

Report on Responsibility & Sustainability **2012**



## Editorial Policy

The Sumitomo Corporation Group aims to “Be the Best, Be the One” by implementing its Management Principles. This means that we aspire to become an organization that earns society’s recognition by creating value that no other company can match. Serving as the universal and unchanging value and foundation for such endeavor is Sumitomo’s business philosophy, which teaches us to place prime importance on integrity and sound management, and not to pursue easy gains.

In this Sumitomo Corporation Report on Responsibility & Sustainability 2012, we report on our ideas and principles related to CSR, and specific activities carried out in the course of our business activities, taking as examples our steel service center business, mining equipment business in Mongolia, and plastic bottle collection and recycling business. The reporting on these specific projects also includes a summary of our goals for creating social value through the projects and distinctive strengths we exploit there.

You will also find in the report some examples of how we engaged various stakeholder groups and fulfilled our social responsibility to them.

In addition to this report, please visit our website to learn more about our CSR initiatives, including our management systems, and detailed or additional data on our CSR achievements and progress.




<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, 2011 to March 31, 2012  
(Some activities starting on or after April 1, 2012 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 October 2011.
- The next issue is scheduled for publication in the fall of 2013.

## 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 website 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.

Report on  
Responsibility & Sustainability  
2012

# CONTENTS

|  |    |
|--|----|
| <b>Message from the President and CEO</b>  | 3  |
| <b>Message from the Chair of the CSR Committee</b>   | 5  |
| Sumitomo's Business Philosophy / Sumitomo Corporation Group's Corporate Mission Statement  | 7  |
| Core Competence and the Medium-term Management Plan  | 9  |
| Company Information  | 10 |
| <b>Project Report Creating Social Value</b>  | 11 |
| <b>Report ①</b> Expanding from Japan to Asia and to the rest of the world: Our steel service center business's journey of evolution as a key supporter of industrial development | 13 |
| <b>Report ②</b> Contributing to the development of Mongolia through our mining equipment business  | 17 |
| <b>Report ③</b> Promoting an efficient collection and recycling system for used plastic bottles that helps to build a recycling-oriented society                                 | 21 |
| <b>Together with Stakeholders</b>  | 24 |
| Together with Customers  | 25 |
| Together with Business Partners  | 26 |
| Together with Employees  | 27 |
| Together with Society  | 29 |
| Together with the Global Environment   | 33 |
| Providing long-term assistance for recovery from the Great East Japan Earthquake   | 35 |
| Third-Party Review   | 39 |

# “Be the Best, Be the One”

## We aspire to become an organization that contributes broadly to society

I am delighted to present to you with the Sumitomo Corporation Report on Responsibility & Sustainability 2012.

### Global challenges

The globalization of the world economy, which has accelerated over the last quarter of a century, has brought social and economic advancement to the global community. At the same time, this “light” on globalization has a dark side that includes climate change and other global environmental problems; the tight supply of resources, energy, food, water, and other necessities spurred on by the rapid growth of emerging economies; and the widening gap between the haves and have-nots. These global issues have escalated to a level where they are threatening the sustainable development of international society.

I recognize that these global issues should not and cannot be tackled by national governments or international organizations alone. Rather, all organizations including businesses must face them as humanity’s common problems and play their part in finding solutions..

### CSR at the Sumitomo Corporation Group

The Sumitomo Group, which includes Sumitomo Corporation, has embraced and practiced Sumitomo’s Business Philosophy for the more than 400 years of its history. One of the credos of this philosophy says: “Benefit for self and others, private and public interests are one and the same.” This means that “Sumitomo’s business activities must benefit not only Sumitomo’s own businesses, but also society and the nation.”

The idea behind this credo—i.e., we must always view our business activities from the perspective of society—constitutes the essence of corporate social responsibility (CSR). It also provides the foundation for the Sumitomo Corporation Group’s Management Principles, which include “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,” and “To achieve prosperity and realize dreams through sound business activities.” Therefore, in the Sumitomo Corporation Group, CSR is embedded in our longstanding practice of following our Management Principles. In other words, our social responsibilities as a corporation are fulfilled in the course of our sound business activities, and our CSR activities are planned and implemented as business strategies after consulting with various stakeholders and considering what we can and should do as a corporation to help solve social issues.

In March 2009, the Sumitomo Corporation Group signed the UN Global Compact and declared its support for the 10 principles on human rights, labour standards, environment, and anti-corruption. In conducting our CSR activities as a global business group, we will respect these 10 principles, which share similar values with our Management Principles. We also refer to ISO 26000, the international standard on social responsibility, in designing and implementing specific activities.

### “Be the Best, Be the One”

We aim to create a virtuous cycle where we deliver value to society at large through our sound business activities, and build and strengthen the relationships



of trust with various stakeholders and thereby create new value and achieve mutual growth for ourselves, customers, and society.

I believe that making constant efforts toward this goal will allow us to create unique value that is unmatched and become a company that earns society's recognition. This will ultimately lead to achieving prosperity and realizing the dreams of our stakeholders.

To create and maintain such a virtuous cycle, we in the Sumitomo Corporation Group must endeavor to improve ourselves and consistently enhance our corporate value. What I mean by corporate value here is not limited to quantitative financial value. It also includes approval by various stakeholders ("We are glad Sumitomo Corporation is there"), their trust ("We will leave the matter to Sumitomo Corporation"), and their expectations ("Sumitomo Corporation will do it well for us"). All of them collectively add up to the true value of the company.

To this end, we will work to be an organization recognized by all stakeholders for its unmatched excellence, by having every employee work with spirit and pride, while demonstrating distinctive strengths befitting Sumitomo Corporation's identity and uniqueness. That is to "Be the Best, Be the One."

Moving forward, the Sumitomo Corporation Group will continue its constant efforts to achieve prosperity and realize the dreams of our stakeholders. We look forward to continuing our relationship with you.

October 2012

A handwritten signature in black ink, appearing to read "Kuniharu Nakamura". The signature is fluid and cursive, written over a light grey background.

**Kuniharu Nakamura**  
President and CEO

## CSR in the Sumitomo Corporation Group



**Masayuki Doi**

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

### Sumitomo Corporation's distinctive CSR activities

At the preamble to the Management Principles, the Sumitomo Corporation Group states its 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."

For the Sumitomo Corporation Group, CSR means promoting responsible corporate activities by placing prime importance on integrity and sound management based on Sumitomo's Business Philosophy 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 therefore work to build closer relationships with various stakeholders, through which we can obtain a good understanding of the issues society is facing, and make sincere efforts to help solve those issues. And all these activities we implement in accordance with the Management Principles constitute our distinctive CSR activities.

Maintaining the approach to CSR described above, we will continue to operate our businesses in a responsible manner and thereby pursue sustainable growth for society and our Group.

### Progress and achievements of our CSR efforts

In recent years, there have been a lot of changes in the global CSR landscape. For instance, ISO 26000, an international standard on social responsibility published in 2010, has been adopted by a great number of organizations around the world. Currently, it has substantially become a generally accepted international social responsibility guideline. Another major development is that the European Commission announced its renewed strategy for CSR in 2011. With the aim of promoting CSR

initiatives to help sustainable growth in the region, the strategy encourages European companies to adopt ISO 26000 and other internationally recognized standards and principles.

As these changes have urged corporations to meet higher standards on CSR, the Sumitomo Corporation Group is also expected to play a larger and stronger role in fulfilling such higher expectations and greater responsibilities to global society.

Given this, we will continue active engagement and interaction with external stakeholders to keep our CSR activities relevant to the changing social environment.

When it comes to our progress and achievements in CSR efforts during the last year, we took a wide variety of measures worldwide to promote among our employees a deeper understanding of our Management Principles, which provide the foundation of the CSR activities of our Group.

As an active participant in the Global Compact Japan Network, which we joined after signing the UN Global Compact in March 2009, we also worked with other corporate members from various industries last year to develop a recommendation on CSR management in the supply chain.

Last year, we also started to review the CSR-related systems and practices of our Group and supply chain partners to identify priority issues for our CSR initiatives, referring to ISO 26000 and other international standards. To further improve the quality of our CSR activities, we are planning to expand these efforts in the future.

### Report on Responsibility & Sustainability 2012

The Report focuses on reporting how the Sumitomo Corporation Group is practicing its Management Principles and how it is striving to create new value. We worked particularly hard to present the Social Value Creation Chart,\* which we introduced in last year's report, in an easy-to-understand manner in the Project Report section of the Report.

With the spirit and pride of each of our employees, the Sumitomo Corporation Group will aim to create new value and become an organization recognized by society. We will continue to strive to create value befitting Sumitomo Corporation's identity and uniqueness.

October 2012

\*Please refer to page 12 of the Report.

## Major CSR Promotion Activities

### Promoting deeper understanding of our Management Principles throughout the Group worldwide

We promote employee awareness of our Management Principles across the entire Group worldwide, recognizing that putting them into practice is the source of our value creation. To ensure all our employees regardless of their job titles or career levels and including locally hired employees working at our overseas offices and group companies, fully understand and follow the Management Principles in their work, we provide our employees many and repeated opportunities, including training programs, to learn, improve, and reaffirm their understanding. In addition, e-learning materials for all employees are available to facilitate their understanding of the Management Principles, including its history and the background behind its formulation.

With the advancement of our global operations in recent years, our overseas group companies have also

started to take their own initiatives to raise employee awareness. Such efforts will help each and every employee of the Sumitomo Corporation Group to gain a full understanding of the Management Principles and put them into practice in their daily business activities, which will put our core competence, integrated corporate strengths, into action on a global scale. In addition, we also believe that by sharing the values of the Management Principles with our business partners around the world, we will be able to build a stronger and more sustainable business foundation.



Training for locally hired employees

### Support for the UN Global Compact

The Sumitomo Corporation Group declared its support for the 10 principles of the UN Global Compact, as this international CSR-related initiative and our Management Principles share similar values. With our participation in the Global Compact, we committed ourselves to making further improvements by constantly considering enhancements to our business activities in light of the values advocated by the 10 principles.

We are also an active participant in the Global Compact Japan Network (GC-JN). As a member of the Supply Chain Subcommittee of the GC-JN since 2009, we discuss with other subcommittee members from various sectors the latest developments and effective practices and methodologies regarding CSR management in the supply chain. In fiscal 2012, the subcommittee published its recommendations on how companies should conduct their CSR activities across their supply chains.



GC-JN Supply Chain Working Group

#### The UN Global Compact's 10 Principles

##### Human Rights

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

##### Labour Standards

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

##### Environment

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

##### Anti-Corruption

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



### Supply Chain CSR management

To learn more about our supply chain CSR management, please refer to the following website.



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

# 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.

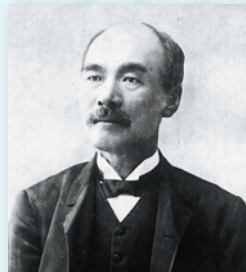
At the beginning, it urges the reader "Not only in matters of business but in all situations, make efforts with deepest gratitude in every aspect."

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, in 1973, 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

## Core Competence and the Medium-term Management Plan

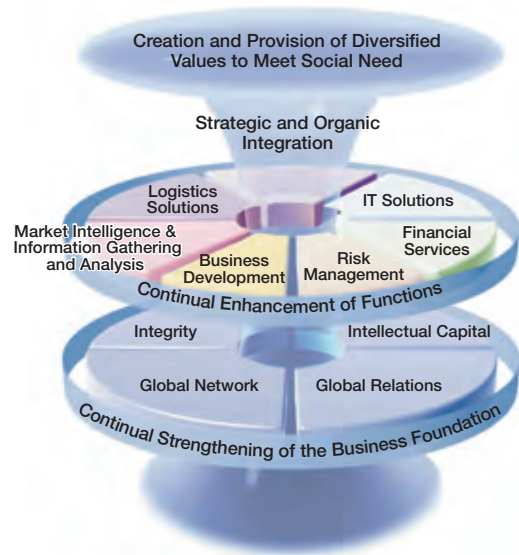
Leveraging our integrated corporate strengths, we aim to achieve cross-boundary growth together with all our partners across regional, generational, and organizational boundaries.

