) in the area and became the only Japanese company to establish an upstream value chain covering from origination to export. The supply chain now serves as a distribution infrastructure for the export and marketing of wheat for South Korea, Taiwan, Indonesia, Thailand, Vietnam, Malaysia, Singapore and other

countries in Asia.

We have also been working to develop downstream value chains for wheat trading. In 2006, we entered a strategic partnership with one of the largest flour mills and food groups in Asia, Singapore-based Prima Limited, to prepare ourselves for collaboration in Asian markets. In 2008, the joint venture between Sumitomo Corporation and Prima invested in a wheat flour milling factory, Qingdao Xinghua Cereal Oil & Foodstuff Company Limited of Shandong Province in China and entered the flour milling business in China.

Qingdao Xinghua has developed a comprehensive quality management system and is highly regarded by its customers. In China, where the need for safer and tastier foods is increasing, ever higher demand for these high quality wheat products is expected.

The Sumitomo Corporation Group is expanding its measures to develop a business foundation in downstream value chains from China to other Asian countries to ensure a stable supply of safe and high quality wheat and wheat processed products to those regions, supporting the wellness and happiness of people by providing them with a healthy and rich diet.



Factory buildings of Qingdao Xinghua

Value Chain for Our Wheat Trading





BUSINESS CASE 2

Supporting the sustainable development of Chinese agriculture with high quality fertilizer

Akira Umeoka
General Manager
Fertilizer Department



The Fertilizer Department of Sumitomo Corporation works together with major material suppliers in the world to ensure a stable supply of high quality fertilizer, an essential ingredient in agricultural production, thus contributing to agricultural development in Japan. In recent years, we have expanded the focus of our fertilizer supply business to cover other countries in Asia and Oceania, including China, Thailand, Malaysia and Australia. Among these countries, China has been significantly increasing its fertilizer market.

In 2004, Sumitomo Corporation established Summit Fertilizer (Qingdao) Co., Ltd. in Shandong Province jointly with Qingdao Soda Ash Industrial Co., Ltd. Under the corporate mission “to fertilize farmland and improve life in rural communities,” we put the business know-how of Qingdao Soda Ash and Japanese fertilizer technologies together to enhance local production and sales of high quality chemical compound fertilizers.



Farmer using Summit Fertilizer products in a rice paddy

in Guangdong Province, increasing the total production to 400,000 tons. To meet our next production goal of 1,000,000 tons, we are expanding the lineup from fertilizers designed for vegetables and fruit production to fertilizers for cereal crops, which are traded in a larger market.

Production and sales of fertilizers are not the only services these two Summit Fertilizer companies offer to agriculture in China. We are active in technical seminars and other sales support services for local sales dealers and farmers. At the seminars, the different features of each fertilizer and science-based correct application are explained in detail to encourage the effective use of high quality fertilizers to increase and improve the quality and yield of agricultural products.

The Fertilizer Department of Sumitomo Corporation and the two companies under Summit Fertilizer will continue their efforts to expand sales and use of high quality fertilizers that will support the sustainable development of agriculture and improvements to the consumer diet in China.



Summit Fertilizer (Qingdao) Co., Ltd.

The fertilizers produced by Summit Fertilizer (Qingdao) have many advantages compared to the low-priced fertilizers conventionally traded on the Chinese market. They contain the three macronutrients (nitrogen=N, phosphorus=P and potassium=K) and other essential elements in a precisely-controlled manner. In addition, they are designed to prevent any overrunning of nutrients after application so that a sufficient intake of nutrients by the crop plants can be ensured. Although the new fertilizers are considerably more expensive than conventional products, sales are steadily improving, due to the increasing interest in the safety and quality of foods among consumers and the changing attitudes of farmers in responding to these new demands from consumers.

To meet the expanding demand, we started a second production base in China, Summit Fertilizer (Foshan) Co., Ltd.



Fertilizer seminar

Project Report 3

Operating a Wide Range of Businesses to Pursue Sustainable Energy Supply

The sustainability of existing energy supply systems has been called into question after the Great East Japan Earthquake in March 2011. At the Sumitomo Corporation Group, we have been developing various power generation projects using solar, wind, biomass, geothermal, and other renewable energy sources on a global scale, positioning these energy sources as an important supplement to fossil fuel energy.

To ensure energy sustainability in the future, we will continue to implement a wide range of projects. For instance, we will focus on initiatives to promote wider and greater applications of power storage technologies, which are attracting higher expectations as an enabler of more efficient and effective use of electricity as well as more flexible responses to changeable energy demands.

Solar power generation

Promoting greater demand for solar power generation across the entire value chain

We, the Sumitomo Corporation Group, create greater demand for solar

photovoltaic power generation by building an extensive value chain, ranging from the procurement of raw materials for solar panels, to the sales of solar panels and the operation of power generation projects. One of our major milestones in this field, and in power generation projects in particular, is the construction and operation of a solar power plant with a total generating capacity of 12.6 MW in 2008 on Tenerife Island in Spain, an island receiving one of the highest levels of sunshine in Europe. This project has given us a lot of knowledge and experience in solar power generation. Another milestone is a solar power generation project in the Puglia region of southern Italy. We have been involved in this project, which has a total generating capacity of 9.7 MW, since February 2011 as its largest shareholder. In France, we are participating in a solar power generation project in Les Mées, a city near Marseilles in southern France, with a total generating capacity of 31 MW. The construction of the power generating station is underway and initial operation is scheduled for the fall of 2011. Sumitomo Corporation became the first Japanese corporation to participate in a solar power generation project in the country. All these projects, blessed with favorable geographical conditions, are expected to give back to local communities over the long term, serving as a stable and environmentally friendly power source.



Solar power plant in Les Mées, a city near Marseilles in southern France



Stanton Wind Power Plant in Texas

Wind power generation

Aiming to become a global player in wind power generation projects

The Sumitomo Corporation Group boasts abundant experience and expertise in wind power generation

projects, ranging from facilities construction to wind farm operation. Major wind power generation plants we operate include: two wind farms in Japan (total generating capacity of 36 MW), the Stanton Wind Power Plant (120 MW) in Texas in the U.S., and the Datang Sino-Japan (Chifeng) Wind Power Plant (50 MW) in Inner Mongolia. Latest events in this field include our investment in the Shepherds Flat Wind Farm Project (845 MW) in the U.S. Under this project, which has an estimated total cost of two billion dollars, 338 wind turbines (2.5 MW) produced by U.S.-based General Electric Company will be installed over a vast area covering 800,000 square meters. With construction work scheduled to be completed in the summer of 2012, the wind farm will become one of the largest wind power plant in the world.

Aiming to become a global player in developing the wind power generation sector, Sumitomo Corporation will further expand its business in the U.S. and China, its two largest markets, by fully leveraging the experience and expertise it has obtained through its ongoing projects, and aggressively explore and capture opportunities for new projects in wind power markets in other countries.

Wood-based biomass power generation

Using resources effectively while reducing CO₂ emissions

Wood-based biomass power generation, put simply, refers to a type of thermal power generation that burns wood. Different from conventional thermal power generation using coal and other fossil fuels, it uses waste wood from construction and demolition, driftwood from rivers, thinned and pruned wood, and other unused wood material as fuel. In addition to its contribution to effective use of resources, wood-based biomass power generation is attracting growing attention because of its "CO₂-free" nature: i.e., CO₂ emissions from the

combustion of wood are offset by absorption of CO₂ by the trees used for fuel during their growth period.

Summit Energy Corporation, a member of the Sumitomo Corporation Group, is engaged in this type of power generation in operating the Summit Myojo Power Itoigawa Biomass Power Plant in Niigata, Japan. The plant contributes to reducing annual CO₂ emissions by more than 80,000 tons.

Ensuring that consistent procurement of wood fuels is the key to biomass power plant operation, we also work to secure a supply of wood for fuel, including timber offcuts, removed trees, and pruned branches from Japan and coconut shells from overseas.



Itoigawa Biomass Power Plant

Geothermal power generation

Using steam extracted from under the ground effectively

In geothermal power generation, steam from underground is used to drive turbines and generate electricity. The used steam is cooled and condensed into water,

which is returned to the ground. Thanks to this process, this power generation method entails minimal CO₂ emissions and enables a stable supply of power over the long term.

Constructing geothermal power plants requires advanced technologies, including the development of steam turbines resistant to the corrosive impurities contained in steam drawn from deep in the Earth. In partnership with a Japanese heavy electric machinery manufacturer which is renowned for its world-class technological

excellence in this field, the Sumitomo Corporation Group has been involved in many geothermal power station projects in the U.S., the Philippines, New Zealand, Indonesia, and many other countries around the world. The aggregate generation capacity of those plants for which we supplied facilities and were involved in the construction amounts to over 2,000 MW. In June 2011, we also entered the Turkish market, where many geothermal power generation projects are expected to be launched in the future. In addition to the aforementioned supply of power plant facilities and construction of power stations, we will also sell electricity generated under long-term contracts.



