

## Corporate Governance System

We have established the Sumitomo Corporation Corporate Governance Principles, based on our view that the essence of corporate governance is “improving management efficiency” and “maintaining sound management” as well as “ensuring management transparency” to secure the first two goals. Keeping in mind that our backbone of corporate ethics is in the Sumitomo’s business philosophy and the Company’s Management Principles, following the Sumitomo Corporation Corporate Governance Principles, we are strengthening our corporate governance to establish the most appropriate managerial system and to realize management that serves the interests of shareholders and all other stakeholders.

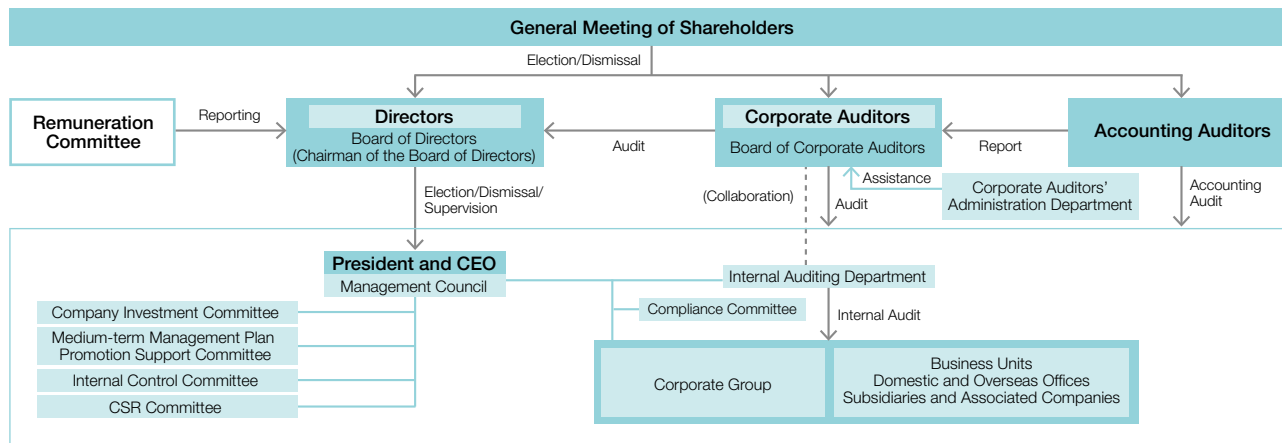
Our approach to corporate governance is embodied in the Sumitomo Corporation Corporate Governance Principles, which can be accessed from the following web page. [http://www.sumitomocorp.co.jp/files/user/english/doc/company/governance/e\\_principle150701.pdf](http://www.sumitomocorp.co.jp/files/user/english/doc/company/governance/e_principle150701.pdf)

### Features of Our Corporate Governance System

We have adopted a corporate auditor system believing that it is the most legitimate means of improving the effectiveness of our corporate governance to enhance and reinforce it through auditing from diversified external viewpoints. We have five Corporate Auditors, three of whom are Outside Corporate Auditors. Of these three, two are legal experts (a former President of the Tokyo High Court and a former Prosecutor-General) and the other one is an accounting expert—ensuring an auditing system that incorporates a diversity of perspectives. Furthermore, three Outside Directors, who are diverse in experience and specialty, are elected so that through their diverse perspectives, Outside Directors help ensure appropriate decision making in board meetings and further enhancement of supervisory function. We believe that we can achieve the ultimate goals of corporate governance by reinforcing management oversight by independent Outside Directors and Outside Corporate Auditors. Based on Sumitomo’s business philosophy, we have established the Sumitomo Corporation Group’s Management Principles and Activity Guidelines, and work to enforce these principles and guidelines among all officers and employees, in order to

share the basic values that must be respected by the Sumitomo Corporation Group, including compliance with laws and regulations. From the perspective of maintaining sound management, we have developed a system for ensuring compliance with laws and regulations by introducing the position of Chief Compliance Officer, establishing the Compliance Committee and introducing a “Speak-Up System” for internal reporting, among other measures. Moreover, as part of our medium-term management plan “Be the Best, Be the One 2017” (BBBO 2017), we plan to revise governance and decision-making processes, with the objective of sustained growth and contribution to all our stakeholders going forward. More specifically, from July 2015 the Management Council will represent the highest executive-level body for decision making, and we are engaged in the implementation of policies to strengthen the monitoring functions of the Board of Directors. In this way, we are actively engaged in continuous efforts to improve our corporate governance, and, going forward, we will continue to conduct our operations with careful adherence to all the principles enshrined in Japan’s Corporate Governance Code.

