

Medium-Term Management Plan 2020

Unceasing Challenge for New Value Creation

May 9, 2018

Sumitomo Corporation

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- 2. Material Issues**
- 3. “Medium-Term Management Plan 2020”**
 - 3-1. Overview**
 - 3-2. Promotion of Growth Strategies**
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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

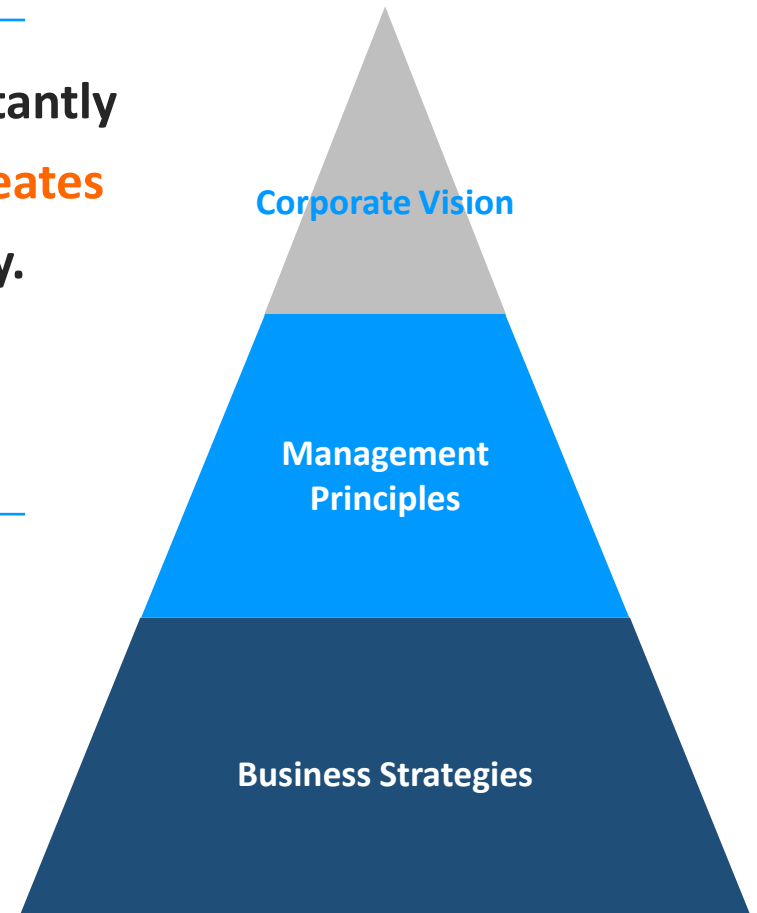
To achieve prosperity and realize dreams through sound business activities