Based on the Medium-term Management Plan “ $f(x)$ ”(f-cross), the Sumitomo Corporation Group is striving to create new value as set forth in its Corporate Mission Statement, leveraging its core competence, integrated corporate strengths.

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

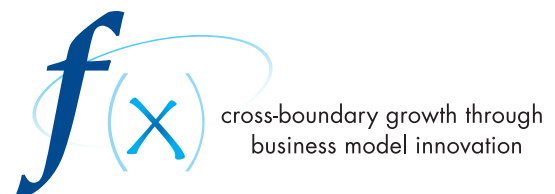
Our Integrated Corporate Strength is the source of the competitive advantage (core competence) of the Sumitomo Corporation Group as we pursue our businesses in a wide variety of fields. Our strategic and organic integration of the robust “business foundation” and diverse, high-level “functions” of Group companies, combined with the efforts of each and every Group employee, helps us respond to the various needs of our customers. At the same time, we create new value by always thinking one step ahead of global change. This capacity is what we call our “Integrated Corporate Strength”.

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



### Medium-term Management Plan: $f(x)$

Under our Medium-term Management Plan “ $f(x)$ ” effective from fiscal 2011, we are carrying on with the basic policies and measures adopted under our previous plan with a view to the next 10 years, EOCUS’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 defines value creation as our corporate vision, with the aim of achieving growth together with all our partners across regional, generational, and organizational boundaries.



#### Progress quantitative targets to Medium-term Management Plan: $f(x)$

| Medium-term Management Plan: $f(x)$ at onset | As of start of Fiscal 2012 |                  | Reference           |                            |                     |
|--|----------------------------|------------------|---------------------|----------------------------|---------------------|
|  | Fiscal 2011 plan           | Fiscal 2012 plan | Fiscal 2011 results | Fiscal 2012 plan (revised) | Fiscal 2010 results |
| Net Income (billions of yen)                 | 220.0                      | 260.0            | 250.7               | 260.0                      | 200.2               |
| Risk-adjusted Return Ratio*                  | -                          | 15% or more      | 16.5%               | 15% or more                | 13.9%               |

\*Risk-adjusted Return Ratio = net income/risk-adjusted assets (maximum possible losses). It is an indicator of profitability against quantified risk.

#### Two-year progress in B/S reforms to Medium-term Management Plan: $f(x)$

| Medium-term Management Plan: $f(x)$ at onset         | As of start of Fiscal 2012 |                     |                            |                           |
|--|----------------------------|---------------------|----------------------------|---------------------------|
| (Billions of yen)                                    | Two-year total             | Fiscal 2011 results | Fiscal 2012 plan (revised) | Two-year total (forecast) |
| Acquisition & Enhancement (new investments included) | +1,150.0 (+580.0)          | +570.0 (+220.0)     | +430.0 (+360.0)            | +1,000.0 (+580.0)         |
| Divestiture & Reduction                              | -1,150.0                   | -570.0              | -580.0                     | -1,150.0                  |

#### Four key actions

- 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.

 [http://www.sumitomocorp.co.jp/english/company/mid\\_term/index.html](http://www.sumitomocorp.co.jp/english/company/mid_term/index.html)

## Company Information

### Company Profile (As of March 31, 2012)

**Company Name:**

Sumitomo Corporation

**Establishment:**

December 24, 1919

**Number of Employees:**

5,185 (72,087 including consolidated subsidiaries)

**Headquarters:**

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

**URL:**

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

**Consolidated Shareholders' Equity:**

1,689.1 billion yen

**Fiscal Year End:**

March 31

**Number of Consolidated Subsidiaries:**

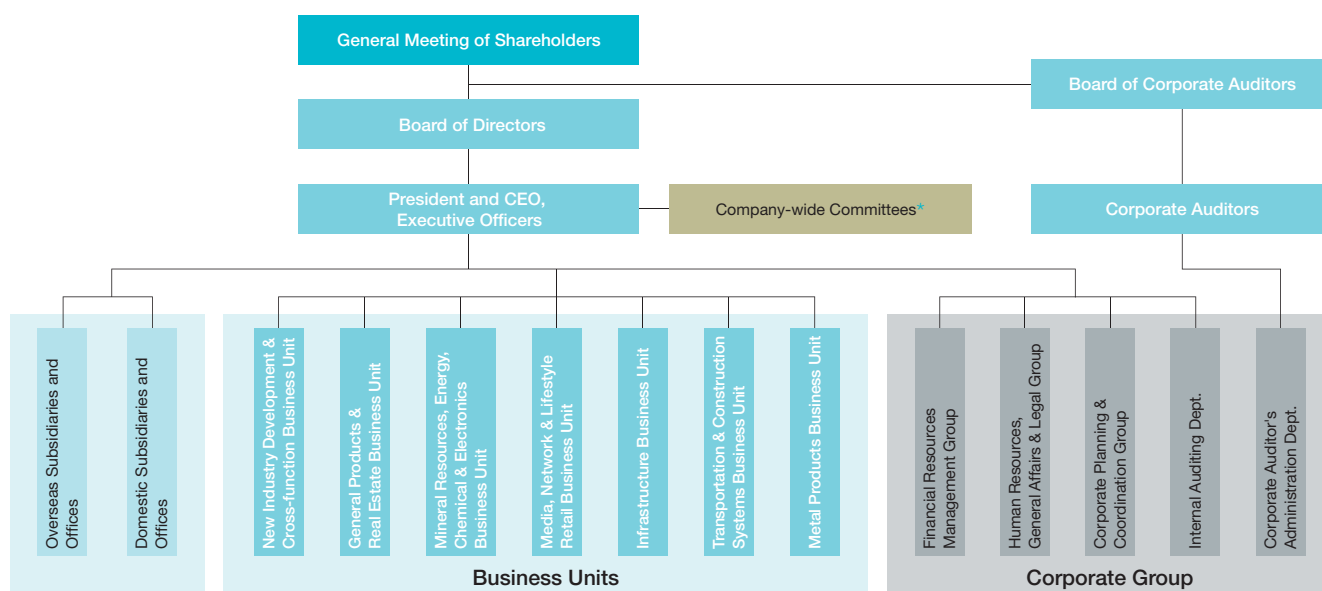
560 (overseas: 421, domestic: 139)

**Associated Companies (Equity Method):**

230 (overseas: 176, domestic: 54)

Total: 790 companies

## Organization



\***Company-wide Committees:** CSR Committee, Internal Control Committee, Compliance 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<br>U.S. GAAP | Fiscal 2008<br>U.S. GAAP | Fiscal 2009<br>U.S. GAAP | Fiscal 2010<br>IFRS | Fiscal 2011<br>IFRS |
|--------------------------------|---|--------------------------|--------------------------|--------------------------|---------------------|---------------------|
| Results of Operations          | Gross Profit                                    | 934.5                    | 935.2                    | 779.5                    | 864.0               | <b>918.8</b>        |
|                                | Net Financial Income                            | (27.6)                   | (21.5)                   | (12.8)                   | (8.1)               | <b>(3.9)</b>        |
|                                | Equity in Earnings of Associated Companies, net | 56.9                     | 90.0                     | 76.1                     | 95.6                | <b>110.6</b>        |
|                                | Net Income                                      | 238.9                    | 215.1                    | 155.2                    | 200.2               | <b>250.7</b>        |
| Financial Position at Year End | Total Assets                                    | 7,571.4                  | 7,018.2                  | 7,137.8                  | 7,230.5             | <b>7,226.8</b>      |
|                                | Shareholders' Equity                            | 1,492.7                  | 1,353.1                  | 1,583.7                  | 1,570.5             | <b>1,689.1</b>      |
|                                | Interest-Bearing Liabilities (net)              | 3,247.6                  | 3,186.8                  | 2,781.8                  | 3,056.3             | <b>2,786.7</b>      |
| Ratios                         | Shareholders' Equity Ratio (%)                  | 19.7                     | 19.3                     | 22.2                     | 21.7                | <b>23.4</b>         |
|                                | ROE (%)   | 16.1                     | 15.1                     | 10.6                     | 12.9                | <b>15.4</b>         |
|                                | ROA (%)   | 3.0                      | 2.9                      | 2.2                      | 2.8                 | <b>3.5</b>          |
|                                | Debt-Equity Ratio (net) (times)                 | 2.2                      | 2.4                      | 1.8                      | 1.9                 | <b>1.6</b>          |

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

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

## Project Report

# Creating Social Value

**Creating new value and contributing broadly to society—  
this is the vision of the business activities of the Sumitomo Corporation  
Group and this is what they achieve.**

The basic concept behind our various CSR activities, as the Chair of the CSR Committee stated on an earlier page of this report, is this: Our mission is to create new value and achieve sustainable growth together with society by operating sound business activities; and for that we need to obtain an accurate understanding of today's social issues, set relevant goals, and engage appropriately with stakeholders to fulfill our mission.

Given the roles that our business activities play in society, it would be fair to say that our new value creation can be defined from a CSR perspective as the creation of social value. In this section, we illustrate through the stories of three projects how we in the Sumitomo Corporation Group strive to create social value through our business activities based on the ideas and principles, and distinctive strengths and capabilities we use in our efforts.



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## CONTENTS

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### Report ①

Expanding from Japan to Asia and to the rest of the world:

Our steel service center business's journey of evolution as a key supporter of industrial development

▶p.13

### Report ②

Contributing to the development of Mongolia through our mining equipment business

▶p.17

### Report ③

Promoting an efficient collection and recycling system for used plastic bottles that helps to build a recycling-oriented society

▶p.21

## Social Value Creation Chart

Last year, we examined our business activities from a CSR point of view to identify the directions in which the efforts by each of our seven business units to create distinctive social value should be heading and what capabilities those business units can use to create the intended value. The results of these analyses are visually summarized in Social Value Creation Chart for each business unit.\*

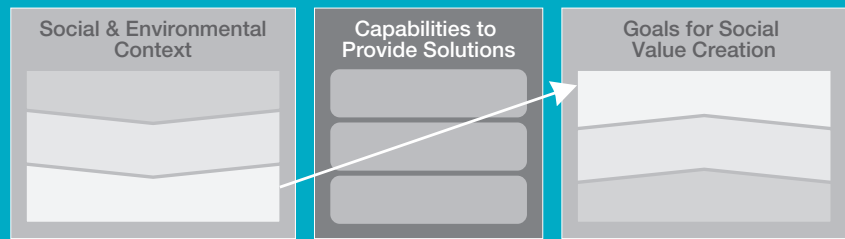
The chart consists of three parts:

- (i) Social & Environmental Context, our in-depth analysis of social issues related to a business unit's operational areas from a CSR perspective,
- (ii) Goals for Social Value Creation, medium and long term goals we aim to achieve through our business activities, taking into account the social and environmental context identified,
- (iii) Capabilities to Provide Solutions, a business

unit's distinctive strengths which can be drawn on in its collaborative efforts with business partners to achieve its mission in society and the medium- and long-term goals set out.

In the report this year, each project report contains a similar Social Value Creation Chart to present in a visually understandable way how we strive to create social value through the featured project.

Social Value Creation Chart



 \*Please refer to page 26 in our Report on Responsibility & Sustainability 2011. <http://www.sumitomocorp.co.jp/english/society/doc/env2011e.pdf>



## Sumitomo Corporation continues to provide solutions to the long-term and fundamental problems society faces

The social value mapping tool illustrated here in these case studies is unique to the Sumitomo Corporation and characteristic of its approach to contributing to the well-being of society directly through its business activities. By defining business opportunities within the context of providing solutions to the long-term and fundamental problems we face in achieving sustainable growth and prosperity, Sumitomo strives to align its business objectives with those of its stakeholders and create platforms upon which other corporations and public entities can establish their own businesses and in turn create further value. These maps are an attempt to illustrate this virtuous cycle.

Using its various strengths as a global network—one that integrates a wide variety of businesses and their attendant competences—Sumitomo is able to formulate and propose resilient and inclusive stories to transform entire markets and open the way for the future development of whole industries and regions. This approach to business as a process of planning and developing opportunities for sharing growth is of particular importance at present where many nations and regions are

foregoing the development of their natural resources because of a lack of a sure vision for the future or the wide range of abilities and skills necessary to formulate such a suitably viable vision.