### Corporate Governance System



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

### Directors and the Board of Directors

#### Improvement of Deliberation and Enhancement of Monitoring Function at the Board of Directors

We have amended the standards related to the Board of Directors on July 1, 2015, so that the Board of Directors can be concentrated in the deliberation of important matters regarding Companywide management such as the business policy and management plan. At the same time, we have increased the submitting matters to the Board of Directors to make it possible for the Board of Directors to concentrate on monitoring of execution of operation, so that the Board of Directors can enhance its monitoring function.

#### Optimal Size of Board of Directors

Currently, the Board has 13 members (including three Outside Directors). Through this optimized Board of Directors, which oversees the operations of the business and serves as the Company’s decision making body concerning key management matters, we aim to facilitate due deliberation and speedy and reasonable decision making.

#### Terms of Directors

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

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

In principle, the positions of Chairman of the Board of

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

#### Establishment of the Advisory Body to the Board of Directors

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

#### Election of Outside Directors

For the purpose of ensuring appropriate decision making in board meetings and further enhancement of supervisory functions through diverse perspectives, three Outside Directors are elected. They fulfill the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges that Sumitomo Corporation is listed on, and Sumitomo Corporation has notified the exchanges, under their respective provisions, of their respective status as independent directors.

## Particulars Regarding the Remuneration of the Company’s Directors

Particulars regarding the remuneration of the Company’s Directors and Corporate Auditors for fiscal 2014 are as follows:

Classification	Number of payees	Total amount of remuneration, etc., pertaining to fiscal 2014	Breakdown	
			Monthly remuneration	New Share Acquisition Rights
Directors (particulars relating to Outside Directors)	13 persons (2 persons)	¥827 million (¥28 million)	¥729 million (¥28 million)	¥98 million (—)
Corporate Auditors (particulars relating to Outside Corporate Auditors)	6 persons (3 persons)	¥127 million (¥40 million)	¥127 million (¥40 million)	— (—)

Notes: 1. As of the end of the fiscal 2014, we had 12 Directors and 5 Corporate Auditors (including 2 Outside Directors and 3 Outside Corporate Auditors).

2. No Director of the Company is concurrently an employee of the Company.

3. The above stock options are the total amounts recorded as expenses in fiscal 2014 for granting the Thirteenth New Share Acquisition Rights (issued on August 1, 2014), the Eighth New Share Acquisition Rights (stock-linked compensation) (issued on July 31, 2013) and the Ninth New Share Acquisition Rights (stock-linked compensation) (issued on August 1, 2014).

4. The maximum amount of remuneration to Directors comprising monthly remuneration, new share acquisition rights in the form of stock options, and new share acquisition rights in the form of stock options for a stock-linked compensation plan is ¥1.2 billion per year (the maximum amount of remuneration to Outside Directors is ¥60 million per year), as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.

5. The maximum amount of monthly remuneration to Corporate Auditors is ¥180 million per year, as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.

## Corporate Governance System

The reason for selection and brief outline of the careers of the Outside Directors are as follows:

**Akio Harada**Reason for selection

Akio Harada is deemed to be qualified for the role of Outside Director because he possesses highly specialized knowledge accumulated over many years as a prosecutor and lawyer, and a wealth of practical experience and on the grounds of his character and insight, was therefore elected to the post.

Brief outline of career

December	1999	Superintending Prosecutor, Tokyo High Public Prosecutor's Office
July	2001	Prosecutor-General
October	2004	Attorney at Law (present position)
June	2005	Outside Corporate Auditor, Sumitomo Corporation
June	2013	Outside Director, Sumitomo Corporation (present position)

**Kazuo Matsunaga**Reason for selection

Kazuo Matsunaga is deemed to be qualified for the role of Outside Director because he held a series of important posts over many years at the Ministry of Economy, Trade and Industry and possesses broad knowledge and experience in fields including resources, energy, and industrial policy and on the grounds of his character and insight, was therefore elected to the post.