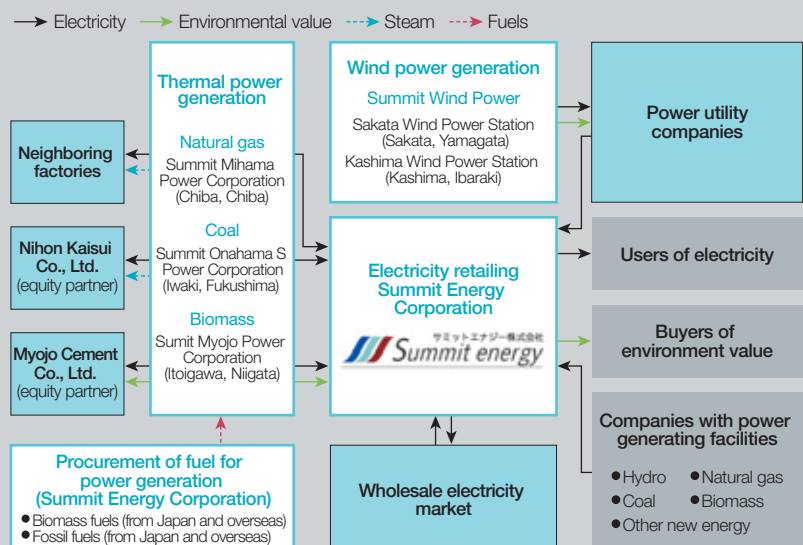
Wayang Windu Geothermal Power Station in Indonesia

Column

Summit Energy Group: Playing a key role in the stable power supply with its optimal energy source portfolio

Sumitomo Corporation established Summit Energy Corporation in 2001, in response to the liberalization of Japan's retail electricity market. Summit Energy delivers a stable supply of power at competitive prices by achieving an optimal combination of power sources, which is made possible by using the network of power generation stations, including wind and wood-based biomass power generation plants, of the Summit Energy Group, as well as partnerships with non-Group corporations and transactions in wholesale markets.

During the rolling blackouts in the aftermath of the March 11 earthquake in Japan, the Sumitomo Corporation Group helped solve power shortages in East Japan. We were praised for the fact that our power station in Mihama, Chiba was able to provide electricity and steam consistently to neighboring factories, even during that period. In addition, all our power generation plants in the country increased their outputs and fed back surplus electricity to local electric utility companies.



“4Rs” for EV-mounted batteries

Promoting second-life uses of lithium-ion batteries to help create “smart communities”

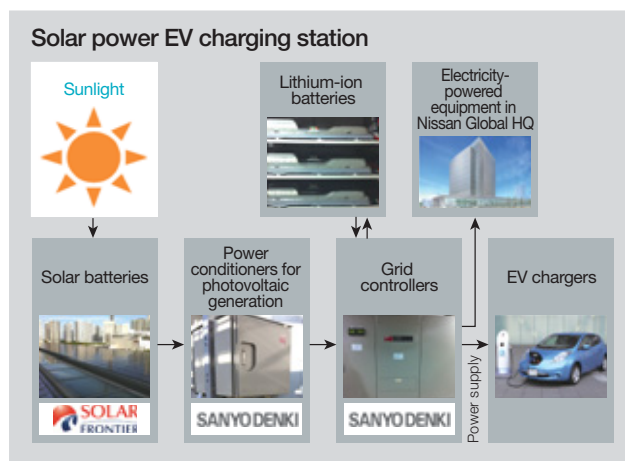
In September 2010, Sumitomo Corporation established the 4R Energy Corporation, a joint venture with Nissan Motor Co., Ltd. with the aim of commercializing second-life uses for the

lithium-ion batteries mounted on Nissan’s electric vehicles (EVs).

EV-mounted lithium-ion batteries usually retain considerable capacity even after their useful life on an EV has expired. Given this, there are high expectations for second-life uses for the used batteries, and this will contribute to successful implementation of planned smart communities and smart grids.

Public interest in energy storage devices has been growing in Japan after the calamitous quake and tsunami in March 2011 and subsequent power shortages, reflecting the nation’s heightened awareness of disaster preparedness. In particular, a “demand response” function—i.e., storing electricity generated by solar power generators installed at factories, residential housing, and other locations and using the stored power as necessary—is attracting a lot of attention as a new power supply mechanism. 4R Energy has started a joint demonstration test with housing companies to look at the performance of small power storage systems linked to solar.

Another demonstration test is underway with Nissan Motor, involving EV charging systems that use photovoltaic generation. This pilot test is part of 4R’s efforts to develop medium-sized power storage systems for public and commercial facilities that need to reduce the power they use during peak hours and shift their peak demand hours.



Stakeholder’s Voice

Working together to achieve business success and offer green solutions to society



Mr. Eiji Makino
 General Manager
 ZEV Strategy Group Department
 Global Zero Emission Business Unit
 Nissan Motor Co., Ltd.

EV batteries retain a large residual capacity even after the end of their usable life in the vehicle. To capitalize on this feature, we reuse, refabricate, resell, and recycle used EV batteries through our 4R business. This newly launched business makes positive contributions, not only to our business, but also to society. It helps to solve the issue of a mounting pile of used EV batteries caused by the growing popularity of EVs, and encourages greater demand for and use of renewable energy.

In operating this business, successful resale of batteries is the key to success. However, this market is an unknown territory for Nissan Motor. In this respect, we have high expectations for Sumitomo Corporation’s proven capabilities in developing the market and identifying and capturing business opportunities. It should also be noted that the open-minded, flexible viewpoint of Sumitomo Corporation’s staff in the team itself is a great asset to the JV business.

We are excited about working together with Sumitomo Corporation to make the 4R business thrive.

Sumitomo Spirits

A leading integrated trading company that implements distinct, forward-looking initiatives



Norihiko Nonaka
 General Manger
 Battery Business
 Development Department

We, the Sumitomo Corporation Group, are working to establish new business models and create and deliver new value in our environmental and new energy businesses, through which we contribute to developing a sustainable, low-carbon, and recycling-oriented economy. The mission of our forward-looking new initiatives is consistent with Sumitomo’s business philosophy, calling for benefits not only to our own businesses but also to society and the nation.

Guided by this business philosophy, we have launched the 4R business together with our partner Nissan Motor.

We will strive to grow the 4R business and ensure that it plays a key role in our efforts to ensure that second-life uses of lithium-ion batteries—a key technology to support efficient use of renewable energy—become part of the social infrastructure. To this end, we will continue working closely with a wide range of corporations in related industries to provide environmental and energy solutions to society.

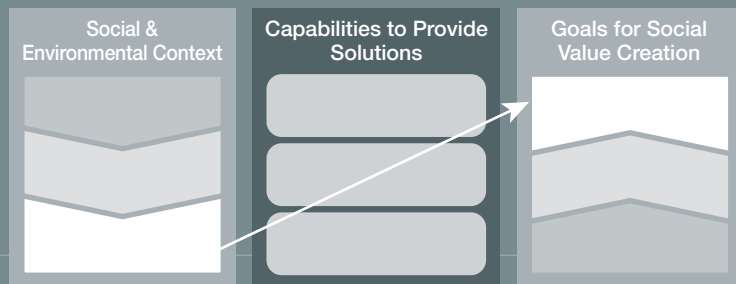
Social Value Creation within Our Seven Business Units

This section features our strategic CSR, the activities and capabilities of our business units to create social value, which we pursue to fulfill our responsibilities to society in our business operations.

Specifically, this section highlights our Social & Environmental Context (business surroundings with CSR implications), our Goals for Social Value Creation (social mission that we aim to achieve through our business activities), and our Capabilities to Provide Solutions (our strengths in fulfilling our defined mission) of each business unit.

The three elements are summarized in the following Social Value Creation Chart which is compiled for each business unit:

Social Value Creation Chart for each Business Unit



This Social Value Creation Chart is also used in the “CASE STUDY” part, in which we pick out a project being conducted by the business unit in question to describe how we are creating social value within that project.

We hope these charts and the entire section will help you gain a better understanding of how the Sumitomo Corporation Group integrates CSR into its wide range of business activities.