These value creation maps are neither easy to read nor understand. They require thought and careful consideration. This is because they are not built around simplistic slogans or catch phrases.

They are instead illustrations of advanced and complex business projects within highly competitive markets. Despite their diversity, however, each of these cases show that the ideal of “Be the Best, Be the One” is not some form of convenient slogan but is actually being applied by the Sumitomo Corporation to their own immediate activities as a measure of their value as a business in terms of their ability to contribute to the future.



**Professor Scott Davis**  
External Advisor  
Professor of College  
of Business  
Rikkyo University

## Expanding from Japan to Asia and to the rest of the world: Our steel service center business's journey of evolution as a key supporter of industrial development

Through its consistent supply of steel products, a key industrial material for many sectors, the Sumitomo Corporation Group has supported the Japanese economy and contributed to the development of manufacturing and other industries worldwide. In fulfilling these roles, our coil center business has played a particularly important part, with its functions—based on our strong relationships of trust with customers—of material supply, inventory adjustment, and processing treatment.

Our Group identified customer needs correctly and opportunely and pioneered the establishment of a global network of coil centers. As a result of our continued efforts to add more value to this network by upgrading its functions, building a supply chain which can address change in demand, and optimizing the overall market, our coil centers have evolved into “steel service centers (SSCs),” which enable all parties involved to create value and improve productivity.

The Sumitomo Corporation Group will continue to expand and upgrade its SSC network and achieve more efficient resource allocation through innovation. We aim to achieve further development for customers, industrial communities around the world, and ourselves.



Hiroshi Wakashima  
Corporate Officer  
General Manager  
Iron & Steel Division, No. 2

### Social & Environmental Context

Supplying the right steel products at the right time in the right quantities in rapidly-growing emerging countries

From coil center business to SSC business (Adding higher value to services that meet evolving customer needs)

### Capabilities to Provide Solutions

Operational capabilities to deliver a variety of functions in an appropriate and timely manner

Network capabilities to ensure effective collaboration with customers' production sites on a global scale

Developing human resources who have strong business and interpersonal skills and can deliver results in a global marketplace

### Goals for Social Value Creation

Sustained development of the global industrial community

Efficient asset allocation through innovation

Optimizing the overall market by building a global supply chain that can respond to changes in demand



## Ensuring a stable supply of steel products by launching coil centers which serve various functions from customers' perspectives

Steel sheet is indispensable to industrial development as it is widely used in electric appliances, automobiles, construction projects, infrastructure development, and other industrial areas. Because of the wide range of applications, growth in demand often serves as a good indicator of economic growth. A trading company which provides this key industrial material therefore assumes responsibility for supporting industrial development by ensuring a stable supply of high-quality steel sheet to meet growing demand.

As the manufacturing and transportation of steel sheet products take a considerable time, a trading company must maintain a suitable level of inventory to meet customer demand in a timely way. As steel sheet is manufactured in large quantities, many customers also look for a processing service where steel sheet is treated as they require and cut to the size they need.

In order to meet customer needs tailored to the individual, a trading company needs to establish product supply facilities which can achieve just-in-time delivery of steel products as specified by the customer. This means that it is important to establish facilities—usually known as “coil centers”—located near customers' production sites that not only supply steel sheet but also have inventory adjustment and product processing functions.

Recognizing the importance of coil centers at an early date, the Sumitomo Corporation Group established Japan's first coil center in Osaka (currently, Sumisho Steel Sheets Works Co., Ltd.) in 1961, when a period of rapid economic growth had just

started in Japan. From then on, we continued expanding the size of our coil center operations and network to keep pace with the development of the Japanese economy so that we were able to meet the growing demand for steel products and support the country's economic growth.

## Expanding the network globally as a first mover in the industry to support Japanese companies entering overseas markets

Experiencing rapid growth during the country's economic boom, Japanese manufacturers accelerated their international expansion, spurred on by the strong yen in the wake of the Plaza Accord of 1985. Despite the necessity for constant procurement of quality steel materials in order to build factories and start production in South East Asia and other overseas countries, Japanese firms found it difficult to purchase in the local markets where industries were not fully developed. Steel manufacturers' supply networks were not fully developed either, and it was Japanese general trading companies that played the crucial role in satisfying their needs.

At first, most steels were procured in Japan and sent with other components to the overseas factories sites. However, with its firm belief that it is impossible to satisfy customer needs promptly without an operation near the customer, the Sumitomo Corporation Group made an early move to establish coil centers outside of Japan. After participating in the management of a local Singaporean company in 1977, we developed coil centers in Malaysia and Indonesia in the next few years. As Japanese companies expanded their overseas production bases in the region, our coil center network also expanded into Thailand, the Philippines, Vietnam, and other



Locations of steel service centers



ASEAN countries. In the 1990s, we also entered China, which had started to open up to foreign investment.

The establishment of these coil centers allowed us to offer a timely supply of high-quality steel products to customers' local factories. At the same time, we also started to use our integrated strengths to support Japanese companies in establishing overseas factories and subsidiaries. Through these activities, we became an indispensable partner for many Japanese companies with new or expanding international operations. It should also be noted that corporate Japan's active transfer of production bases into its Asian neighbors promoted rapid industrial development in the host countries, playing a major role in the growth of Asian economies.

In this way, the Sumitomo Corporation Group and Japanese manufacturers worked hand in hand to achieve successful overseas expansion and this contributed to the economic development of the countries in which Japanese

production facilities are located. Moving forward, we will continue aggressively to make strategic investments in emerging markets with growth potential.

### **Evolving from coil centers to steel service centers as a result of our constant efforts to add higher value to meet customer needs**

While constantly expanding its network, our coil center business also focused on upgrading and expanding its functions to meet its customers' evolving needs.

Our processing facilities were initially limited to providing standard functions, such as levelers for processing coiled steel into flat steel sheet, and slitters for cutting steel sheet to the sizes specified by customers. As customer needs became more diversified and complex, we upgraded the existing facilities in order to offer products in a greater variety of sizes and also

## Stakeholder's Voice

### **Working to meet growing demand in the Chinese market, we look to the Sumitomo Corporation Group's advanced support**

Our company was established in 1994 as a local production base to supply sophisticated Japanese high-quality products to the Chinese home electrical appliances market, which is seeing a rapid growth in demand in tandem with the country's economic development. As our business relationship with Sumitomo Corporation Group's SSC dates back to our establishment, the operations the Group offers are indispensable for our business. Among the Group's strengths, we particularly value their language proficiency. Because we can discuss even technical matters in Chinese with the SSC's Japanese staff members, we feel that our requests have been heard correctly and will receive a prompt response. We will continue to expect much from the characteristic cost competitiveness, operational quality, and manufacturing capabilities of the SSC, which performs the combined functions of a supply center and a processing factory.



**Mr. Cai Ting Wei**  
 Manager, Purchasing Dept.  
 Panasonic Home Appliances Microwave Oven (Shanghai) Co., Ltd.

## Sumitomo Spirits

### **With experience in managing an overseas group company at a young age, I would like to realize my childhood dream**

My father worked at a trading company, and so I spent part of my childhood overseas and wanted to become an international businessperson and work for the economic development of developing countries. I joined Sumitomo Corporation to realize this dream. However, becoming a senior manager at an overseas group company while still in my thirties was beyond my expectations and I felt a lot of pressure initially. A milestone came in the second year, when the World Expo was held in Shanghai. We developed a medium-term management plan and introduced a new HR system to address the rapid economic growth spurred by the international exposition. Putting together the new plan and the HR system was difficult, but this process allowed me to get my policies and ideas understood by my local staff and create an ethos of working together to create a better company. In the future, I also would like to expand my business field beyond Shanghai and broaden my horizon even further.



**Tomio Okada**  
 President & CEO  
 Shanghai Summit Metal Products Co., Ltd.  
 Shanghai Hi-Tec Metal Products Co., Ltd.  
 Assistant to General Manager, International Steel Sheet & Strip Business Dept., No. 1



## COLUMN

## Our global efforts to strengthen workplace health and safety at SSCs

Measures for workplace health and safety are an indispensable element in the smooth operation of steel service centers. Should a serious accident occur, it would affect the trust we have built with our local staff and the neighboring communities, and disrupt the stable supply of steel.

With this recognition in mind, the Sumitomo Corporation Group works to ensure that all SSCs worldwide implement globally consistent, world-class health and safety measures. Staffs dedicated to health and safety management visit each SSC to assess its operations and provide feedback and instructions for improvement. In addition, we provide many opportunities for our SSC members to learn together and from

each other, for instance by inviting local SSC employees to Japan and holding regional meetings for SSC employees who are in charge of health and safety management in the region. These activities help our SSC members embrace our workplace safety principles and policy and build a sense of unity and teamwork among them.



Workplace health and safety training

started more advanced and complex processes such as pressing, blanking, and even manufacturing dies.

Our distribution capabilities have also been evolving. We initially served as a warehouse for temporary storage with inventory adjustment and delivery schedule management functions, and then started to offer financing and other transaction-related support. In recent years, our offerings have expanded to cover customers' entire procurement operations, ranging from inventory control and order placement management aligned with production plans to order placement for secondary processing tasks and other operational processes.

As a result of constantly adding to our functions to meet customer needs, our coil centers have developed into steel service centers (SSCs), which are comprehensive distribution and processing facilities.

### Developing talented global players for business growth

With a strong customer base that includes Japanese and international and local companies operating through 38 companies at 59 locations in 14 countries and regions around the world, and boasting the industry's largest total annual production capacity of 7.6 million tons (2.3 million tons in Japan and 5.3 million tons overseas), our SSC operations have become a mainstay of the iron and steel business of our Group.

That being said, the SSC operation still needs to continue upgrading and evolving in order to always satisfy customer needs in a rapidly changing business environment. Important keys for success in our continuous efforts to improve our SSCs are: "operational capabilities" that offer a variety of functions; "network capabilities" that ensure collaboration within our network and support adjustments in our customers' global production and production transfer; and "excellent character and interpersonal skills," or the ability to quickly identify and meet customer needs, develop and provide optimal support services, and build stronger relationships of trust with customers.

Among those keys, we place particular importance on character and interpersonal skills. Accordingly, we have allocated dependable and experienced employees in their 50s to the management of SSCs. However, considering the growing size of our SSC network, which is planning to grow even further in the future, we urgently need to train younger employees who can assume management responsibilities for our SSCs. In response, we started a training program to train future managers for our overseas SSCs in 2010 for mid-level employees in their 30s and 40s. In this one-month training course offered twice a year, most instructors are employees who have experience in managing our overseas group companies. Participants can acquire the knowledge and know-how necessary to manage an overseas SSC company from these instructors' own experience and expertise.

Managing an overseas SSC unit requires a spectrum of knowledge ranging from the business practices of SSCs to labor management, process management, business planning, budget development, and compliance with local laws and regulations. The managers must also have excellent characters and interpersonal skills, which cannot be developed only by taking the training course, in order to manage non-Japanese staff members, who speak a different language and have a different cultural background, and ensure smooth business operations. While several employees who completed the training program are managing some of our overseas SSCs, their experience making hard decisions in top management will surely provide the best training for developing their characters and interpersonal skills.

We believe that overseas managerial experience will help their professional growth and they will be able to build stronger relationships with customers, enhance our SCC business further, achieve more efficient resource allocation through innovation, and ultimately assist customers' businesses with even higher-quality support. We will strive to create a chain of progress toward the sustained growth of our Group, our customers, and overall industrial communities.



## Project Report 2

# Contributing to the development of Mongolia through our mining equipment business

The Mongolian economy is continuing to grow rapidly, driven by the development of natural resources such as copper, gold, and coal. Sumitomo Corporation has entered the Mongolian market as the first step toward the global expansion of its mining equipment business. We were soon able to win a large contract with the Oyu Tolgoi Mine, one of the world's largest copper and gold mines. Behind this success were the Group's abundant skills and know-how built through its Canadian operations and the strong trust between Sumitomo Corporation and the local communities built over many years by the company's telecommunications and mobile phone business.