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



Moving to **create new value** to face tomorrow's social issues

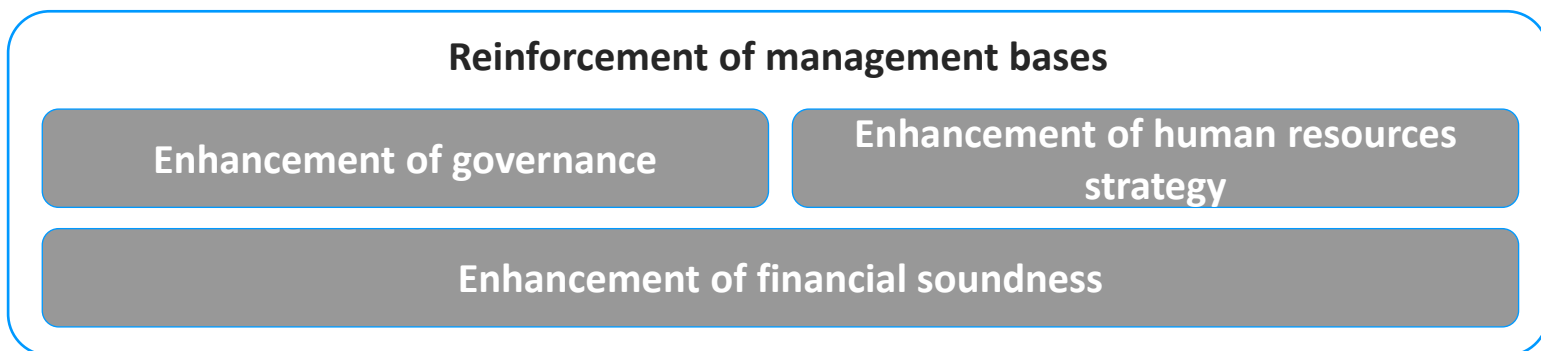
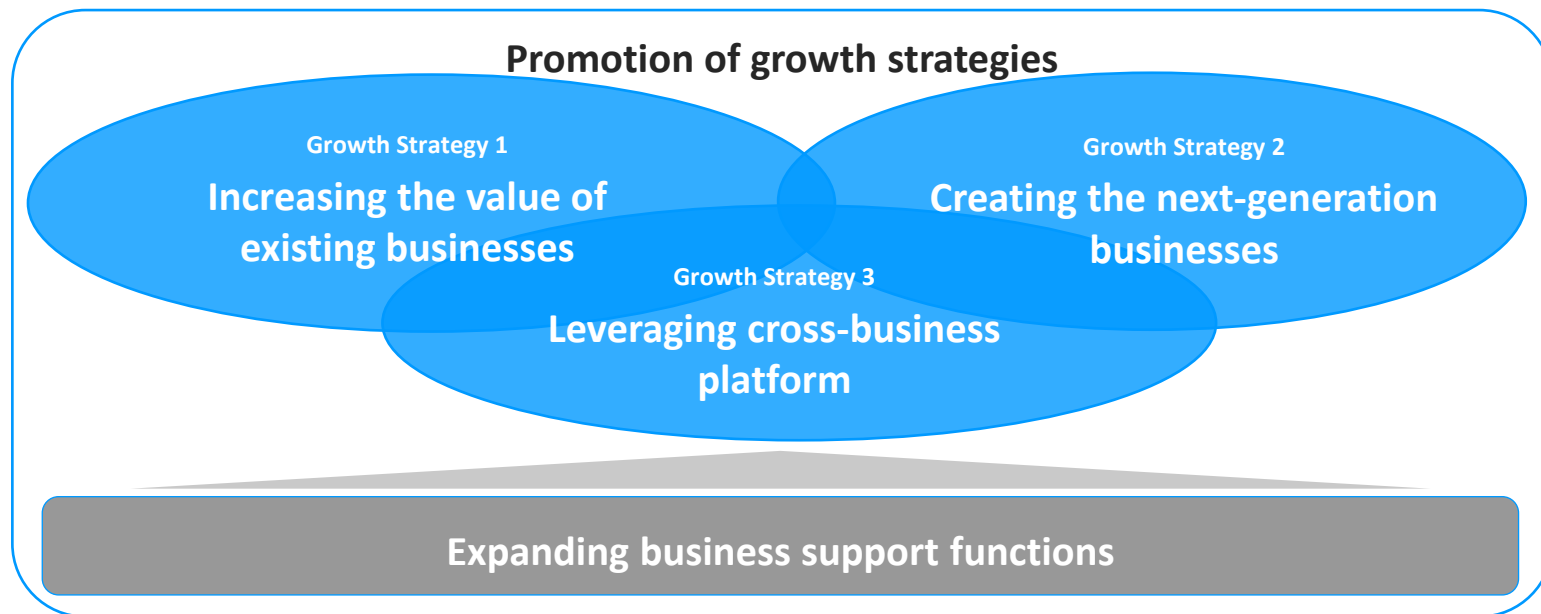


Six material issues to achieve sustainable growth with society



Medium-Term Management Plan 2020

- Unceasing Challenge for New Value Creation-



Growth strategy

1

Increasing the value of existing businesses

- Further reinforcing of existing earnings pillars
- Seeking to unlock the full potential of businesses
- Speedy response to changes in the business environment

Metal Products

- ✓ Expand tubular products into adjacent businesses by utilizing customer network of the oil country tubular goods business
- ✓ Provide unique/integrated services in the railway materials and equipment business
- ✓ Expand value chain in Aluminum segment from our smelting business – our core business in this segment

Media & ICT

- ✓ Reinforce business foundations and enhance services in media & ICT
- ✓ Expand mobile solution businesses in emerging countries, and develop and expand peripheral businesses

Transportation & Construction Systems

- ✓ Enhance leasing and financing businesses, and pursue synergies with other businesses
- ✓ Promote various next-generation businesses in anticipation of the coming mobility society
- ✓ Take up challenges in new fields in the manufacturing business

Living Related and Real Estate

- ✓ Promote the growth of retail businesses, centered around Summit and TOMOD'S
- ✓ Improve earnings in the food and agriculture business by focusing on fruits and vegetables and on high-value-added foods
- ✓ Develop high-value-added real estate business