Metal Products
▶ p.27



Transportation & Construction Systems
▶ p.29



Infrastructure
▶ p.31



Media, Network & Lifestyle Retail
▶ p.33



Mineral Resources, Energy, Chemical & Electronics
▶ p.35



General Products & Real Estate
▶ p.37

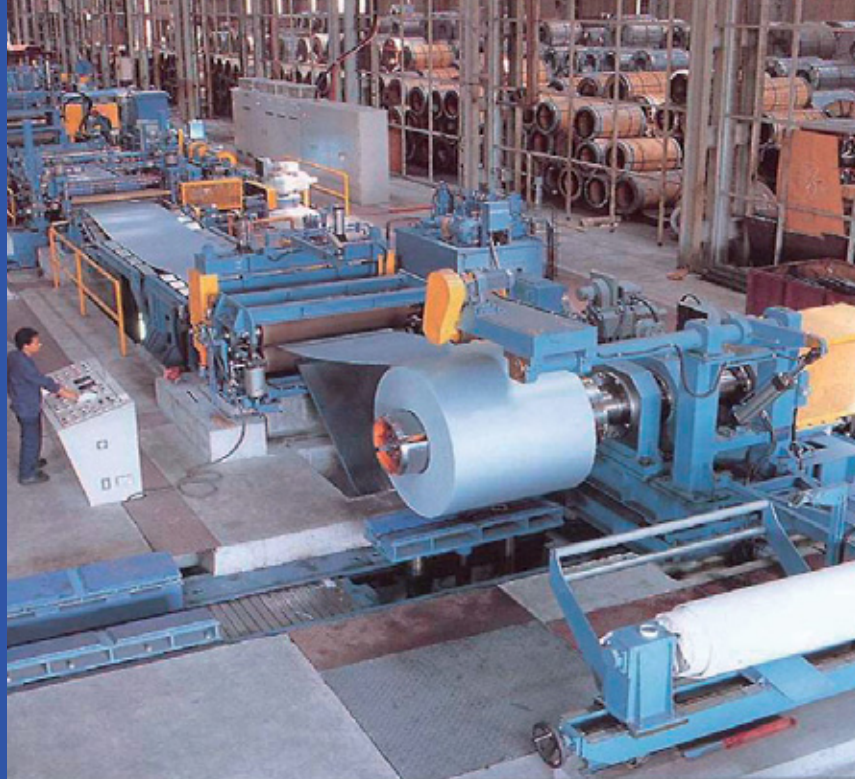


New Industry Development & Cross-function
▶ p.39



Metal Products

The Metal Products Business Unit is working to ensure all our partners can create value and improve their profitability by expanding our value chain to cover all operations from upstream to downstream, upgrading our functions within each process and driving innovation to enhance efficiency of resource allocation.



Operating a steel service center in Malaysia

Business Unit Overview

Our business covers a broad range of steel products including sheets, tubular products, and non-ferrous metals such as aluminum and titanium. We have an extensive value chain that satisfies the diverse needs of customers in a broad range of fields.

In our steel sheet segment, we provide a full range of services mainly to automakers and home appliance manufacturers via our worldwide steel service center network. Such services include steel products procurement, inventory management, processing and just-in-time supply. In our tubular product segment, we are enhancing our functions as a total service provider by supporting oil field service companies in addition to supplying tubular products to leading oil and gas companies through our proprietary supply chain management (SCM) system. In our non-ferrous metal segment, our

priority is to expand our production centers for mainly aluminum and aluminum sheets.

Going forward, we will continue to reinforce our business by enhancing our entire value chain from upstream to downstream operations and improve our functionality.

f(x) Strategies

We aim to expand and upgrade our business by enhancing value chains in the energy sector as well as the automobile and transportation equipment fields, which offer strong growth prospects. We also aim to further strengthen our business base by expanding aluminum operations and actively capturing growth in demand for building materials and other products in emerging countries.

Creating Social Value within the Metal Products Business Unit



Social Value Creation Goals within the Metal Products Business Unit

Through our business operations, including our OCTG SCM (oil country tubular goods supply chain management) service described below and steel service centers across the globe, the Metal Products Business Unit is working to reduce our customers' total cost by reducing inventory costs as well as mitigating the risk of generating dead stock.

We also work to ensure that all our stakeholders will be able to increase value creation and improve their profitability by developing pull-based, or demand-driven supply chains and optimizing the relevant markets in their entirety.

We will continue to achieve greater resource efficiency and productivity through resource allocation that is efficient and innovative.



Shunichi Arai
 Director
 Executive Vice President
 General Manager
 Metal Products Business Unit

CASE STUDY

OCTG SCM (Oil Country Tubular Goods* Supply Chain Management) Service

Social & Environmental Context

While it is anticipated that global energy demands will continue to grow in the future because of the increase in global population and economic growth primarily in emerging countries; oil and natural gas, which will remain primary energy sources, are unevenly distributed geographically and such energy resources that are easily accessible are becoming depleted.

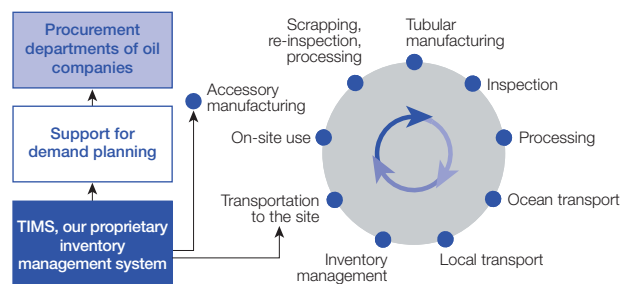
Concentrating their development resources in regions of high geopolitical risk and technically difficult fields, oil and gas companies are eager to achieve greater efficiency in procurement of the materials and equipments, such as tubular products. A variety of technical support is also becoming more keenly required.

Simultaneously, the focus on developing energy resources has been shifting from conventional oil and natural gas to unconventional sources, typified by the "shale gas revolution" in the United States. We strive to contribute to technological breakthroughs and environmentally friendly resource development for these new unconventional energy sources.

Business Overview

We provide integrated OCTG solutions covering the entire process from ordering to delivery to the required operational locations, while forecasting and managing the use of tubular products using our online systems. We are offering these comprehensive services through 17 contracts at 15 locations in 14 countries across the globe.

To contribute to a stable supply of energy, we will further strengthen our management capabilities of the entire tubular products supply chain to offer global oil and gas companies more advanced services as a total solutions provider.



Capabilities to Provide Solutions

We have developed an original online system, TIMS (Tubular Information Management Systems), for tracking the movement of all of our OCTG across the world.

We have a robust customer base, which includes Oil Majors. We are able to meet our customers' advanced technological and quality control requirements through our technical consulting company.

Our SCM management company established in the U.S. is actively engaged in strong support of the launch of new SCM projects, the upgrade of operational levels of existing projects, and the development of global human resources, etc.

* OCTG (Oil Country Tubular Goods): A type of steel pipe used in the extraction of oil and natural gas

Transportation & Construction Systems

The Transportation & Construction Systems Business Unit promotes environmentally friendly transportation systems and contributes to more efficient use of resources through its global value chain covering from upstream to downstream operations in automobiles, ships, aircraft, rail and other transportation systems as well as construction equipment.



One of our joint-venture projects operating LNG carriers to transport natural gas, a leading source of clean energy.

Business Unit Overview

In automotive operations, our growing global value chain covers manufacturing, wholesale, retail, leasing, and retail finance services. In the ship business, we hold an equity stake in a shipbuilding firm. We are also engaged in ship-owning and operating as well as trading of ships. In the construction equipment business, we have the highest transaction volume among trading companies in sales and rental operations through our global network. We are also expanding mining equipment services nowadays. Our aircraft-related operations involve international trading in civil aircraft, engines and related equipment, and imports of defense-related equipment. In addition, our transportation systems business promotes transportation projects and has strengths in railcar manufacturing and exports.

f(x) Strategies

Looking ahead 10 years, we will challenge to create value-added and high-growth type of new businesses while upgrading our established core businesses. It is reported that demands for developing natural resources and for implementation of transportation systems are boosted because of growth of emerging countries or prevailing urbanization in the world. To such demands, we aim to make contributions to society at global basis by offering a variety of solutions which may be achieved through our challenges toward businesses of transportation and construction systems.