**Hiroto Fujiwara**  
 Manager, Mining Equipment Business Team  
 Construction Equipment Dept., No. 3

### Social & Environmental Context

Mongolia's ambition to use its rich underground resources to achieve economic growth

Need for after-sales service available 24/7 due to increased demand for construction equipment

### Capabilities to Provide Solutions

Capabilities to create businesses by building relationships of trust with various partners

Skills and know-how to enable global expansions (Global Mining Office operations)

Capabilities to develop and use human resources who possess advanced expertise

### Goals for Social Value Creation

Supporting the development of Mongolia's key industries through the construction equipment business

Developing TM to become Mongolia's No.1 technical service company

Promoting technical transfer and human resources development which can make a significant contribution to Mongolian society



**Winning a large contract to provide large mining machines for one of the world's largest copper and gold mine projects**

In Mongolia, a country with abundant underground resources, many large mine development projects are currently underway. Among them is the Oyu Tolgoi copper and gold mine, located in the South Gobi region, approximately 550 km south of the capital, Ulaanbaatar.

The Oyu Tolgoi mine is one of the world's largest copper-gold mines, with copper reserves of 25 million tons and gold reserves of 1,000 tons. The mine with its estimated mine life of up to 59 years is under joint development by the Mongolian government and Turquoise Hill Resources (formerly Ivanhoe Mines), a Canada-based resources development company whose majority shareholder is the resource giant Rio Tinto.

In June 2010, the mine project announced a large-scale tender for mining equipment. Among the several corporate bidders, SMS Equipment (SMS-E), Sumitomo Corporation's

Canadian subsidiary, won a contract in October 2010 through its Mongolian subsidiary, Transwest Mongolia (TM), to provide 40 Komatsu large mining machines. In addition to the contract price of 132 million dollars or approximately 10.9 billion yen, this large transaction was expected to generate additional constant revenue from after-sales service.

**The first step in the global expansion of our mining equipment business**

Sumitomo Corporation entered the mining equipment business market in Mongolia in 2008. Hiroto Fujiwara, then general manager of Ulaanbaatar Office, heard some useful information about the mining equipment business in the country from local acquaintances and reported that information to the Construction & Mining Systems Division at Head Office. The report came at a time when the Division had just launched its Global Mining Office (GMO) to pursue the possibilities of operating our mining equipment business globally.

After detailed discussions, the Division and the GMO decided to expand into the Mongolian market as the first step in our global expansion, and started to make preparations in partnership with Komatsu, the construction equipment manufacturer. TM was established as a local subsidiary of SMS-E in August 2009 to ensure that the new mining equipment business would take root in the Mongolian market. As a result, we succeeded in winning our first major mining equipment contract in Mongolia for the Oyu Tolgoi mine project.



## Success factors: our proven track record in Canada and strong relationships of trust with Mongolian stakeholders

The news that the Sumitomo Corporation Group, a newcomer with substantially no record or history in the major mining equipment business in Mongolia, acquired the contract with the Oyu Tolgoi mine, winning out over competition that had a wealth of experience in the local market, came as a surprise and attracted a lot of attention. We believe the following three factors led to our success.

The first was the competitiveness of the products themselves. Rio Tinto, the core operator at Oyu Tolgoi, had been using Komatsu's mining equipment for many of its mining projects around the world, and Rio Tinto had great confidence in the performance and durability of Komatsu products.

The second factor was the customer's trust and confidence in our technical and service capabilities. Although it had no experience in the Mongolian market, SMS-E, TM's parent company, had abundant experience in sales of mining and construction equipment in Canada. Highlights of its proven track record also include product delivery and assembly in extreme weather conditions and 24/7 after-service support and maintenance provision. Presumably, Rio Tinto, a key customer of SMS-E, had confidence in TM because it is a subsidiary of SMS-E.

And the third factor was the relationships of trust built between Sumitomo Corporation and Mongolian stakeholders over years in the telecommunications business. Since the 1990s, we have been involved in many telecommunications and broadcasting infrastructure development projects in the country.

Our local joint venture, MobiCom, makes a significant contribution to local communities by working to increase the use of mobile phones and improving the telecommunications environment, as well as by creating jobs and developing related industries. The deep trust we earned through these efforts no doubt led to local stakeholders trusting TM.

## Training Mongolian staff for the mining equipment business

After the successful bid, TM immediately started to assemble the manpower needed to do the work, which involved delivery and assembly of 40 mining machines at the site in Gobi Desert by the agreed dates and continuous provision of 24/7 maintenance and other after-sales services.

The transportation, assembly, and maintenance of large mining equipment require the expertise of skilled engineers and mechanics. Making the most of the human network of SMS-E's management, we recruited 40 international experts from the industry and sent them to TM. We also hired many local individuals with some experience in handling mining equipment.

Hiring skilled mining technicians was not easy because of the resource development boom. In response, TM had started to train Mongolian workers even before they won the contract.

Specifically, the company established a special course at the state-run Mongolian University of Science and Technology (MUST) in September 2010. On the course, which was designed to train specialist engineers and mechanics in the mining equipment field, TM's professionals explain the technologies involved in mining equipment and provide practical training in how to assemble and maintain the machines. In

## Stakeholder's Voice

### Joy of training successful engineers in Mongolia

I am teaching welding techniques at the Transwest Mongolia Training Institute (TMTI). TMTI is a vocational training center registered with the Mongolian government and provides training in the fields of mechanical, electrical, and welding engineering. All the training programs at TMTI are designed in accordance with the Australian Qualification Framework (AQF), a set of training standards highly rated by international mining technical training facilities. It gives me great pleasure to know that through my work I can help young students grow into skilled engineers who will be the future of Mongolia.



**Mr. Khishigbayar Lundeg**

Instructor  
(welding engineer)  
Transwest Mongolia  
Training Institute (TMTI)

### Want to become a skilled professional mechanic for heavy duty equipment and contribute to my country's development

I joined TMTI in March 2012 and am taking a training course with 37 classmates to become a heavy duty machine mechanic. During the first year at TMTI, we participated in a 12-week program in the classroom to learn technical English, technical drawing, how to repair engineering components, and other skills and then received on-site training at Oyu Tolgoi. Upon completion of four years of training at TMTI, we will become certified Komatsu engineers. I will continue to work hard to learn English and technical skills toward my goal of becoming a professional mechanic for heavy machinery. I look forward to contributing my skills to the development of my country.



**Mr. Battushig Togtokhbayar**

Trainee (mechanic)  
Transwest Mongolia  
Training Institute (TMTI)

## COLUMN

## MobiCom Class for building grassroots friendships with future leaders of Mongolia

MobiCom Class is an informal gathering of Japanese-speaking people in Ulaanbaatar, started in 2007 by Hiroto Fujiwara, then general manager of Sumitomo Corporation's Ulaanbaatar Office, as a personal and voluntary activity in collaboration with local Japanese teachers. After he returned to Japan, employees who have been transferred to MobiCom have been continuing his grassroots project.

In this monthly evening event, Mongolian students get together in a meeting room at the MobiCom office to talk in Japanese about Japan and Mongolia, on subjects ranging from society to business to culture, and from time to time to listen to talks given by guest speakers. Sometimes as many as 50 students from five universities in the country join the meeting and take part in the active discussion. The MobiCom Class is well-received by participants, who appreciate the opportunity to listen to

and talk with business people in person, something they cannot do in their university classes.



MobiCom Class

March 2011, immediately before shipping the equipment, TM launched a large training center with a wealth of training equipment in Ulaanbaatar to provide even more practical training for the trainees.

Thirty trainees who completed the course at MUST in November 2011 started work at the Oyu Tolgoi mine in 2012.

### Accelerating technology transfer toward the goal of a company managed and operated only by Mongolians

Meanwhile, TM had to cope with a ceiling on foreign workers in the workforce, which is imposed on companies in Mongolia, with different percentages being applied to different industry sectors. TM's quota was five percent. This means that TM, with its 40 foreign engineers, had to employ at least 760 Mongolians. The requirement was financially untenable, since recruiting and training that number of employees was impracticable.

We therefore started negotiating with the Mongolian government to solve the problem. The negotiations made little progress at first. We continued to explain patiently that the main purpose of hiring foreign technical staff was technical transfer and that it would not take employment opportunities away from local workers and that we intended to increase the representation of Mongolian employees in TM's workforce to 100% eventually. As a result, we were able to obtain special permission from the government for TM to be exempt from the foreign workforce rule.

### Supporting Mongolia's core industry as the No.1 technical service provider

Overcoming those bumps on the road, TM completed delivery of all the mining equipment ordered by the end of June 2012, which was the original deadline. Currently, the company is supporting full-scale mining operations at Oyu Tolgoi with its after-sales services.

As its next target, the company is also working to win a contract to provide mining and construction equipment for the Tavan Tolgoi coal mine, located in southern Mongolia. This coal mine project, involving the construction of peripheral facilities such as a railway and a thermal power plant, is anticipated to become the largest in Mongolian history.

To win the order, TM must maintain and even enhance the quality of its after-sales services and build a good track record and reputation in the Mongolian market. The Sumitomo Corporation Group will of course continue to focus on human resources development and educational support to train individuals who can play their part in the development of TM and other Mongolian organizations.

Our future goal is to make TM the No. 1 mining equipment technical services provider in Mongolia, mirroring the strong leadership position that SMS-E holds in Canada, and continue to support the development of the country's core industry for many years to come.

# Promoting an efficient collection and recycling system for used plastic bottles that helps to build a recycling-oriented society

As more and more waste is being generated in Japan today, waste disposal facilities are approaching their full capacity and we must use finite resources more effectively. To address these issues, more waste recycling needs to be introduced. Sumitomo Corporation is involved in the collection and recycling of used PET plastic bottles in Japan in partnership with the world's leading company with expertise and a proven track record in this area. With our unique strengths as a trading company, including extensive networks and advanced business model creation capabilities, we work to develop a more efficient system to collect and recycle used beverage containers and ultimately help build a recycling-oriented society.



**Daisuke Fujii**  
Executive Vice President  
Tomra Japan Ltd.  
Assistant to General Manager  
Environmental Solution  
Business Dept.

| Social & Environmental Context  | Capabilities to Provide Solutions   | Goals for Social Value Creation  |
|---|---|--|
| <p>Increased volume of waste plastic bottles; high costs of waste collection, storage, and transportation; drain of recycled materials to overseas markets</p> <p>Need for an efficient waste collection and recycling system in Japan</p> <p>Need for a mechanism to allow domestic use of recyclable resources in Japan</p> | <p>Extensive networks in the industrial community</p> <p>Capabilities to coordinate among stakeholders (Ability to build partnerships)</p> <p>Capabilities to create a win-win-win business model beneficial to all stakeholders involved</p> | <p>Building a recycling-oriented society</p> <p>Building an efficient collection and recycling system for supermarkets</p> <p>Creating a business model to promote the collection and recycling of waste PET bottles</p> |



## Launching a used PET bottle collection and recycling business in Japan in partnership with a world leader

Due to their many advantages, that include being lightweight, durable, easy-to-process, and hygienic, polyethylene terephthalate (PET) bottles are widely used as beverage containers and their production is growing year by year. At the same time, the volume of used PET bottles being disposed of is growing each year. For this reason, developing a more efficient collection and recycling system has become a social issue.

Tomra Systems ASA (Tomra), a Norwegian company founded in 1972, promotes efficient recycling systems through its proprietary reverse vending machines (RVMs) for automated collection of used PET bottles and other beverage containers. Tomra's RVMs are used in more than 50 countries around the world, mainly in Europe and North America, holding over 80% of the worldwide market.

Tomra traditionally operated in countries with deposit systems, where a refund is given for the return of a used container. As those countries represent only 15% of the world beverage market, the company, whose mission is to create sensor-based solutions for optimal resource productivity, was looking to expand into other countries that do not have deposit systems. And they selected Japan as their first target market.

Tomra found that there would be a lot of growth potential for its RVMs in Japan, because with recycling-conscious consumers and one of the highest PET bottle collection rates in the world, the country was facing the costly storage and transportation of enormous volumes of used containers collected.