Brief outline of career

July	2008	Director-General, Economic and Industrial Policy Bureau
July	2010	Vice-Minister of Economy, Trade and Industry
June	2013	Outside Director, Sumitomo Corporation (present position)

**Yayoi Tanaka**Reason for selection

Yayoi Tanaka is deemed to be qualified for the role of Outside Director because she has long been engaged in research in the fields of evaluation studies and civil society organizational theory, has held a number of positions on government committees, including the Administrative Reform Promotion Council (private-sector member), and has accumulated highly specialized knowledge and extensive experience through these roles and on the grounds of her character and insight, was therefore elected to the post.

Brief outline of career

January	2007	Member, Fiscal System Council, Ministry of Finance (present position)
February	2013	Private sector member, Administrative Reform Promotion Council, Cabinet Secretariat (present position)
April	2013	Professor, Research Department, National Institution for Academic Degrees and University Evaluation (present position)
June	2015	Outside Director, Sumitomo Corporation (present position)

**Corporate Auditors and the Board of Corporate Auditors**Enhancement of Corporate Auditing Framework

To further strengthen external views within the corporate auditing framework, we have brought the number of external auditors to three out of the five members on the Board of Corporate Auditors. Of these three, two are legal experts (a former President of the Tokyo High Court and a former Prosecutor-General) and one is an accounting expert—ensuring an auditing system that incorporates a diversity of perspectives. Also, they fulfill the standards related to independence set by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges that Sumitomo Corporation is listed

on, and Sumitomo Corporation has notified the exchanges, under their respective provisions, of their respective status as independent auditor.

Ensuring Audit Effectiveness

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

The reason for selection and brief outline of the careers of the Outside Corporate Auditors are as follows:

**Tsuguoki Fujinuma**Reason for selection

Tsuguoki Fujinuma has a broad range of expertise, including on matters of finance and accounting, and long years of experience as an accountant. He was selected and asked to perform audits from a broad perspective on the grounds that his character and insight are most suited for the position.

Brief outline of career

June	1993	Representative Associate, Ota Showa Audit Corporation (now Ernst & Young ShinNihon LLC)
May	2000	President, International Federation of Accountants (IFAC)
July	2004	Chairman and President, The Japanese Institute of Certified Public Accountants
July	2007	Advisor, The Japanese Institute of Certified Public Accountants (present position)
June	2008	Outside Corporate Auditor, Sumitomo Corporation (present position)

**Mutsuo Nitta**Reason for selection

Mutsuo Nitta has a broad range of expertise and long years of experience as both a judge and lawyer. He was selected and asked to perform audits from a broad perspective on the grounds that his character and insight are most suited for the position.

Brief outline of career

December	2004	President of the Tokyo High Court
April	2007	Attorney at Law (present position)
June	2009	Outside Corporate Auditor, Sumitomo Corporation (present position)
October	2012	Chairman of Tokyo Metropolitan Public Safety Commission (present position)

**Haruo Kasama**Reason for selection

Haruo Kasama has a broad range of expertise and long years of experience as both a prosecutor and lawyer. He was selected and asked to perform audits from a broad perspective on the grounds that his character and insight are most suited for the position.

Brief outline of career

June	2010	Superintending Prosecutor, Tokyo High Public Prosecutor's Office
December	2010	Prosecutor-General
October	2012	Attorney at Law (present position)
June	2013	Outside Corporate Auditor, Sumitomo Corporation (present position)

## Message from an Outside Director



**Yayoi Tanaka**

Outside Director

I have previously been engaged in various duties at commercial corporations and NPOs. As an outside director, I hope to leverage the diverse perspectives I have nurtured through these experiences to contribute significantly to management at Sumitomo Corporation (“the Company”) in two areas.

First, I would like to address the issue of support for future female leaders. Respect for diversity is becoming more widespread in society. However, when I first began working there were few opportunities for women to demonstrate their skills in the workplace, and while engaged in my duties, I experienced a strong desire to work in an environment in which women could play an active role in business. By leveraging the experience I have accumulated, I intend to support the

development of future female leaders at the Company, and I consider this objective to be one of my key roles here.