Creating Social Value within the Transportation & Construction Systems Business Unit

Social & Environmental Context

Increasing population and urbanization impacts supplies and configurations of energy and resources—limits of utilization become critical issues

Short-term perspective on infrastructure planning leads to long-term development costs and reduced yields on resources in both developing and mature markets/economies

Advances in technology increase costs and difficulty of effective fleet and infrastructure management by increasing the knowledge and planning expertise needed for effective deployment

Capabilities to Provide Solutions

Leverage planning expertise in both scope and time frames to promote long-term development of critical new technologies

Solution based services integrated both horizontally (wide range of vehicle technology expertise) and vertically (Finance and EPC)

Design and implement operations for clients using a global matrix of advanced and experienced human resources

Goals for Social Value Creation

Promote resource efficiency through the introduction of transportation and construction equipment that contributes to building a resource-saving, recycling-oriented society (e.g., rail systems and EVs)

Implement cycle based management of infrastructure to fundamentally enhance ROI for clients

Promote early adoption of advanced technologies that best suit the project's characteristics

Social Value Creation Goals within the Transportation & Construction Systems Business Unit

Through our business operations, like the railcars project in the United States described below, the Transportation & Construction Systems Business Unit is working to produce greater social benefits by encouraging the early introduction of cutting-edge technologies that fit project characteristics and improving operational efficiency across the entire lifecycle of our merchandises. Our business portfolio includes the provision of leasing,

renting and other financing functions associated with the products we deal with, which helps customers improve their investment efficiency.

We will continue to make positive contributions to achieving more efficient use of resources by promoting the use of rail projects, electric vehicles, and other transportation and construction equipment which contribute to building a resource-saving, recycling-oriented society.



Kazuo Ohmori
 Director
 Executive Vice President
 General Manager
 Transportation & Construction
 Systems Business Unit

CASE STUDY

Railcars Project in Chicago, USA

Social & Environmental Context

In the 1980s, there was growing public concern over environmental problems and the impact of the oil crisis on our car-dependent society. At the same time, the rapid population increase in the suburbs of Chicago called for a substantial expansion of the local transport systems. As chronic traffic jams revealed the limitations of automobile-based transportation systems, there was an urgent need to develop public mass transportation systems services.

In the early 1990s, we supplied bi-level passenger railcars, capitalizing on the growing need to improve transportation capacity and the timing for the replacement of existing commuter trains. As a result, the utilization rates of trains were improved, which led to improvements in investment efficiency at our customer. On the operational front, the new passenger railcars allowed train conductors to cover a wider area, reducing labor costs per operational unit.

The Sumitomo Corporation Group, in association with Nippon Sharyo, Ltd., complies with Buy American provisions calling for the use of American components more than 60% and local assembly in the States. We also work closely with local businesses to revitalize the local economy. Currently, the construction of a local factory is underway, aiming at further localization.

Project Overview

Since the 1980s, the Sumitomo Corporation Group has supplied 886 railcars to the United States in partnership with Nippon Sharyo. In October 2010, the Sumitomo Corporation Group in association with Nippon Sharyo received another order for 160 bi-level railcars. We have now supplied most of the passenger railcars travelling to and from Chicago. We will continue to expand our passenger railcar business in the US market, aiming to seize opportunities in urban transportation services and planned high-speed intercity rail system projects.



Capabilities to Provide Solutions

We have strengths in collaborating with a variety of partners to set up projects. Such partnerships have allowed us to build environmentally friendly, comfortable, safe, and fast mass transportation systems. Not only to conform to the existing standards, we have been also actively participating in projects to develop quality passenger railcars which meet the latest requirements of the Federal Railroad Administration (FRA).

We can conduct effective technology assessments that enable successful technical alliance and we select the best partners based on their regional and functional elements relative to our business strategy. We are focusing our efforts on a proposed high-speed intercity rail network called the Chicago Hub Network and expansion of urban mass transportation service networks.

Both from inside the Group and from around the world, we are able to attract, develop, and retain talent that is able to manage overall projects. These include the management of product liability/warranties, long-term currency and other risks, manufacturing and assembling processes, appointments of vendors of major materials and equipment, program for purchasing and finance as well as the management of regulatory affairs, including compliance with local procurement provisions, considerations for economically disadvantaged, environmental impact assessment and other requirements.

Infrastructure

The Infrastructure Business Unit is a highly specialized group striving to contribute to a sustainable society through infrastructure enhancement.



Our Al Hidd power generation and desalination project in Bahrain, the first privately managed power and water project in the country (approx. 1,000 MW of power generated and daily 405,000 tons of water treated)

Business Unit Overview

The Infrastructure Business Unit's vision is to become "a highly specialized group that contributes to society through infrastructure enhancement." Our business covers various fields such as IPP/WPP*1, power plant EPC*2, telecommunications, wind power/water infrastructure, industrial infrastructure and more. In these fields, by optimally combining trade business and business investment, we are stably expanding our earnings base. Our competitive advantage in the power business lies in our strong integrated project management and execution, including finance and risk management functions. Our track record of power plant EPC projects, which covers design,

- ▶ For more information on our telecommunications infrastructure projects, please refer to Project Report 1 (from p.15).
- ▶ For more information on our power generation infrastructure projects, please refer to Project Report 3 (from p.23).

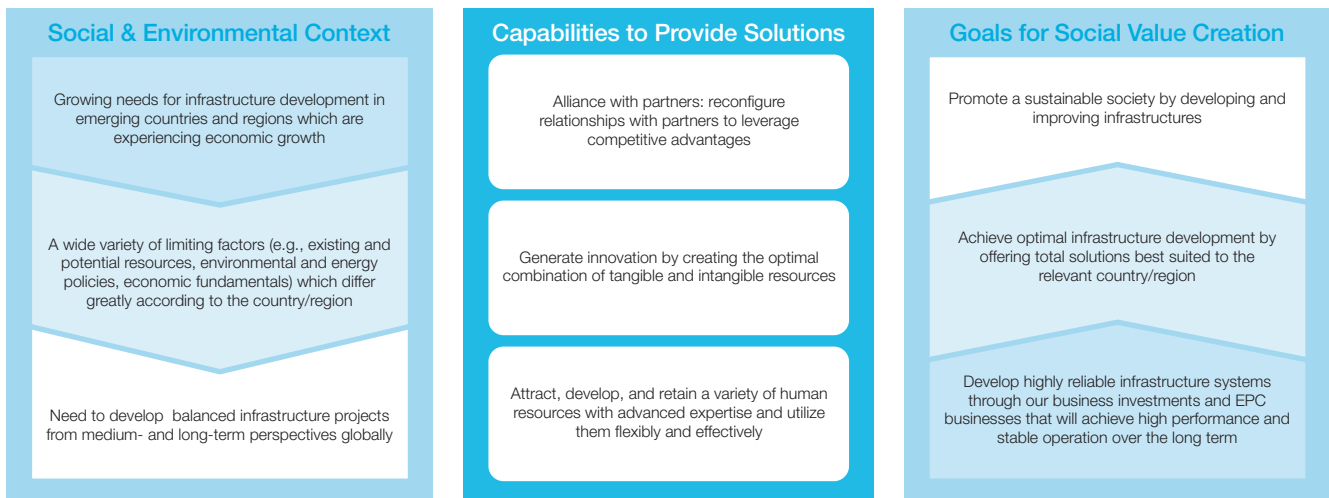
procurement and construction, currently stands at approximately 47,000 MW, which is the first tier among Japanese trading companies. In the overseas IPP/WPP field, our power generation capacity reached approximately 5,300 MW as of March 31, 2011.

f(x) Strategies

Our four basic *f(x)* ("f-cross") strategies are to "enhance our human resources base," "build a competitive edge through alliances," "capture growth in emerging countries," and "strengthen our optimization of business portfolio." Guided by these strategies, we will strengthen our earnings base throughout the mid and long term, while flexibly evolving our business model to cope with change.

- *1 IPP: Independent Power Producer
- IWPP: Independent Water and Power Producer
- *2 EPC: Engineering, Procurement and Construction

Creating Social Value within the Infrastructure Business Unit



Social Value Creation Goals within the Infrastructure Business Unit

Through our business operations, including our geothermal power generation project in New Zealand described below, the Infrastructure Business Unit plans and implements many infrastructure projects on a full turnkey*3 basis. We collaborate with various partners around the world and make the most of their respective strengths to construct reliable infrastructure plants that can achieve high-quality performance and stable operation over the long term. To

develop appropriate infrastructures in an optimal manner, we offer total solutions that are tailored to the relevant country/region in terms of the availability of existing and potential resources, environmental and energy policies, demography, industrial structure, and economic fundamentals.

We will continue to work to achieve a sustainable society through infrastructure enhancement for electricity, telecommunications, water, industry, and in other key areas.



Takahiro Moriyama
Director
Executive Vice President
General Manager
Infrastructure Business Unit

CASE STUDY

Geothermal Power Generation Project in New Zealand

Social & Environmental Context

Electricity demand in NZ has been growing by 2-3% each year. The country needs new power stations partly because of the need to replace those that are aging. The nation's geographical imbalance of power also needs correcting. Currently, electricity generated in South Island, which has most of the hydro power stations in the country, is transmitted to North Island, which consumes most of the electricity generated.