Tomra started its operations in Japan in 2001, but had a difficult time. To sell RVMs in this new market, they had to approach many organizations, such as municipalities which collect and separate used plastic bottles, manufacturers engaged in the recycling business, and the national government formulating and regulating legislation on waste collection and recycling. While they were looking for a partner who has a strong and extensive network in the public and business sectors in Japan, they learned about Sumitomo Corporation, which was exploring opportunities to expand its environmental businesses.

That was the beginning of the creative and original green partnership between Tomra and Sumitomo Corporation, making the most of the synergy created by Tomra's unique technologies and abundant experience in PET bottle collection and recycling and Sumitomo Corporation's extensive networks and advanced business model creation capabilities.

## Building an innovative collection and recycling system, delivering benefit to all the parties involved

After forming a partnership in 2004, Sumitomo Corporation and Tomra established a joint venture, Tomra Japan Ltd. to launch full-scale operations in the Japanese market in July 2008.

Meanwhile, the parties participated in separate research projects by the Ministry of Economy, Trade and Industry (METI) and the Ministry of the Environment (MOE) to explore how best used PET bottles could be collected and recycled in Japan. Based on the results of the research projects, the joint venture focused its attention on large commercial facilities such as supermarkets. Japanese consumers usually rinse used PET bottles with water and remove the caps and packaging film before putting them into collection bins. Tomra Japan thought by installing RVMs at supermarkets that consumers visit on a daily basis, clean used PET bottles suitable for recycling could be collected efficiently in large numbers.

This system provides consumers with an additional means to dispose of used PET bottles, supplementing the role of the regular collection service offered by municipalities. It also allows municipalities to reduce the costs involved because the collection and transportation of used bottles is outsourced to the retailers participating in the system. For retailers, joining the system will result in them seeing their customers coming back to visit more often.



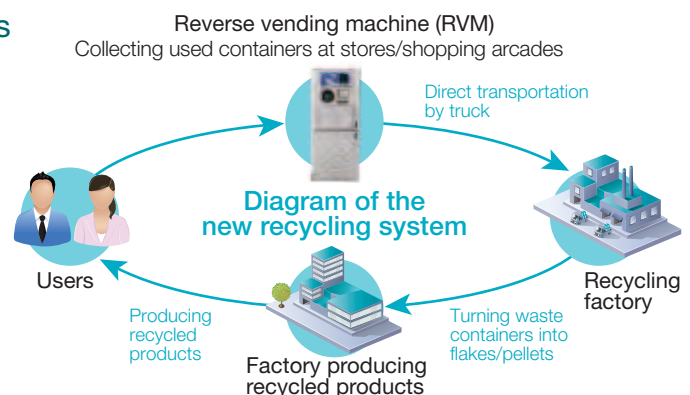
Flaked PET bottles processed with an RVM

## COLUMN

### Recycling system for PET bottles using RVMs

RVMs, Tomra's original invention, automatically separate waste PET bottles with an internal sensor and compact them at high speed to reduce the volume to one-eighth. In this way, the machines eliminate the need for manual separation and require a smaller storage space and lower collection and transportation costs.

RVMs also award points which can be redeemed when shopping and offer other features to encourage consumers to return used PET bottles for recycling.



In addition, the system enables the collection of high-quality used containers in large quantities and thereby contributes to increasing the value of those used bottles as recycled resources. Due to profitability concerns, the used PET bottles collected are often exported to China and other overseas markets with lower recycling costs, which has raised concerns over the flow of recyclable resources overseas. To address this issue, Tomra Japan is using Sumitomo Corporation's capabilities to provide solutions and working to establish a scheme to provide clean used containers to recycling vendors in Japan, who will then produce recycled products, such as PET bottles and food trays, with greater value added.

As a result of actively promoting this innovative collection and recycling system which delivers benefits to all the parties involved, in 2006 Tomra Japan entered into a contract with Adachi City, Tokyo, to collect used PET bottles. The company has been making steady progress since then, including the launch of a scheme to install RVMs at supermarkets in the Seven & i Group in 2012.

### Promoting easy and fun recycling activities to help build a recycling-oriented society

Since its establishment in 2008, Tomra Japan has installed more than 400 RVMs in Japan to date, and is currently working actively to achieve the goal of 3,000 units by fiscal 2015.

To accelerate the expansion of the business, the company would like to see the creation of a legal framework to promote the collection and recycling of waste containers. To this end,

Tomra Japan is actively engaged in information exchange activities with related regulators, such as METI and MOE, and is working to build a convincing track record as a trustworthy social system.

Revision of the Containers and Packaging Recycling Law is planned in 2013. A revised law encouraging the use of a wider variety of means of collecting used containers and packaging, for instance collection at retail stores, in addition to the existing regular collection by municipalities, would add a strong tailwind to our efforts to expand our business.

We believe that collecting and recycling used PET bottles through RVMs will appeal to consumers' at times unconscious desire to contribute to environmental conservation, and thus will encourage them to participate in recycling activities more actively. With this recognition, we provide and participate in awareness-raising and education programs for building a recycling-oriented society.

RVMs help consumers, children and adults alike, to learn about recycling. In fact, recycling demonstrations at stores often attract long lines of visitors. In September 2012, we also supported a family bus tour organized by Fuchu City, Tokyo, in which participants gathered at a store with RVMs and visited a recycling factory. We will continue to offer various opportunities to help raise public awareness of recycling.



Recycling demonstration at a store

## Stakeholder's Voice

### We hope to see the development of an even more advanced recycling system based on Adachi City's initiatives

Adachi City has introduced Tomra Japan's recycling system in a bid to address the sluggish increase in the volume of used PET bottles collected and to respond to citizens' growing environmental awareness. The system launched under the Adachi Eco Network Project offers the citizens of our city the opportunity to have fun participating in environmental activities. After installing RVMs, some stores collect more than 7,000 used PET bottles a day, which is far more than the city's regular collection service.

This project is widely recognized as an exemplary case of the partnership between the local government, a private sector company, and citizens. It was commended by the Ministry of the Environment for promoting the 3Rs (Reduce, Reuse, Recycle) in the category of containers and packaging in 2007. We hope Tomra Japan will create an even more efficient recycling system in the future based on the experience and know-how gained from this project in Adachi City.



**Mr. Teruo Ota**  
Manager of the Reduce  
Waste Promotion Section  
Environmental Department  
Adachi city

### Together with a trustworthy partner, we will create a recycling system that can serve as a model for the future

We have long been collecting used PET bottles as part of our customer service and as part of our activities as a responsible retailer. To expand this initiative across the entire group nationwide, we decided to adopt Tomra Japan's system, mainly because of the company's excellent proposal development capabilities, as well as the attractiveness of the system itself.

Through its proposals, we were able to see the company's capabilities of providing solutions to on-the-ground issues, its aspiration to establish a resource recycling system for domestic consumption, and its ability to make the arrangements needed to turn this aspiration into a reality. In addition, the stable operation and sincere attitude toward stores and shoppers that they demonstrated at the project in Adachi City, in which some of our Group stores participated, gave us a lot of confidence in them. We look forward to seeing this start-up project become a basic model for future recycling systems in Japan.



**Mr. Tatsuro Nagai**  
Environment Management  
Seven & i Holdings Co., Ltd.



# Together with Stakeholders

The Sumitomo Corporation Group aims to achieve prosperity and realize dreams of all its stakeholders, such as shareholders, investors, customers, suppliers, business partners, and employees, as well as the broader society including the global environment, through sound business activities. In this section, we illustrate through specific examples how we work with our stakeholders to promote and operate CSR activities.

Together with Customers  
▶ p.25

Together with Business Partners  
▶ p.26

Together with Employees  
▶ p.27

Together with Society  
▶ p.29

Together with the Global Environment  
▶ p.33

# Together with Customers

While we at the Sumitomo Corporation Group are engaged in various business-to-business (B-to-B) transactions as an integrated trading company, we also focus on business-to-consumers (B-to-C) businesses, such as TV shopping and supermarket businesses. With rigorous systems in place that are compliant with global standards, we act as a responsible consumer business operator to provide safe and reliable products and satisfying shopping experiences for our customers.

## Building customers' confidence in our TV shopping business

### Establishing world-class reliability in everything from customer contact to personal information protection

Jupiter Shop Channel Co., Ltd., the operator of Japan's largest TV shopping channel, aims to deliver "heart-pounding moments of delight" to customers everyday by leveraging its strengths—product competitiveness, program competitiveness, and operational competitiveness.

As part of its efforts to enhance consumer confidence in Shop Channel and the overall direct marketing industry, the company became one of the first Japanese retailers to adopt ISO 10002<sup>\*1</sup> in June 2008. In accordance with the international standard, the TV shopping leader has established a mechanism for listening to customers and incorporating their feedback into its merchandise, TV program, and customer service. In May 2012, the company also formulated its code of conduct following ISO 10001<sup>\*2</sup>, which includes rules on returning products with a defect or other problems.

To ensure the appropriate handling of customers' personal information, the company has also built a personal information protection and management system based on JISQ 15001<sup>\*3</sup> and obtained certifications in related areas.

**\*1 : ISO 10002**

International standard regarding the basic principles, frameworks, and processes of complaint handling, based on which Japan's JISQ 10002 was formulated.

**\*2 : ISO 10001**

International standard providing guidance for developing and publishing codes of conduct designed to take fair and prompt action in the event of a problem occurring to a product or service delivered, and thereby reducing customer complaints.

**\*3 : JISQ 15001**

Japan's national standard specifying requirements for personal information protection and management systems.



Call center of Jupiter Shop Channel Co., Ltd.

## Listening and valuing customers' opinions

### Adopting a consumer tester program in our supermarket operations

Summit, Inc., which operates a supermarket chain in and around Tokyo, launched a consumer tester program in 1978 to better reflect customers' opinions and requests into its store operations.

Under this system, usually 2 stores are selected every year to join the program and about 10 customers of each store are asked to take consumer tester activities. More than 1,000 customers have taken part to date. In a monthly testers' meeting, the top management of Summit meet with and listen to the testers in person, enabling the company to take action to address the issues and requests raised. For instance, the supermarket chain has recently introduced covered showcases for breads, prepared meals, and other unwrapped products to eliminate customer concerns over hygiene quality of those products on uncovered shelves. This is one of many improvements made from a customer perspective.

The New Product Popularity Contest is another example of our efforts to communicate closely with customers. In the competition event, items voted most popular by consumer testers receive awards, and the award-winning new products are publicized to a broader customer base.



Consumer testers' meeting at Summit, Inc.

# Together with Business Partners

The Sumitomo Corporation Group operates a wide range of projects around the world in collaboration with like-minded partners who share values such as philosophies, principles, aspirations, and ways of thinking. With those business partners, we build and maintain strong relationships of trust and work together to fulfill our social responsibilities. To this end, we maintain a fair and wholesome attitude toward business, which include the implementation of strict health, safety, and environment (HSE) management measures.

## Building strong partnerships with the world's leading firms

### Rigorous HSE management in a power plant expansion project in Indonesia

#### Building electricity infrastructures bolstering Indonesia's economic growth

In Indonesia, a country facing a chronic shortage of power that comes with continuous economic growth, Sumitomo Corporation has been engaged in power infrastructure businesses from thermal to hydro to geothermal power for more than 30 years, contributing to the stable supply of electricity in the country.

Under the continued tight electricity demand-supply situation anticipated, we have implemented an expansion project from 2008 to 2012 to double the power generation capacity of the Tanjung Jati B coal-fired thermal power plant (TJB), operated by our group's wholly-owned local subsidiary, P.T. Central Java Power.

In this expansion project, we engaged Fichtner to act as the in-house engineer, who supported our engineering and project management functions, and the globally renowned German engineering company and Sumitomo Corporation worked as a team. Meanwhile, we contracted with Japanese and international companies who are world-class, leading players in their respective fields to manufacture and install steam turbines, power generators, boilers, and the balance of plant.