Second, I recognize the application of my experience in evaluation at the private NPOs or the governmental institutions to management at the Company to be another important role that is expected of me. At NPOs and governmental institutions, I was engaged in the support of activities that were assessed based on their impact on society, and I believe the same method of evaluation is important at commercial corporations. How we interact as a member of society, and the type of social ethos we choose to adopt are, in corporate management, issues that will continue to gather weight.

From this perspective, I feel that Sumitomo Corporation is already a corporation with a strong social ethos. I understand that “integrity” is the most important factor in the implementation of its business activities and, to cultivate this integrity, the way we conduct ourselves as a member of society is key. The strength of the Company is its tradition based on the philosophy that “benefit for self and others, private and public interests are one and the same.” In other words, Sumitomo Corporation not only aspires to grow as a corporation but is also mindful of the development of regional societies and countries, and it endeavors to expand while taking into consideration its social ethos. By exchanging opinions about the strengths brought about by our social ethos with employees at the forefront of our business, I hope to contribute to the further development of these strengths.

### Collaboration between Internal Auditing Department and Accounting Auditors

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

In addition, Corporate Auditors exchange information with and monitor the auditing activities of the Accounting Auditors through regular meetings. By attending audit review meetings and observing inventory audits with the Accounting Auditors, the Corporate Auditors constantly work to improve audit efficiency and quality. Furthermore, Corporate Auditors attend meetings of the Internal Control Committee and request reports on the status of internal control systems from other departments responsible for internal control, along with their cooperation on audits.

### Standards for Independence

Standards for independence of outside directors and outside corporate auditors shall be prescribed in the Company’s internal rules Standards for Appointment and Independence of Outside Directors and Outside Corporate Auditors.

### Management Council

On July 2015, we reorganized the Management Council, which had been positioned as an advisory body to the President and CEO, to become the highest executive-level decision-making body, in order to make decisions through diverse opinions and multilateral discussions to a greater extent than before. The Management Council deliberates on and renders decisions regarding specific key matters related to management within the scope of its mandate from the Board of Directors.

Corporate Governance System

**Introduction of an Executive Officer System**

We have introduced an executive officer system with the aim of clarifying the responsibilities and authority for execution and strengthening the monitoring function of the Board of Directors. We currently have 36 Executive Officers selected by the Board of Directors (as of August 1, 2015), 9 of who also fulfill the role of company directors, and comprise the President and CEO, 3 Corporate Group Directors, and 5 Business Unit General Managers. In this way, we have established a management system under which we can effectively execute operations based on the decisions made at Board of Directors meetings.

**System for Ensuring Management Transparency**

**Basic Policy on Information Disclosure**

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

**Communicating with Shareholders and Other Investors**

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

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

Disclosing Various Information

Our corporate website provides various materials that may be useful in making investment decisions in a timely manner. These materials include financial results, *yukashoken houkokusho* (Japanese annual securities reports) and other Tokyo Stock Exchange filings as well as the streaming of various meetings and the uploading of documents related to them. We also provide broad coverage of the Companywide topics through special features, which introduce the Company’s globally expanding projects. Moreover, we provide our *Annual Report* and endeavor to ensure proactive disclosure.

Investor Relations

In order to ensure direct communication with shareholders and other investors and, in addition to our efforts to enhance information disclosure on our website, we also hold quarterly meetings attended by top management to provide information on our financial results for analysts and institutional investors in Japan. For our investors overseas, we periodically visit the United States, the United Kingdom, and other countries in Europe and Asia to hold one-on-one meetings with investors in each region. Moreover, since fiscal 2004, we have held regular meetings with individual investors in Japan. In March 2014, we held five such meetings in four cities, which were attended by a total of 1,100 individual investors.

Through such initiatives, designated executive officers are united to engage in dialogue with shareholders and other investors, and related business units within the Company come together to share information, while collecting the opinions of shareholders and other investors. Going forward, the Company will remain committed to improving managerial transparency, while strengthening relationships of trust with shareholders and other investors.

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

Website



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



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

Publications



*Annual Report*