New Zealand, a country with a population of 4.4 million, does not need to develop large-scale power stations. The country has banned fossil fuel-based thermal power stations and aims to increase the representation of renewable energy in its power supply portfolio to 90% by 2025.

More than 50% of the electricity generated in New Zealand comes from hydropower stations, which are exposed to significant weather risks. There is high hope for geothermal power generation as the next leading power source to take over from hydropower. North Island has abundant geothermal resources. Geothermal power generation has already been operating in the island for 50 years.

Project Overview

Geothermal power is a renewable energy. This environmentally friendly power generation method does not require the use of fossil fuels; rather it uses geothermal resources, which can be used consistently over the long term. Through our project in the Rotokawa region of North Island, we were able to contribute to achieving efficient geothermal power generation. Notable features of the project include geothermal steam turbines with the world's largest single unit capacity, which the Sumitomo Corporation Group and our partner turbine manufacturer supplied to meet the client's needs, and the adoption of a triple flash system*4, carefully designed to make the most of the characteristically high energy density of local geothermal sources.



Capabilities to Provide Solutions

We are able to collaborate with various partners, including manufacturers, engineering firms, geothermal consultants and local construction companies to design the optimal power generation method that best fits the geothermal characteristics (e.g., high energy density) of the project site and organize an EPC project.

Based on our extensive knowledge and experience obtained from our involvement in many geothermal power generation projects around the globe, we are able to manage and operate the entire project, from design to materials procurement, civil engineering work, and installation in collaboration with our partners, complete the full-turnkey contract within the scheduled period and achieve the rated output.

We are able to build a team by attracting and training local talent to be in charge of engineering and project management work. Our human resources development efforts worldwide serve as the foundation for future projects.

*3 **Full turnkey:** A type of contract that delivers all-inclusive services regarding the facilities, including construction and installment

*4 **The triple flash system :** The process of extracting a pressurized mixture of hot water and steam from the ground and releasing the pressure to convert part of the liquid mixture into steam is operated in three rounds compared with one or two rounds in conventional methods.

Media, Network & Lifestyle Retail

In the Media, Network & Lifestyle Retail Business Unit, we operate consumer-centric businesses by implementing multichannel strategies that integrate media, IT and retailing. We are building a new value creation platform that enables a wide variety of partners to join and produce synergy.



At Jupiter Shop Channel's studio

Business Unit Overview

Throughout the ongoing convergence of various media, including broadcasting and telecommunications, and increasing diversification of consumer spending patterns, the Media, Network & Lifestyle Retail Business Unit is developing integrated approaches to create and provide new value tailored to the diverse lifestyles of consumers.

In the media field, we provide both infrastructure and content services through our cable television (CATV), multichannel television programming and film-related businesses. In the network field, our business activities center on IT solutions, Internet-related operations and mobile

communications. In the lifestyle and retail fields, our main businesses are TV shopping, supermarkets, drugstores, luxury brands, and apparel OEM*.

f(x) Strategies

By developing leading businesses in each industry, strengthening value chains among subsidiaries and affiliates, and developing a multichannel retailing strategy which combines media, IT, and retailing, we will establish a robust consumer business unique to Sumitomo Corporation.

* OEM (Original Equipment Manufacturing): Contract production of branded merchandise

Creating Social Value within the Media, Network & Lifestyle Retail Business Unit

Social & Environmental Context

Prevailing trend for new innovations in industry to fragment lifestyles and create further complexity and divisions. The concept of "wellness" is created outside that of "happiness"—and the "virtual" space created outside that of the "real" space

Taking a positive and proactive response to demographic changes, such as the aging population and slower or negative population growth, will pave the way to creating new value

Need to effectively incorporate media and IT into retailing

Capabilities to Provide Solutions

Bring long-term view to industry across generations and business areas in order to mobilize assets in more productive configurations

Develop "multi-channeling" as a means to widen perspective to redefine boundaries between business models and processes within the industry and focus on coordinated value creation by continuous reintegration of knowledge, systems and models

Redefine industry infrastructure as comprising the processes behind uniting and integrating services—not the actual services themselves; selling service platforms not just things

Goals for Social Value Creation

Locate users as the beneficiaries of new developments in retail/media industries by integrating virtual into real life (rich life), and wellness into happiness (good life)

Promote resilience in lifeline industries by replacing "passive sustainability" with a dynamic and economically viable resilience

Build platforms for recreating and revitalizing other related businesses in the industry

Social Value Creation Goals within the Media, Network & Lifestyle Retail Business Unit

Through our business operations, including our SUMMIT Netsuper business described below, the Media, Network & Lifestyle Retail Business Unit implements multichannel strategies that integrate media, IT and retailing, offering a wide range of services to meet the needs of customers with various lifestyles. The business unit's unparalleled

strengths lie in the cross-sectoral value chains developed by our subsidiaries and affiliates, which have established leadership positions in the markets they operate in. Leveraging our signature strength, we will maintain and expand our efforts to stay ahead of the curve and create new value to enhance and enrich customers' lives.



Yoshio Osawa
 Director
 Senior Managing Executive Officer
 General Manager
 Media, Network & Lifestyle Retail Business Unit

CASE STUDY

Online Supermarket Business

Social & Environmental Context

The competitive landscape is becoming severer today due to the continuing low-price preference among consumers and the many new food supermarkets that are opening, particularly in the Tokyo metropolitan area. Meanwhile, the grocery delivery service market has been growing, mainly due to diversifying lifestyles, better access to IT infrastructure, and growing concerns over food safety and reliability.

With its demographics changing rapidly, Japan has a growing number of working women and seniors-only households. Consumer lifestyles have also become increasingly diversified. More and more people feel that physically buying heavy or bulky items at stores is inconvenient or they have no time to visit brick-and-mortar stores.

Online shopping has become common in many product categories, including books, CDs, tickets, and designer brands. This sea change is also emerging in the fresh food market, where consumers previously bought products only after checking them out in the store.

Business Overview

SUMMIT Netsuper Corporation receives customers' orders for fresh food and household products primarily through its website and ships the orders from its dedicated processing and distribution centers, rather than from existing physical stores. Our online supermarket operates 24 hours a day, allowing customers to enjoy shopping any time anywhere. It offers exclusive items which are not available off the shelf in real stores, and saves customers from carrying heavy or bulky items home on their own. As a result, SUMMIT Netsuper has welcomed a growing number of customers, particularly senior citizens and people who are busy with parenting, nursing and professional duties.



Capabilities to Provide Solutions

With a spirit of entrepreneurship, we are cultivating a new type of business by proactively responding to future demographic changes and diversification of lifestyles. We are entering new markets which we consider have high potential from the long-term perspective.

We are able to create and grow a new type of business, the online supermarket, utilizing a combination of our Group's expertise. We can draw on Summit's know-how in handling perishable items, Jupiter Shop Channel and Soukai Drug's know-how in direct marketing, and SCSK Corporation's expertise in systems development and effective IT use, among others.

We are capable of integrating media, IT and retailing to build an essential service infrastructure to operate an online supermarket effectively and efficiently. SUMMIT Netsuper is the first web-based supermarket in the Tokyo metropolitan area that delivers products from its dedicated distribution centers. This delivery style allows the online store to carry a wide selection of special items, such as premium fresh-from-the-farm products, as well as regular products available in brick-and-mortar Summit supermarkets.

Mineral Resources, Energy, Chemical & Electronics

The Mineral Resources, Energy, Chemical & Electronics Business Unit operates mineral resources, energy, basic chemicals and electronics, and life science businesses, and is working to create new value based on mutual trust with all our stakeholders by building a platform of co-existence and mutual prosperity with them.



San Cristobal Mine in Bolivia

Business Unit Overview

We are active in the fields of mineral resources, energy, basic chemicals and electronics, and life science.

In the mineral resources & energy business, we define copper, coal, iron ore, crude oil and gas as key strategic resources. Going forward, we intend to continue upgrading and expanding our prime assets with respect to each of these resources. We are also building depth in our mineral resources portfolio with interests in uranium, zinc, and rare metals such as nickel and cobalt. In trading activities in such areas as carbon products, ferrous raw materials, petroleum and gas, we are expanding business globally in China, Asia and other markets in which we expect demand to grow.

