

Internal Control and Internal Audits

The Sumitomo Corporation Group has strengthened its internal controls in order to retain the trust of all its stakeholders.

Internal Control

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

From this perspective, we have continually improved our general operations to further strengthen the Group's internal control since 2005. This improvement effort is based on the result of evaluations that we have performed using a comprehensive checklist. The checklist covers various points pertaining to general operations that should be common across the Group, including risk management, accounting and financial controls, and compliance.

Furthermore, we have defined specific internal controls, which have been extracted through an analysis of past cases of deficiencies in internal controls, etc., as important points that must be strengthened thoroughly on a Company-wide level.

In August 2010, we launched the Internal Control Committee, which is responsible for the planning, implementation, evaluation, and improvement of overall internal control across the entire Sumitomo Corporation Group. The objectives of the Internal Control Committee are to secure the soundness of management and to improve the efficiency of management. The committee promotes Groupwide activities to strengthen our internal control, such as updating the aforementioned checklist to address changes in laws and other rules within and outside the Company, introducing past cases of deficiencies in internal Controls, and upgrading related instructional materials. Our Business Units and regional organizations in Japan and overseas continue to implement internal control enhancement activities as in previous years. Each organizational unit carries on these activities continuously on a daily basis with timely and optimal support from its Planning & Administration Department, contributing to the sustainable growth and development of the Group.

Initiatives for Enhancing the Quality of Operations

The Sumitomo Corporation Group has actively implemented the improvement and monitoring of internal control systems required by law under the Japanese Company Law and the Financial Instruments and Exchange Law on a Companywide level. We considered these legal obligations as a prime opportunity to promote such improvement in the quality of our operation, as we have implemented them ahead of legislative measures around the world.

The Japanese Company Law calls for companies to establish "systems ensuring that the execution of duties by directors conforms to legal regulations and their Articles of Incorporation as well as systems ensuring that business processes of the company and its subsidiaries are handled appropriately." Sumitomo Corporation fulfills the requirements of this law and the Internal Control Committee monitors the operation of such internal control systems.

To comply with the internal control reporting rules stipulated in the Financial Instruments and Exchange Law, effective from April 1, 2008, we evaluate our internal controls as required by law, and we improve business processes as well.

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

Internal Audits

The Internal Auditing Department, which reports directly to the President and CEO, was established as an independent organization to monitor the operations of the Company and its Group companies. All the internal audit results are reported directly to the President and CEO and also to the Board of Directors.

The Internal Auditing Department comprehensively checks the assets and risk management the status of compliance and business processes to find their problems and inherent risks. The Internal Auditing Department helps to raise the quality of organizational management by encouraging voluntary improvements and evaluating the effectiveness and the validity of each process.