#### Earning the trust of partners with our leadership role in HSE management

Successful implementation of such a large-scale project with the involvement of many project partners such as equipment manufacturers and construction companies requires solid

management of all the project activities, paying keen attention to health, safety, and environment. Without the assurance of a sound and healthy working environment at the manufacturing and installation sites, our business partners and local communities cannot trust us, which makes smooth implementation of the project difficult.

With this recognition in mind, equipment which met and even exceeded applicable environmental standards was installed and a most effective environmental conservation plan was established. A safety management team was also assembled with competent persons from partner companies. These HSE management efforts were led by Sumitomo Corporation itself, rather than being delegated entirely to Fichtner. Take site worker management for example. As the prime contractor, Sumitomo Corporation demonstrated its commitment to safety-first and environmentally conscious implementation by establishing a rigorous internal control system where schedule expediting managers and safety managers have clearly separate roles and responsibilities. As a result, all the companies engaged in the project were united, with shared values, in proceeding with the project, giving their fullest attention to HSE management. The outcome: project completion three months earlier than scheduled, which is an outstanding outcome for this kind of large-scale power construction business, without any HSE-related problems causing a serious interruption of project progress.

After the completion of the expansion project, TJB boasts a total power generation capacity of 2,640 MW, supplying electricity to meet some 13% of the peak power demand in the Java-Bali Grid, indicating TJB's position as a major power station in the country.



Safety management training (fire-fighting drill)



Safety management training (rescue drill)

# Together with Employees

The Sumitomo Corporation Group believes that employees are the greatest asset of a company, and that the true value of the Group is represented by an aggregate of the capabilities and experiences of individual Group employees around the world, including locally hired employees working in overseas offices and group companies.

With this firm belief, our human resource management focuses on the development of employees who practice SC VALUES\*1 with a good understanding of the Group's Management Principles and Activity Guidelines. With each and every employee's strengths combined, we will create new values and achieve our aspiration to "Be the Best, Be the One."

\*1. SC VALUES:

SC VALUES embody the core behavior based on our Management Principles and Activity Guidelines expected of all members of the Sumitomo Corporation Group.

## Human resource management at Sumitomo Corporation

### Recruitment policy with respect for basic human rights

As a global business operator, we look for talents who are able to and eager to work in the global business arena. To this end, we conduct fair recruitment activities with respect for basic human rights and no discrimination. Specifically, we apply the same screening process to all employee candidates, irrespective of their gender, academic background, or nationality, and our selection criteria consist only of applicants' aptitudes and abilities.

In addition to new graduates, we recruit mid-career employees on an ongoing basis, since attracting talents who can deliver results from day one forms part of our HR strategy. We also welcome many employees with disabilities: as of March 31, 2012, employees with disabilities represent 2.08% of our workforce, a higher percentage than the statutorily required level of 1.80%.

### Developing global talent

To achieve sustained growth, it is important for the Sumitomo Corporation Group to develop and execute business strategies and HR strategies in an integrated manner and recruit, develop, and utilize talented individuals who can contribute to our global operations, from both medium- and long-term perspectives. In line with this vision, we have been continuously providing training programs for specific career levels or job titles to locally hired employees in our overseas offices and group companies for more than 10 years. Every year, more than 300 Group employees visit the Tokyo Head Office to take training programs designed for their respective career levels. In line with our further expansions into growth markets, we also have a greater number of employees train overseas, primarily to learn Chinese, Russian, Spanish and other languages.

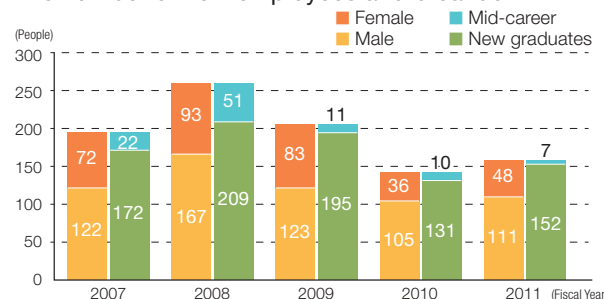
### Strengthening HR management on a company-wide level under the *f(x)* management plan

The current Medium-term Management Plan, "*f(x)*," for the period from fiscal 2011 calls for strengthening human resource management on a company-wide level as one of the four key actions. Based on this management plan, we are focusing our efforts to strengthen our recruitment and development of global talent and conducting strategic placement of human resources on a company-wide level.

## HR statistics

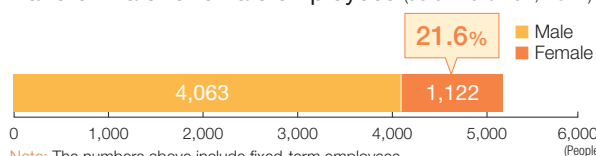
We provide a quality working environment that allows employees to work comfortably and perform to the best of their potential.

### The number of new employees and breakdown



Note: Number of new graduates employed in fiscal 2012: 186 (including 69 women)

### Ratio of male to female employees (as of March 31, 2012)



Note: The numbers above include fixed-term employees.

### Average employee turnover rate in fiscal 2011

**2.87%** Number of employees left the company in fiscal 2011: 152  
Total number of employees as of April 1, 2011: 5,302

### Overseas employees by region (as of March 31, 2012)

| Region                    | Locally hired | Hired by Head Office | Total        |
|---------------------------|---------------|----------------------|--------------|
| China                     | 489           | 66                   | 555          |
| Asia                      | 894           | 145                  | 1,039        |
| Middle East               | 219           | 42                   | 261          |
| Europe                    | 333           | 100                  | 433          |
| Africa                    | 59            | 13                   | 72           |
| North America             | 275           | 120                  | 395          |
| South and Central America | 192           | 26                   | 218          |
| Oceania                   | 61            | 18                   | 79           |
| <b>Total</b>              | <b>2,522</b>  | <b>530</b>           | <b>3,052</b> |

Note: Employees temporarily assigned to group companies are not included in the above figures.

## Strengthening the development of global talent

# Opening of a new training facility, Sumitomo Corporation Global HRD Center

In March 2012, Sumitomo Corporation Global HRD Center was completed in Ginza, Tokyo, near our Tokyo Head Office. The new training center serves as a training center to develop global talent and as a strategic multi-purpose facility. As a training center, we use this center to strengthen our human resources development across the entire Group worldwide and to encourage our diversified human resources management. The facility also provides a multipurpose and versatile space, supplementing Head Office functions. In this training center—designed to promote active communication among users by, for instance, housing “communication rooms” with different room design themes for different floors—we expect to see our global colleagues from around the world, irrespective of organization or country, meeting for intensive discussions on the future visions and strategies of our Group.



Sumitomo Corporation Global HRD Center

## Developing future executives who will lead the growth of the Group

# Offering Sumitomo Executive Management Program and other growth opportunities for future executives

Aiming to develop employees who can lead the sustained growth of the Sumitomo Corporation Group, Sumitomo Executive Management Program was launched in 2009 to help participants acquire necessary management knowledge and skills, always think in terms of the big picture, and develop their management principles and vision.

In line with our further global expansion, participants on the program also attend a one-week training course at IMD, a business school in Switzerland. Locally hired employees of our overseas offices and group companies also attend the made-to-order training course developed by Sumitomo Corporation and IMD. Discussing with other participants in English such themes as business model innovation and global leadership provides participants with a great opportunity to think seriously about what constitutes the globalization of the

Sumitomo Corporation Group and what is required for participants to play a positive role in the company’s global operations.



Sumitomo Global Excellence Program at IMD

## Developing human resources of the Group on a global basis

# Providing e-learning programs globally at SBC

Sumitomo Business College (SBC), a company-wide training program started in fiscal 2001, offers a range of mandatory courses for specific career levels or job titles, as well as theme-based, or skills-based practical programs. More than 15,000 employees each year take these training sessions to acquire necessary business knowledge and skills.

SBC offers training programs in two formats: on-site group training and e-learning. To meet the growing needs for the training of locally hired employees of our overseas offices and group companies, some of the e-learning programs are being made available in English from fiscal 2012. To further strengthen our human resources development on a global basis, we will continue offering learning tools in English to help employees learn about trading practices, risk management and other knowledge and skills which are commonly required to work in an integrated trading company.



English version of our e-learning program

Please refer to the following websites to learn more about our human resources management and work-life balance initiatives:



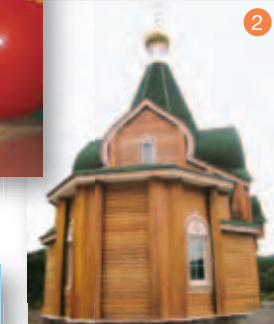
[http://www.sumitomocorp.co.jp/english/company/management\\_policy/talent/index.html](http://www.sumitomocorp.co.jp/english/company/management_policy/talent/index.html)



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

# Together with Society

The Sumitomo Corporation Group, as a global organization, conducts social contribution activities in many countries and regions around the world while working to further strengthen its relationships with local stakeholders in consideration of the unique social conditions of each community.



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## In Europe, CIS, Middle East and Africa

- Supporting Shakespeare's Globe Theatre (UK)
- Supporting Centrepoin to help young homeless people (UK)
- Working with a local NGO to help children with disabilities to attend school (Romania) **1**
- Supporting indigenous people as part of the timber business with Terneyles (Russia) **2**
- Supporting Japanese speech contests (Russia, Ukraine, Kazakhstan)
- Participating in a tree-planting event organized by a local NGO: "Bought a car? Plant a tree!" (Ukraine) **3**
- Donating a piano to Istanbul Japanese School (Turkey) **p.32**
- Supporting events celebrating the 40th anniversary of the establishment of diplomatic relations between Japan and Qatar (Qatar)
- Supporting demining activities (Angola) **p.32**
- Supporting infrastructure and health care improvements for the local community as part of the Ambatovy Nickel Mine project (Madagascar) **4**

## In Japan

- Providing long-term assistance for recovery from the Great East Japan Earthquake **p.35**
- Supporting the Junior Philharmonic Orchestra **5**
- Promoting "barrier-free" movies **6**
- An annual local clean-up activity "CLEAN UP OUR TOWN" by J:COM, a cable TV operator **7**
- Donating clothes and other goods to social welfare facilities and bazaars to support international students
- Organizing events for local residents hosted by commercial complexes of the Sumitomo Corporation Group **8**
- Supporting vocational training for people with disabilities
- Blood donation campaigns to support the Japanese Red Cross Society
- Supporting environmental NPOs and NGOs through donations to Keidanren Nature Conservation Fund and World Wide Fund for Nature (WWF)
- Workplace tours and work experience programs for students and local residents
- Collecting and donating used stamps, prepaid cards, and PET bottle caps
- Supporting TABLE FOR TWO activities

## 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) **9**
- Internship programs, work experience programs, and office tours for students (various Asian countries) **10**
- 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
- Helping children in poverty-stricken areas in Yunnan, Anhui and Guangdong provinces finish school (China)
- Supporting programs of study tours to Japan for Chinese university students (China)
- Hosting Japanese-speaking gatherings, MobiCom Class (Mongolia) **p.20**
- Supporting Japan-Korea Exchange Festival (South Korea) **11**
- Donating school uniforms and school supplies to elementary school students (Myanmar) **p.32**
- 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)
- Japanese language education and culture learning for junior high school students (Vietnam) **12**
- Supporting educational and infrastructure improvements for local communities as part of overseas industrial park development projects (the Philippines, Indonesia, Vietnam) **13**
- Donation to The Warren Centre for Advanced Engineering guaranteed by the University of Sydney (Australia)

## In Americas

- Supporting various programs and events to celebrate the 100th anniversary of Japan's donation of cherry trees (US)
- Supporting the Center on Japanese Economy and Business, Columbia Business School (US) **14**
- Support for organizing Japan Day, an event to showcase Japanese culture (US) **15**
- Supporting the efforts to develop a cure for leukemia, Alzheimer's, and other diseases (US)
- Supporting art museums such as the Metropolitan Museum of Art, the Lincoln Center, and the Museum of Modern Art (MoMA) (US)
- Supporting Toys for Tots program to give toys to underprivileged children (US) **16**
- Supporting The First Tee of Columbian Basin, a youth development program providing educational programs and life-enhancing values through the game of golf (US) **17**
- Supporting areas affected by catastrophic hurricanes in the South and Midwest (US)
- Acting as a good corporate neighbor in the San Cristobal Mine project (Bolivia) **p.31**

## Together with Society

**Building harmonious relationships with local communities**

**Acting as a good corporate neighbor in our mine project in Bolivia**

**Keen recognition of our responsibilities to the local community in which we operate**

Sumitomo Corporation has been participating in the San Cristobal Mine project in Bolivia, one of the world's richest countries in natural resources reserves, since 2006. We produce lead and zinc concentrates through its wholly-owned group company, Minera San Cristobal (MSC).