In the basic chemicals and electronics fields, we trade in cutting-edge electronic industry materials, as well as raw materials,

organic and inorganic chemicals and plastics. We also actively develop rare earth resources and conduct EMS* operations. In the life science field, we trade in pharmaceuticals, agricultural chemicals, household insecticides and pet-care products.

f(x) Strategies

We aim to strengthen our portfolio in both depth and quality to ensure that its earnings base is maintained and improved for the future. Measures include expanding and replacing existing interests, along with extending and upgrading upstream interests through new investments, in addition to ensuring steady execution of current major upstream projects. Reinforcing distinctive and highly sophisticated businesses in growing and emerging markets will also be important.

* EMS (Electronics Manufacturing Services): The provision of electronics device manufacturing services on a contract basis

Creating Social Value within the Mineral Resources, Energy, Chemical & Electronics Business Unit: Mineral Resources and Energy Field

Social & Environmental Context

Increasing world population places ever-greater stress on existing resource management systems

Risk of "resource nationalism"—the failure to use limited assets (resources) to develop the future out of uncertainty due to lack of the ability to generate vision/knowledge to plan ahead

Need for a fair mechanism for all stakeholders from resource-producing countries/regions to the end customer

Capabilities to Provide Solutions

Develop and demonstrate extensive knowledge and skills, which enable us to create new value beyond existing categories in the mineral resources and chemical industries (nurturing people)

Comprehensively integrated one-set management, from extraction and processing to marketing, allows for total process control with high efficiency and value creation based upon balanced demand (nurturing business)

Local focus in planning how to facilitate the promotion of local interests in realizing mutually beneficial development of resources and markets (nurturing dreams)

Goals for Social Value Creation

Create resource/asset investment/development cycles in place of unilateral flows of value, which allow the stable supply of essential materials, balanced industrial development, affordable and resilient economic development and mutual wellbeing among stakeholders

Transform resources into solution and limitations into staged plans for development which enable local communities to enjoy the benefits of their resources as investments for the future development of their communities

Promote "compliance in actions" whereby stakeholders gain mutual respect as partners in the future

Social Value Creation Goals within the Mineral Resources, Energy, Chemical & Electronics Business Unit

Through our business operations, including the mining project in Bolivia described below, the Mineral Resources, Energy, Chemical & Electronics Business Unit has been building a foundation for the continuous creation of new value based on mutual trust among stakeholders that include resource-holding nations, producers, and customers. We have also been working to build a mechanism that ensures our mineral resources development project will lead to the development of the local community and

ultimately sustainable and independent growth.

Moving ahead, our mineral resources and energy business will continue to focus on appropriate development of mineral resources, which enables a stable supply of key materials, economic growth, and harmonious co-existence with the local community. In our basic chemicals and electronics, and life science businesses we are also working to create new value by building platforms for co-existence and mutual prosperity with all of our stakeholders.



Kuniharu Nakamura
 Director
 Senior Managing Executive Officer
 General Manager
 Mineral Resources, Energy,
 Chemical & Electronics
 Business Unit

CASE STUDY

San Cristobal Mine Project in Bolivia

Social & Environmental Context

Bolivia introduced a market economy after its transition to democracy in 1982. However, the exacerbation of income inequalities led to frequent anti-government campaigns, mainly by indigenous people. In January 2006, Evo Morales became the first indigenous president in Bolivia.

Demand for mineral resources has been increasing due to the increase in the global population and economic development mainly in emerging countries. However, current mineral resources developments usually take place in locations with relatively high geopolitical risks and technological or technical difficulties.

While categorized as a developing country with a GDP per capita of US\$1,844, Bolivia is one of the largest resources-rich countries in the world, with abundant reserves of natural gas, zinc, lead, silver, and others. The Morales administration is aiming to connect resources development to the nation's economic and social development.

Business Overview

Sumitomo Corporation has participated in the San Cristobal Mine Project since its planning phase in 2006. The global financial turmoil triggered by the US subprime mortgage crisis in the fall of 2007, which occurred soon after the project started operation in August, severely affected the project's performance. However, as a result of our efforts to rehabilitate the project, the mine has grown to become the world's sixth largest mine for zinc concentrate by production volume, or the third largest by trade volume. In 2010, it simultaneously obtained three certifications for the following international management standards: quality, environment, and occupational health and safety. This is a testament to the world-class mining operations of our project, and our contributions to the sustainable development of the local community.



Capabilities to Provide Solutions

We can improve the operational systems of projects by making full use of our know-how that we, as an integrated trading company, have developed through managing a range of businesses globally. We can also establish a robust human resources development plan, bearing in mind localization of personnel, to ensure the sustainable growth of the project.

We can coordinate integrated value chains from upstream to downstream covering mining, processing and shipment at the site as well as worldwide marketing and sales of commodities and products.

We encourage mutual prosperity with local communities by building industrial and civil infrastructures (roads, bridges, electricity, water, medical services, etc.), raising local human resources to support the sustainability of their economy even after closure of the mine and organizing "reverse trade shows" to help develop local industries and services.

Social Value Creation within Our Business Units

General Products & Real Estate

As a trusted partner for all our stakeholders, the General Products & Real Estate Business Unit operates food, materials and supplies, and construction and real estate businesses, which contribute to sustainable lifestyles that enrich people's lives.



Oyamadai Condominium project in Tokyo

Business Unit Overview

We are active in three main businesses closely tied to daily life: food, materials and supplies, and construction and real estate.

In the food business, we have an integrated business model that extends from food production to quality management and sales. This model puts top priority on food safety and reliability, which are important to customers.

In the materials and supplies business, we are the industry leader in multiple fields, including tires, ready-mixed concrete, lumber and building materials and recovered paper.

In construction and real estate, our core businesses are the leasing and management of office buildings and retail facilities,

housing development and sales, and the real estate investment fund business. Efforts are also focused on large-scale, mixed-use development projects.

► For more information on our food businesses, please refer to Project Report 2 (from p.19).

f(x) Strategies

We will optimally allocate business resources based on changes in the industrial structure and regional markets, as we work to globalize our business operations.

Creating Social Value within the General Products & Real Estate Business Unit

Social & Environmental Context

Growing expectations for safe, reliable food and housing, as well as a comfortable, high-quality living environment

Fragmented management of resources in non-optimized (planned) production chains

Ineffective use of important and finite resources, such as forests, real estate, and farmland

Capabilities to Provide Solutions

Redesign relevant markets based on the value to the end customer

Optimize and reintegrate businesses through developing a long-term relationship of trust with a wide variety of partners

Develop business models that enable integrated management of tangible and intangible resources

Goals for Social Value Creation

Develop resource markets optimized upon pull driven resource stewardship models

Create high-quality life spaces where resource utilization is integrated and optimized to enable sustainable and rich lifestyles

Create managed "life infrastructures"—platforms for creating synergies of knowledge resources in life areas

Social Value Creation Goals within the General Products & Real Estate Business Unit

Through our business operations, including the timber business in the Russian Far East described below, in the General Products & Real Estate Business Unit, we are working to create fulfilling and sustainable lifestyles. To this end, we work together, sharing our values with like-minded partners, to build platforms that ensure appropriate management of finite resources and create

expertise synergy. In the food, materials & supplies, and construction and real estate markets in which we operate, we will continue to strive for total optimization of the markets by establishing a supply network that can meet true consumer demands. As a trusted partner for all our stakeholders, we will continue to contribute to creating sustainable lifestyles that enrich people's lives.



Shinichi Sasaki
 Director
 Senior Managing Executive Officer
 General Manager
 General Products & Real Estate Business Unit

CASE STUDY

Timber Business in the Russian Far East

Social & Environmental Context

There are limited sources for wood, used as the main residential building material and for other applications. In Russia, our partner Terneyles has its woodland closer to Japan, in the Primorskiy Region of the Russian Far East, which is one of the few forests in the world that consist of both hardwood and softwood trees that are older than 100 years.

Although the majority of wood exported from Russia was previously in the form of logs, the Russian government is now encouraging the export of Processed timber to add more value to the exported material.

It is essential to establish a sustainable timber business, and this requires not only the protection of forest resources but also due consideration for indigenous people and biodiversity.

Business Overview

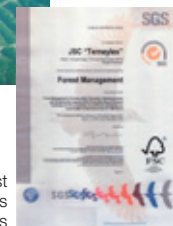
Sumitomo Corporation has a 45% interest in Terneyles, Russia's largest integrated forestry company. Terneyles manages its extensive forest resources, totaling some 2.6 million hectares, in an environmentally responsible manner.* The company has acquired Forest Stewardship Council (FSC) certification for all the forestlands in which it carries out logging.

The Sumitomo Corporation Group has also received Chain-of-Custody (CoC) certification, which is granted to processing and distribution businesses that meet specific standards in handling wood from FSC-certified forests. By managing the entire processes from logging to processing and distribution, we can ensure a stable supply of a range of wood products from logs to processed wood products to the Japanese, Korean and Chinese markets.

* Terneyles employs 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. The company also limits its annual logging to ensure that the volume of trees logged will never exceed the volume of trees grown. The company's efforts to protect indigenous residents and biodiversity were also recognized by World Wide Fund for Nature (WWF).



Ribbon cutting method



FSC certificate for all the forest holdings of Terneyles and its affiliates

Capabilities to Provide Solutions

Based on the findings from our study on existing practices in Western countries which focus on environmental friendliness and renewable forest resources businesses, we have started a sustainable timber business earlier than competitors. At the same time, we were able to identify market needs, develop an appropriate policy and implement local production accordingly.

Based on the knowledge, know-how, and business connections developed through our Russian timber business over many years, we can work with leading local partners, with whom we share the same values, to adopt an environmentally responsible logging method to manage the overall supply chain effectively and efficiently.

Keeping an eye on global market development in an appropriate and timely manner, we can make forays into fledgling markets early, grow the market together with local partners, and establish a sustainable timber business there.

New Industry Development & Cross-function

The New Industry Development & Cross-function Business Unit is engaged in the strategic development and promotion of businesses in new growth areas based on our company-wide perspectives. Our efforts, base on these medium- and long-term views, allow us to create new value that helps to achieve sustainable growth for society.



Thang Long Industrial Park in Vietnam

Business Unit Overview

Our business unit was reorganized in April 2010. We currently provide high-value-added financial and logistics services. These operations were previously conducted by our Financial and Logistics Business Unit. In addition, business activities in new industrial fields, such as the environment and new energy, were previously spread out among different business units. These businesses were consolidated in our business unit, enabling us to develop and promote each business from a companywide perspective.

In the new industrial field, we are strategically developing and promoting solar photovoltaic power generation, environmental and recycling businesses, emission trading and greenhouse gas reduction, and lithium-ion batteries, as well as venture investment targeting emerging markets and other growth fields. In financial services, we make a market in commodities including in derivative

products as one of the largest Japanese trading companies. We also run a leasing business focused on aircraft with Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL), a joint venture of Sumitomo Corporation. In logistics, we provide comprehensive logistics services worldwide, principally through Sumisho Global Logistics Co., Ltd. We also operate multiple high-value-added industrial park businesses in Vietnam and other countries.

► For more information on our photovoltaic generation projects and 4R project, please also refer to Project Report 3 (from p.23).

f(x) Strategies

We aim to increase our earnings by strategically developing and promoting business in new growth fields from a company-wide, medium and long-term perspective.

Creating Social Value within the New Industry Development & Cross-function Business Unit



Social Value Creation Goals within the New Industry Development & Cross-function Business Unit

Through our business operations, including the “4R” business described below, the New Industry Development & Cross-function Business Unit is creating new value by promoting innovations that enable the commercialization of high-potential, leading-edge technologies and the improvement of existing technologies to facilitate

socioeconomic progress at the earliest possible opportunity. We are striving toward these goals together with a variety of partners.

To build “win-win-win” relationships with our high potential partners worldwide, we will continue to create new markets with a synergetic cycle of value creation to build a low-carbon, recycling-oriented society.



Yasuyuki Abe
 Director
 Senior Managing Executive Officer
 General Manager
 New Industry Development &
 Cross-function Business Unit

CASE STUDY

“4R” Business Aiming at Promoting Second-life Uses of Lithium-ion Batteries

Social & Environmental Context

The widespread use of electric vehicles (EVs), presumably one of the most effective measures to reduce CO₂ emissions from the transportation sector, needs to be urgently promoted to address global environmental issues.

To increase the demand for EVs, it is important to overcome the major issues: cost and access to a charging infrastructure. The key to overcoming these challenges is to reduce the cost to the end user by, for instance, cultivating the second-life use market for lithium ion batteries, the most costly component of EVs. To make this happen, efforts must be made that extend beyond the automobile sector.

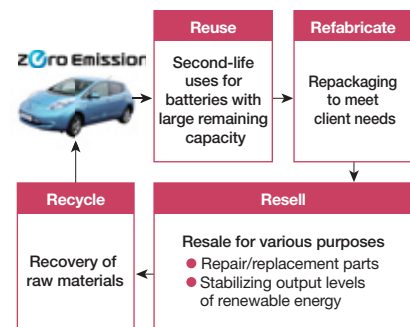
Smart grids* are attracting a lot of attention as a next-generation power infrastructure in a low-carbon society. This renewable energy requires storage devices that store excess electricity in response to fluctuations in energy demand.

Business Overview

In September 2010, Sumitomo Corporation established 4R Energy Corporation, a joint venture with Nissan Motor Co. Ltd. with the aim of commercializing second-life uses for the lithium-ion batteries mounted on Nissan’s electric vehicles (EVs).

“4R” represents our initiatives to reuse, refabricate, resell and recycle batteries from EVs. We are developing this business to cultivate the second-life use market for used lithium-ion batteries from various angles.

In 2011, we started joint demonstration tests with housing companies of energy storage systems linked to PV for single-family houses. Another demonstration test with Nissan Motor is also underway as part of 4R’s efforts to develop medium-sized energy storage systems for public and commercial facilities that need to reduce the power-usage during peak hours and shift their peak demand hours.



Capabilities to Provide Solutions

Taking a comprehensive view of multiple related sectors, such as automobiles, batteries, housing and commercial facilities, we can coordinate and create cross-boundary projects with new value. We can also identify business opportunities and translate them into new businesses.

We can plan and execute a new business based on our broad operational experience in the automobile industry from upstream (e.g., manufacturing) to downstream, as well as our extensive expertise in a wide range of related areas, such as procuring raw materials for lithium-ion batteries and manufacturing battery parts.

Taking advantage of the trust-based global network of the Sumitomo Corporation Group, we can make proposals to prospective partners in various sectors and create new value across multiple industries.

* **Smart grid:** The next generation power grid that aims at electricity demand/supply optimization by using information and communications technology (ICT)

Social Contribution Activities

Our Social Contribution Activities around the World

The Sumitomo Corporation Group, as a global organization, conducts social contribution activities aimed at addressing the social issues in many countries and regions around the world, while we work to further strengthen our relationships with local stakeholders and respect its unique natures and conditions in various areas.

Our social contribution activities are not limited to social support activities such as volunteer work or charity but as much more diversified.

In Europe, CIS, Middle East and Africa

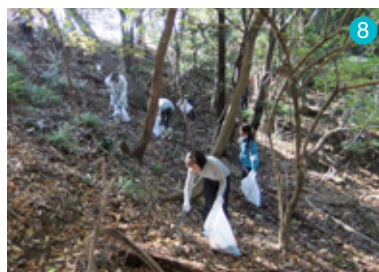
- Supporting Shakespeare's Globe Theatre (UK) ①
- Supporting Centrepoint to help young homeless people (UK) ②
- Helping children with disabilities to attend school (Romania)
- Supporting Japanese speech contests and Japanese festivals for children in Moscow (Russia) ③
- Supporting indigenous people as part of the timber business with Terneyles (Russia)
- Sending instructors to give skiing lessons at the Japanese School in Teheran (Iran)
- Supporting improvements to the educational infrastructure for children (South Africa)
- Establishing a local community center in partnership with Assmang Limited Chairman Desmond Sacco (South Africa) ④
- Supporting infrastructure and health care improvements for the local community as part of the Ambatovy Nickel Mine project (Madagascar)

In Japan

- Supporting the Junior Philharmonic Orchestra ⑤
- Promoting "barrier-free" movies ⑥
- Cooperating in vocational training for people with disabilities
- Donating part of the proceeds from a charity t-shirt sale by Marc Jacobs, a New York-based fashion brand, to the New York University School of Medicine's Interdisciplinary Melanoma Cooperative Group ⑦
- Participation in and sponsorship for local clean-up activities and various events ⑧
- Organizing events for local residents hosted by commercial complexes of the Sumitomo Corporation Group
- Cooperating in workplace tours and work experience programs for students and local residents
- Donating clothes and other goods to social welfare facilities and bazaars to support international students ⑨
- Supporting environmental NPOs and NGOs through donations to Keidanren Nature Conservation Fund and World Wide Fund for Nature (WWF)
- Blood donation campaigns to support the Japanese Red Cross Society



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The Sumitomo Corporation Group's Basic Principles on Social Contribution Activities

OBJECTIVE

We, as a global organization, will work on social issues through our business activities and social contribution activities with the aim of building a sustainable society by implementing the Sumitomo Corporation Group's Management Principles and Activity Guidelines.