Operating such a large-scale project overseas requires due consideration to local communities and the surrounding environment to achieve sustainable growth together with the communities.

MSC pursues the strategic goal of fulfilling its social responsibility to the local community in which it operates, and maintaining a sound workplace environment during, and even after, its operation. To protect the surrounding environment, MSC periodically monitors the mine's impact on the environment and makes the necessary improvements when needed, so that the company can ensure the use of natural resources in an efficient, rational and sustainable manner while complying with the regulations on six environmental factors: the quality of air, water, soil, noises, plants and animals, and socioeconomic conditions.



Monitoring water level and quality

**Construction of a large environmental protection facility on our own initiative**

Dust control is one of the most important environmental measures for a mine project, particularly for the San Cristobal Mine, which is located 4,000 meters above sea level and often exposed to strong winds of 35 to 40 meters per second. To prevent dust at the mining site spread in the air, MSC constructed Bolivia's first dust control dome in September 2011.

The dome, 140 meters in diameter and 59 meters in height, is the largest of its kind in South America. MSC followed its safety-first policy and completed the construction with zero accidents, while the construction process was temporarily suspended due to strong winds, resulting in a later-than-scheduled completion date.

Praising this environmental measure by MSC, which built a dome costing more than 10 million dollars on its own initiative, the local governor at the completion ceremony said, "With this dome completed, people in the neighboring areas can enjoy clean air without concerns. We hope the other mines will follow the example of San Cristobal Mine with appropriate environmental management activities."



Bolivia's first dust control dome



## Contributing to Japan-Turkey cultural exchange

### Donating a piano to Istanbul Japanese School

Aiming to maintain harmonious relationships with the local communities, Sumitomo Corporation Dis Ticaret A.S. is engaged in local community support activities on an ongoing basis. As part of these efforts, the company donated a piano to Istanbul Japanese School.

With its employees having served as chairman and vice chairman of the Japanese Society in Turkey since 2009, the company witnessed firsthand how significant the contributions that students of the Japanese School make to cultural exchange between the two countries. We hope the piano will help improve the quality of music education at the Japanese School and further promote the cultural relationship between Japan and Turkey.



Students of Istanbul Japanese School

## Collaboration with a Japanese NPO

### Supporting demining activities in Angola

Sumitomo Corporation has been supporting Japan Mine Action Service (JMAS) since 2008. In Angola, we provide this Japanese NPO with financial assistance, office space, and a variety of necessary support by using the local network that we have built up for many years through our operations in that country. Our support has led to JMAS's launch of landmine removal operations in Angola in 2009. While we will continue supporting JMAS's activities, we will also provide assistance for other initiatives to develop the next generation of human resources, such as donating uniforms and balls to local boys' soccer clubs.



Komatsu's equipment for removing anti-personal landmines

## Supporting local schools and students

### Donating school uniforms and school supplies to elementary school students in Myanmar

Yangon Office of Sumitomo Corporation Asia Pte. Ltd. has been donating school uniforms and school supplies to local primary school students in the Mingaladon township (located on the outskirts of Yangon) since 2005. The latest activities include the donation of school bags, textbooks, stationery, umbrellas and other items to three primary schools in May 2012.

Representatives of Yangon Office visited the schools to deliver these school supplies in person. Each recipient school held a ceremony to welcome our representatives who spent an amiable time with the teachers and students.



Students with our donated school supplies

Please refer to the following website to learn more about our social contribution activities:



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

# Together with the Global Environment

Under our groupwide environmental policy, we are involved in various activities to protect the global environment. Indeed, pursuing industrial prosperity and environmental wellbeing at the same time has long been a tradition of Sumitomo. While working to minimize our own environmental footprint, we make the most of our integrated corporate strengths and operate various businesses that will help environmental conservation and improvement.

## Building a harmonious relationship between automobiles and the global environment

### Holistic efforts to promote the use of electric vehicles

#### Promoting electric vehicles as a key contributor in reducing environmental impact

Sumitomo Mitsui Auto Service Company, Limited (SMAS) provides a full range of automobile management services, including automobile leasing, under its slogan, “Smart mobility with a smile”.

In recent years, growing environmental awareness around the world has led to an intensifying demand for a reduction in the environmental impact of automobiles. SMAS is actively involved in environmental management, guided by a corporate philosophy that aims to contribute to the development of motorized community and enhance the global environment. Certification in ISO 14001, a leading international management system, at 47 business sites in Japan is among many environmental efforts SMAS has made to date.

Another major environmental initiative since 2009 is the promotion of electric cars and other electric vehicles (EVs). As EVs do not require the use of gasoline or other fossil fuels and emit no exhaust gasses, many countries around the world position EVs as the next-generation vehicles to replace gasoline-powered ones, and are accordingly working to put more EVs on the road. For SMAS, promotion of EVs is an activity that embodies its aforementioned management principles, and it also represents the fulfillment of its responsibility to society as the industry leader in the automobile leasing business.

#### A wide variety of activities under the watchword, “Green Fleet Management”

To promote the use of EVs, SMAS takes holistic measures while taking advantage of our Group’s integrated corporate strengths. The watchword in these efforts is: “Green Fleet Management.”

The term refers to a one-stop service for the safe, comfortable, and efficient operation and management of EV-related systems, covering everything from the supply of EVs, pre-launch consultation, the development of charging stations and other necessary infrastructures, to post-launch maintenance. This unique Green Fleet Management service has allowed SMAS to steadily increase its experience in this field in Japan, including adding EVs to taxi fleets, leasing electric buses as plant tour vehicles, and leasing rental electric motorcycles to rental business at tourist sites.

In addition to providing services to EV users, SMAS also delivers its proposals incorporating user feedback to automobile manufactures, and national and local governments, participates in environment-themed events, and conducts many other activities to promote the public awareness and use of EVs, the next-generation vehicles. Through these efforts, SMAS is striving to help create a society with clean-fuel automobiles—in other words, electric vehicles.



Demonstration and test drive event using the company’s EV fleet



Suntory Minami Alps Hakushu Water Plant and Hakushu Distillery in Yamanashi

## Contributing to mitigating climate change

# Operating a fluorocarbon refrigerant recycling business in North America

### Adding a fluorocarbon refrigerant recycle operator into our Group

In May 2012, Diversified CPC, International Inc. (DCPC), a leading propellant gas supplier and a subsidiary of Sumitomo Corporation of America, announced the acquisition of substantially all the assets of Pure Chem Separation, L.P. (PCS), a provider of fluorocarbon refrigerant recycle services.

Fluorocarbon refrigerants include CFC refrigerants, first-generation refrigerants that are a major culprit in the destruction of the ozone layer and no longer used in new products, and HCFC refrigerants or second-generation refrigerants, use of which is being phased out. In the United States, where DCPC is located, those refrigerants are subject to increasingly stringent regulations by the Environmental Protection Agency (EPA). For instance, the EPA has decided to phase out the manufacture of new HCFC refrigerants and is strongly recommending the use of recycled ones. Although the use of CFCs has been already abolished, many CFCs have not yet been destroyed: they have been stored or left unattended. To address this situation, the controlled destruction of existing CFC refrigerants is now underway through the carbon credit scheme.

In recent years, HCFC refrigerants have been increasingly replaced by HFC ones, which are also called alternative refrigerants, or third-generation refrigerants. Unlike their fluorocarbon-based predecessors, HFCs do not cause depletion of the ozone layer. Still, the alternative refrigerants have a high global-warming coefficient value, contributing to global warming. This indicates that HFC refrigerants are highly likely to follow a similar path of the first- and second-generation refrigerants: growing global demand for the appropriate reclaim of used refrigerants for recycling or destruction.

Given these developments, adding a refrigerant recycle operator into our Group and our support in expanding and energizing the operations of the acquired business will help prevent ozone depletion

and global warming, contributing to the conservation and protection of the global environment. This recognition was behind our decision to go ahead with the acquisition.



Distillation column

### Leveraging our Group's integrated corporate strengths to expand the sustainable recycling business

Recycling of used refrigerants requires advanced techniques and capabilities because collected refrigerants are mixed with water, oil, heavy metals or other materials, and refrigerants themselves consist of multiple types of gaseous coolants. PCS boasts the highest technical excellence in the industry, which include a high-performance distillation column that is capable of processing all types of mixed refrigerants of any generations.

With the combination of PCS's world-class recycling capabilities and the Sumitomo Corporation Group's creditworthiness, network, and financial strengths, our refrigerant recycling business is well-positioned for rapid expansion. DCPC's aerosol-related expertise is also expected to bring synergy to this business.

Toward the expansion and international operations of this recycling business in the future, we are first focusing on reclaiming yet-to-be-recycled stored refrigerants, making the best use of our Group's network.



Employees of Diversified Pure Chem, LLC\*

\*A new company created as a result of DCPC's acquisition of PCS

Please refer to the following website to learn more about our environmental contribution activities:



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

# Providing long-term assistance for recovery from the Great East Japan Earthquake

The Sumitomo Corporation Group supports efforts to recover from natural disasters worldwide by making donations and offering various other kinds of support. When the devastating earthquake and tsunami hit East Japan in March 11, 2011, we immediately set up an emergency response team headed by the President and CEO of Sumitomo Corporation to determine the safety of employees of our Group, make arrangement for the provision of relief aid, contact customers and business partners to check on their status, support and join in the recovery efforts, and take other actions that were necessary. We were fortunate to be able to confirm the safety of all the employees of our Group, although the unprecedented disaster caused some damage to the facilities of our group companies in the Tohoku region. To support victims and affected communities, our group companies immediately started to collect and deliver emergency aid supplies and made donations. We have continued providing assistance to disaster victims and affected areas since then, thinking how best we can contribute our strengths as an integrated trading company operating across a wide range of business areas and locations to the reconstruction efforts. We are committed to providing long-term assistance both for the reconstruction of industries in the region and for humanitarian relief.

## Assistance for industrial reconstruction

### Supporting the recovery of the fish processing industry in Kesennuma City

The fish processing industry in Kesennuma City, Miyagi Prefecture, suffered devastating damage from the Great East Japan Earthquake. Many buildings and facilities were severely damaged, and the pier of the fishing port—which boasted Japan's largest bonito landings—and the fish market there have sunk by over 70 centimeters. Although this key Kesennuma industry has resumed operations after makeshift repairs to damaged facilities, it is still plagued with many issues such as reduced catches and unemployment. The industry urgently needs reconstruction.

Sumitomo Corporation and Mitsui & Co., Ltd. launched a joint collaborative initiative with Miyagi Prefecture,

Kesennuma City, and local chambers of commerce to help the industry recover at the earliest possible date.

Specifically, the two trading companies are supporting the development of a business model for the fish processing sector in Kesennuma by assisting in establishing and operating the Kesennuma Shishiori Fisheries Processing Cooperative association which is uniting the efforts of fishery workers in the city to rebuild their businesses.

As the first step after its establishment in July 2012, the Cooperative is planning to open new temporary processing facilities and resume the processing of mackerel and other fish products there. The Cooperative would then like to buy equipment such as water supply equipment needed to use ground water and sterilized sea water, water drainage equipment, and ultra-low refrigerators, because sharing



Temporary processing facilities



Celebrating the establishment of Kesennuma Shishiori Fisheries Processing Cooperative association

these machines will cost less than each member worker buying and operating them individually. In the future, the fisheries organization would like to develop the partnerships among members by, for instance, launching a scheme for the joint purchase of materials and developing sales channels in Japan and abroad. To revitalize the industry, they are also considering attracting companies to the region in a bid to improve cost effectiveness and taking other innovative measures.