ACTIVITIES

We will engage in social contribution activities aimed at developing the next generation of human resources who will drive the sustainable development of society, and contributing to local communities in areas we do business all over the world. We will also take part in various activities as a good corporate citizen.

APPROACH

We will perform and seek to continuously improve our activities with modesty and high aspirations and endeavor to maintain a high level of transparency while strengthening our relationships with all our stakeholders.

In Asia and Oceania

- Sumitomo Corporation Scholarship to help university students in Asia (various Asian countries) **10**
- Helping children in poverty-stricken areas in Yunnan, Anhui and Kuangtung provinces finish school (China)
- Internship programs in Shanghai and Guangzhou, and gathering events in Tianjin for university students (China) **11**
- Supporting programs of study tours to Japan for Chinese university students (China)
- Courses bearing the Sumitomo Corporation name at Tsinghua University (Beijing) and Nankai University (Tianjin) in China, and Hanoi National Economics University and Foreign Trade University in Hanoi, Vietnam **12**
- Cooperating in workplace tours and work experience programs for students (Singapore) **13**
- Supporting educational and infrastructure improvements for local communities as part of overseas industrial park development projects (the Philippines, Indonesia, Vietnam)
- Supporting educational and health care improvements for local communities as part of the Tanjung Jati B coal fired power plant project and the Batu Hijau Mine (copper, gold) project (Indonesia) **14**
- Japanese language education and culture learning for junior high school students (Vietnam)
- Donation to The Warren Centre for Advanced Engineering guaranteed by the University of Sydney (Australia)

In Americas

- Supporting the Center on Japanese Economy and Business, Columbia Business School (US)
- Donation to the Stephen Lewis Foundation that works to prevent the AIDS pandemic in Africa through the provision of education, health care services, food, etc. (US)
- Donation to Susan G. Komen for the Cure, the world's largest supporting organization for breast cancer patients (US) **15**
- Support for organizing Japan Day, an event to showcase Japanese culture (US) **16**
- Donations to the Lincoln Center (US)
- Donations to the Metropolitan Museum of Art (US)
- Donations to the Japanese American National Museum (US)
- Donations to United Way of New York City (US)
- Supporting Mid-Columbia Symphony (US)
- Supporting educational and infrastructure improvements for the local community as part of the San Cristobal Mine (silver, zinc, lead) project (Bolivia) **17**





Ms. Yoko Takahashi

President of Japan
Philanthropic Association

The unprecedented damage caused by the Great East Japan Earthquake on March 11, 2011, has served as a stark reminder that, just as we cannot live without relying on the blessings of nature, humankind is helpless against the overwhelming power of nature. The disaster has been a wake-up call for us to rethink the relationship between scientific and technological development and human wellbeing from the ground up.

Reconstruction efforts in the affected areas should aim to create new value, rather than merely bring those areas back to what they used to be. Key themes of these efforts include creating urban areas which use resources effectively, creating towns with organic connections linking their healthcare, welfare and education systems, and creating local communities that value bonding with people. Action is already being taken in various fields on these key themes.

Considering the roles expected of corporations in this context, I have reviewed the Sumitomo Corporation Report on Responsibility & Sustainability 2011 (the “Report”) to find that efforts are already underway around the world to create new value. I believe the accumulated experience and know-how as well as the people who make up the Sumitomo Corporation Group (the “Group”) can make significant positive contributions to the post-quake reconstruction process and hope to see the Group’s contributions in collaborating with related sectors.

A corporation’s management principles and action guidelines come into play, especially when society stands at a watershed in its history. The Group is committed to its management principles, including its commitment “to place prime importance on integrity and sound management with utmost respect for the individual” and “to foster a corporate culture full of vitality and conducive to innovation,” which I note characterizes the Group. This ethos is also represented by its latest watchword, “Growing Together.” Now more than ever before, these principles will be able to

guide the Group through its efforts toward creating new value. To ensure the Group can exercise its core competence, or the integrated corporate strength, it is essential to develop employees who can lead the organization—in other words, employees who can act like a concertmaster in an orchestra, according to the analogy used by President & CEO Susumu Kato. I can also see clearly that the Sumitomo Corporation Scholarships offered in developing countries as well as the courses bearing the name of Sumitomo Corporation at overseas universities such as Tsinghua University in China are conducted as part of its human resources development efforts as a global organization. The Report’s special article featuring a dialogue between Professor Davis and President Kato is commendable in that it delivers the Group’s strong and compelling message that CSR is inherent to its business operations.

I also note that the example projects introduced in the Report: (1) a mobile phone project in Mongolia, (2) food businesses in Asian countries based on the experience and know-how obtained from operations in Japan, and (3) a wide range of projects to achieve sustainable energy supply, are forward-looking activities for the sake of future generations, and I assume the Group is envisioning future expansion of those operations to create societal value. Especially, regarding a sustainable energy supply, these pioneering initiatives by the Group strongly suggest that Japan should take a leadership role in creating and implementing a roadmap toward a sustainable energy world.

I’ve learned that Sumitomo Corporation held a series of workshops called the “Aritai” Project last year to discuss each organization’s ideal image of its business for the next 10 years, as well as “growth stories” and roadmaps to achieve that ideal images. Sumitomo Corporation’s new medium-term management plan, “**f(x)**” (f-cross), was formulated to incorporate the action of the workshop, making visible and sharing long-term ideal images on the front lines, as one of the four key actions of “**f(x)**”. To achieve the “cross-boundary growth”—meaning the growth together with all our partners across regional, generational, and organizational boundaries—specified in the management plan, the entire Group needs to develop and implement specific actions. I assume that a new section of the Report developed this year is a part of the Company’s efforts toward the same ends. In the new section, Sumitomo Corporation’s Directors, who are also General Managers of its seven business units, state their intended social value creation goals and efforts with the case study articles, including their social and environmental context, their capabilities to provide solutions and their goals for social value creation of

each business unit. It is well summarized, taking into account the impact of the relevant issues and each business unit's actions on broader society. While this section is characterized as a report based on the discussion and practices within and outside the relevant business unit, it also represents the business unit's commitment towards the future. I believe this section will not only send a message to markets and society, but also inspire and motivate the employees of the Group.

In closing, I also would like to comment on the Group's social contribution activities. The Group is conducting a wide variety of social contribution activities around the world, demonstrating how a corporate citizen should be. A virtuous cycle is created by making these exemplary activities visible and sharing them broadly within the Group, which leads to fostering and strengthening the Group's vibrant, open-minded culture. Social contribution activities, which of course make meaningful contributions to

society, play a significant role in improving a company's CSR-related capabilities gradually yet steadily over the long term. Experience in these activities, which may seem irrelevant to business operations, will serve metaphorically as a "compass" that indicates which way to go when addressing inconsistent perspectives in professional and personal lives, rectifying the imbalance between scientific and technological redevelopment and Nature, and addressing other issues. As a next step, I hope the Group will bring the many activities covered by the Report to the next level from the CSR standpoint, evolving them into the creative philanthropy that helps drive social change. I believe this will also be important for developing future leaders.

The Report provides a testament to the Group's serious and solid efforts to achieve its ambitious CSR objectives. As a reader, I look forward to future reports to see further enhancement and evolution of the Group's activities in the future.

Response to the Third-Party Review

We would like to thank President Yoko Takahashi for her important review of the Sumitomo Corporation Report on Responsibility & Sustainability 2011.

As she pointed out in her review comments, for the Group, fulfilling CSR means implementing our corporate mission: "to achieve prosperity and realize dreams through sound business activities," by firmly maintaining our management style; "to place prime importance on integrity and sound management with utmost respect for the individual," and upholding our corporate culture; "to foster a corporate culture full of vitality and conducive to innovation." In other words, our CSR represents our Management Principles contributing to our "aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society."

We are required to respond appropriately to paradigm shifts taking place around the world, an example of which includes a growing interest in developing a sustainable society, particularly after the Great East Japan Earthquake. Our employees are at the forefront of a variety of global business arenas, striving to create new value, collaborating

with various partners across regional, generational and organizational boundaries. Our 2011 report presents specific examples of these employees' efforts under the theme of "Growing Together." Another highlight of the report this year is a new section that provides an overview of social value creation activities by our business units that operate a wide range of businesses. We hope this report will help readers to gain a better and more comprehensive understanding of how the Group has been fulfilling its responsibilities to society in our business activities. We will continue to take various measures to create an even better and more sustainable society together with our partners worldwide by utilizing our original capabilities to provide solutions. Your continued interest in and support for our CSR would be truly appreciated.

We at the Sumitomo Corporation Group will also continue to do all we can to report our CSR to our stakeholders.

Masayuki Doi

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



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