Leveraging the extensive networks they have developed as trading companies, Sumitomo Corporation and Mitsui & Co. are helping the Cooperative develop its operational business model. The two companies serve as a liaison between the Cooperative and relevant governmental organizations and financial institutions, facilitate the Cooperative in building relationships with their group companies, provide business know-how in various areas, and offer coordination and business planning functions. Although the trading companies have no direct participation in the fish processing business itself, which is operated by the local Cooperative, the two firms will continue to think together and work together with the Cooperative to make the project succeed. The two companies share a wish and a commitment to making the most of the integrated strengths of trading company groups to tackle the national crisis caused by the Great East Japan Earthquake and contribute to the reconstruction of the Tohoku region.

## Building energy-efficient hydroponic facilities

Many farmers in the disaster-struck area have lost agricultural machinery, greenhouses and other facilities in the tsunami that followed the quake. Large areas of the local farmland were damaged by seawater and improving the soil

will take several years. Coupled with financing difficulties, their predicament is making an early reconstruction of the agricultural industry in the region difficult. To address this issue, Sumitomo Corporation and Sumitomo Corporation Tohoku Co., Ltd. have entered into partnership with the environmental consultant Recycle One, Inc. to build energy-efficient hydroponic farming facilities that are free from seawater damage or soil contamination. Our assistance mainly focused on financing and developing sales channels.

The most notable feature of the hydroponic facilities is their excellent energy efficiency. By adopting a combination of heat pumps and heat exchanger pipes installed under the water tanks that soak the vegetable roots, the new system requires about 40% less energy than regular greenhouse farming, in which the entire facilities are warmed up. Another advantage is that the facilities enable the temperature of the vegetable roots to be maintained at a designated level so that vegetables can be grown all year round. The hydroponic farm has adopted many other energy- and cost-efficient features. For instance, the facilities are designed to let in plenty of sunlight and to recycle and reuse water. The vegetable growing stands are made from waste plastic reclaimed from the disaster-struck area. The success of this new farming will lead to the rehabilitation of local agriculture, one of the major industries in the affected areas, as well as to revitalization of local economies through the creation of jobs and new businesses.

In partnership with farmers in Miyagino-ku, Sendai City, construction of the first hydroponic facilities was started in January 2012 at a farm which was ravaged by the tsunami in neighboring Natori City. After completion in May 2012, the facilities have started to produce lettuces, baby bok choy, arugula and other vegetables to meet the demand of restaurants and retailers.



Energy-efficient hydroponic farming facilities



Plant growing stands made from waste plastic

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## Humanitarian assistance

### Volunteer Program for Earthquake Disaster Reconstruction

As part of its humanitarian support for the disaster-hit areas, Sumitomo Corporation conducted a Volunteer Program for Earthquake Disaster Reconstruction from August to November 2011.

The purpose of this program was for the company to provide support for employees who wished to participate in volunteer activities to support the afflicted people. The program was formulated after a series of consultations with local government officials and with the staff of a local social welfare council that manages a volunteer center for disaster reconstruction.

Participants in the program have taken part in activities in Yamamoto Town located at the southern end of Miyagi Prefecture. More than 600 residents of the town lost their lives in the disaster and about 80% of dwellings were damaged, of which more than half were totally destroyed. The JR Joban Line railway track was also swept away by the tsunami, making the town difficult to access from the outside. Sumitomo Corporation chose the town as the place for its volunteer program because it was in need of long-term help from volunteers.

Employees were assigned at the local volunteer center in the town, carrying out support activities that included helping to accept volunteers, allocate work to those volunteers, and disseminate helpful information through a blog. They also helped to remove debris and mud from the

houses of residents that had been damaged by the disaster and to plant seedlings and thin out leaves at strawberry farms, since strawberries are a local specialty. Employee volunteers worked in Yamamoto Town for two nights and three days or three nights and four days, with five or six members engaged in work in the town every day. Up to the end of November, when the town stopped accepting general volunteers, a total of nearly 160 employees had participated in the volunteer program.

### Youth Challenge Program for the Revitalization of East Japan

While we were engaged in our Volunteer Program for Earthquake Disaster Reconstruction, we also conducted our own surveys to grasp the needs of the affected regions. As a result, those surveys revealed that there was very little support for the younger generations in the affected regions to participate in the recovery effort. These generations range from high school students to university and graduate school students. In response, Sumitomo Corporation joined forces with the Civil Society Initiative Fund, an NPO, to launch the Sumitomo Corporation Youth Challenge Program for the Revitalization of East Japan to assist young people who will be the future leaders of the affected areas.

This program will provide subsidies of up to ¥100 million a year over the five-year period beginning with the fiscal year ending March 31, 2013. The subsidy will be designed to encourage the participation of younger generations in the



Removing debris and mud from houses



"Internship Program" kick-off ceremony

regional revitalization process to rebuild the daily lives of people directly affected by the earthquake. At the same time, the program supports the growth of younger generations into leaders of the future. The program consists of two parts: the “Activity and Research Subsidy” (subsidy commenced on June 1, 2012) and the “Internship Program” (activities commenced on July 1, 2012).

The “Activity and Research Subsidy” supports activities, surveys and research directed at regional revitalization that is carried out mainly by younger generations in teams, circles, or groups, or by NPOs and other organizations led by youth. To date, the program has subsidized unique activities reflecting the unmistakable enthusiasm of young people and their distinctive personalities. Examples include town restoration proposals, revitalization of local communities,

and educational support for children who will be the next generation of young adults.

Meanwhile, the “Internship Program” encourages the creation of internships for young people at NPOs and other organizations active in the affected regions. The young people participating in this program share a strong dedication and responsibility toward the recovery of the affected regions, and are giving every effort to pursue their respective activities.

Through such support for younger generations participating in regional revitalization activities, Sumitomo Corporation will continue to provide long-term assistance for recovery, in the hope for an early recovery and revitalization of the affected regions.

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### Other humanitarian assistance programs

Sumitomo Corporation offers various humanitarian assistance programs, using its extensive partnerships and know-how developed through its ongoing social contribution activities.

#### 1 Junior Philharmonic Orchestra (JPO)



#### 2 Barrier-free movie screening



1 We invited the March 11 victims to concerts performed by JPO, an orchestra we sponsor (a total of five concerts up to September 2012). In August 2011, we donated the sales of tickets bought by our employees and former employees to the charitable organization Ashinaga’s support program for children who lost their parents in the March earthquake and tsunami.

#### 3 Internal event to sell local products from the disaster-struck areas



#### 4 Grief care program



2 In collaboration with the Kesenuma City Disability Support Center in Miyagi, we hosted a “barrier-free” movie screening in September 2011 for an audience that included people with disabilities.

3 In April 2012, sea products from Kesenuma City, strawberries from Yamamoto Town, and other local products from the disaster-affected areas were sold in our office.

4 We offered a grief care program in a temporary housing complex in Natori City, Miyagi, in August and September 2012 to help evacuees cope with their grief.

## Third-Party Review



**Ms. Yoko Takahashi**

President of Japan  
Philanthropic Association

While reviewing the Sumitomo Corporation Report on Responsibility and Sustainability 2012 (the Report), the thought occurred to me as to whether an organization that can obtain a broader and deeper understanding of a wide range of needs holds the key to creating new value in Japan and in the international community. The Report says that “integrated corporate strength” is the core competence of the Sumitomo Corporation Group and that it means that the company integrates its business foundation and its functions strategically and organically to meet a wide range of needs and to create new value, which constitutes its driving force in market competition. Having read this statement, I realized that the company’s CSR goals are consistent with its own definition of its core competence.

The Report includes a description of Sumitomo’s business philosophy, which has governed the company over its 400 years, together with the President and CEO’s message, “‘Be the Best, Be the One’ We aspire to become an organization that contributes broadly to society.” I found these important statements are indispensable for the company to clearly communicate to its Japanese and international stakeholders its commitment to staying a step ahead in dealing with change, creating new value based on its longstanding universal philosophy.

The “Project Report” section provides a detailed description, using the Social Value Creation Chart framework, of how the company earnestly tackled the issues it faced and what specific actions it took. These projects are cases in point where Sumitomo Corporation’s integrated corporate strengths are used to the full, and

they serve as evidence that the company fulfills its responsibility to society in the course of its business operations. I found myself drawn into reading these firsthand accounts by staff members who were in charge of respective projects, demonstrating their strong belief and sense of responsibility. As reported in the section, the staff member in charge of the Mongolian project used his own initiative to establish MobiCom Class. The case has reminded me that the ultimate goal of global expansion is to establish and maintain locally-focused operations, and the Report indicates that there must be many other similar examples worldwide.

I found each of the examples selected for the “Together with Stakeholders” section very interesting. Ranging from a mining project in Bolivia, the origin of Sumitomo’s business there, to human resources development at many business sites around the world, these initiatives are dynamic, and at the same time attentive to details. They would not have been possible without the collaboration and endeavor of all the parties involved.

The “Together with Employees” part is a reflection of the company’s strong eagerness to support employee development. Based on the recognition that human resources are the key enabler in creating new value, Sumitomo Corporation offers a variety of opportunities and programs. I feel, however, that more specific reporting on employee diversity should be included. In future reports, I hope to see how the Sumitomo Corporation Group ensures that their diverse workforce, including international staff, females, and disabled employees, play their roles effectively. As some of the related initiatives are already reported in detail on their websites, I would recommend as a first step that future reports include the URLs of those web pages. While a sustainability report is published to report the company’s related performance and activities, it also plays an important role as a tool to communicate the company’s future direction, its message to stakeholders, and the challenges facing it for future success.

When it comes to the “Together with the Global Environment” part, I am not entirely comfortable with the idea that the global environment is a part of the company’s stakeholder groups. No corporate activities can continue



without taking into account the sustainability of the Earth. While the Report mentions that detailed reporting is available on the website, the paper-based Report should also have more in-depth reporting on environmental initiatives to demonstrate the company's commitment to, and illustrate its framework for, environmental conservation.

I am gratified to read that the Sumitomo Corporation Group is making the most of its integrated corporate strengths to provide powerful support for the reconstruction of the areas affected by the Great East Japan Earthquake. Among the support programs primarily focusing on industrial reconstruction and human resources development, I particularly commend the program to reconstruct the fish processing industry in Kesenuma City, the agricultural

support initiative in Natori City, and the employee volunteer program because of their usefulness and ability to satisfy the needs of the region. I also have high expectations for the Youth Challenge Program for the Revitalization of East Japan, an encouragement for young generations who will lead the region and the country in the future.

As we are moving into uncharted territory without clear role models to follow, I hope the Sumitomo Corporation Group with its integrated corporate strengths will strive toward its goal of "Be the Best, Be the One" by using its knowledge, experience and network, as well as the trust earned from stakeholders around the world, while addressing a range of ideas and values through its business and social contribution activities.

## Response to the Third-Party Review

We would like to thank Ms. Yoko Takahashi for her important review of the Sumitomo Corporation Report on Responsibility & Sustainability 2012. This is the second straight year that we have received feedback from her.

It was encouraging to receive the comment that our CSR goals are consistent with our approach to creating new value, in which we use our Group's integrated corporate strengths to meet a wide range of needs. Her remarks on the Project Report section, saying that the ultimate goal of global expansion is to establish and maintain locally-focused operations, also give us valuable insight as a business group operating globally. We also appreciate important comments and advice regarding reporting the efforts we made for each of our stakeholder groups. We recognize that achieving diversity for our human resources, the main players in the business activities of our Group, is a significant theme. Respecting workplace diversity and ensuring that all our

employees can work in the Group with pride and ambition are the driving force behind our distinctive style of value creation. As we believe that our Group cannot achieve sustainable growth without the existence of a sustainable society, we have positioned the global environment as one of the key stakeholder groups and reported our related activities accordingly. We will use various other communication tools to provide more information on the projects and activities that are not fully covered by the Report.

With its commitment to providing long-term support for reconstruction following the Great East Japan Earthquake, the Sumitomo Corporation Group will continue to offer a variety of support programs to help the industries in the region recover and to offer humanitarian assistance.

### Masayuki Doi

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