Infrastructure

- ✓ Expand business foundations in global power, logistics, and social infrastructure
- ✓ Shift to gas-fired power generation/renewable energy over the medium to long term
 - Create power generation portfolio by around 2035, as follows:
 - Share of coal from 50% → 30% (Generation capacity basis)
 - Renewable energy ratio from current 20% → 30%

Mineral Resources, Energy, Chemical & Electronics

- ✓ Early achievement of profitability for upstream resources projects and reinforcing of cost competitiveness
- ✓ Expand trading in natural gas and LNG
- ✓ Enhance mineral resources/chemical-related value chain
- ✓ Make EMS businesses and companies with chemical businesses, such as distributors business for agrochemical related products, more robust

Growth strategy

2

Creating the next-generation businesses

Commit a total of approx. ¥300 billion in funds to three emerging fields over three years

- (1) Technology x Innovation (the fourth industrial revolution fields)
- (2) Healthcare
- (3) Social infrastructure

Emerging fields	Megatrends/Social issues	Priorities
<p>(1) Technology x Innovation (the fourth industrial revolution fields)</p>	<ul style="list-style-type: none"> ✓ Revolution in industry structure and business models due to the shift to ICT and the disappearance of borders for all industries 	<ul style="list-style-type: none"> ✓ Revolution in business models and upgrading of business by the acceleration of digital transformation (DX) ✓ Promoting R&D activities as strategic move to build next-generation revenue stream (Set investment fund of ¥20 billion for next-generation businesses)

Growth strategy

2

Creating the next-generation businesses

Commit a total of approx. ¥300 billion in funds to three emerging fields over three years

- (1) Technology x Innovation (the fourth industrial revolution fields)
- (2) Healthcare
- (3) Social infrastructure

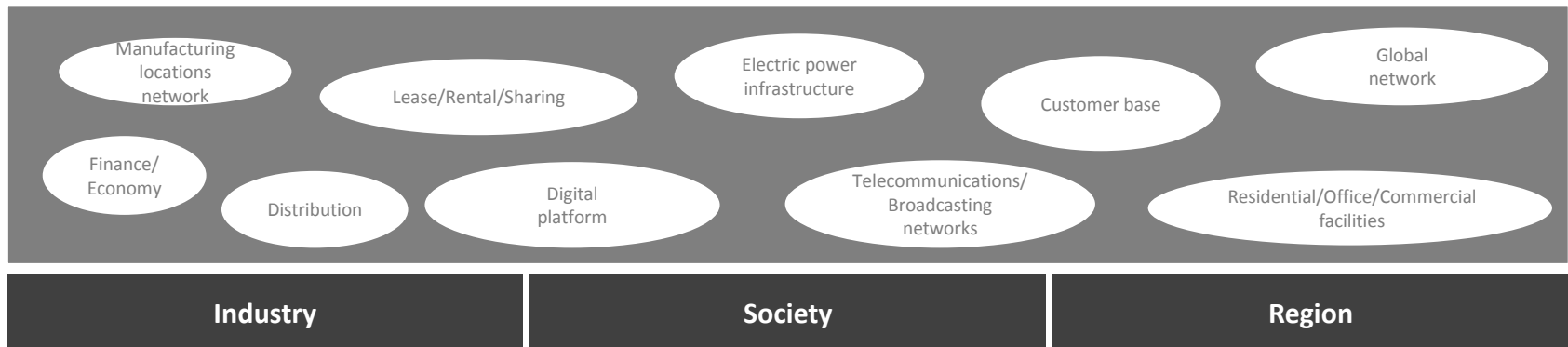
Emerging fields	Megatrends/Social issues	Priorities
(2) Healthcare	<ul style="list-style-type: none"> ✓ Aging of society/Inflation of medical expenses ✓ Technology innovation, such as IoT and AI ✓ Changes in industry structure 	<ul style="list-style-type: none"> ✓ Development of new businesses that lead to greater efficiency in medical expenses ✓ Expansion of digital health business utilizing cutting-edge technology ✓ Entering market for medical infrastructure installations in emerging countries
(3) Social infrastructure	<ul style="list-style-type: none"> ✓ Population growth/Advance of urbanization ✓ Shift to private-sector outsourcing ✓ Climate Change Issues 	<ul style="list-style-type: none"> ✓ Entering market for infrastructure installations, and urban development/Smart City project ✓ Reinforcing eco-friendly businesses utilizing new technology (Next-generation energy management business, storage batteries, hydrogen business etc.)

Growth strategy 3	Leveraging cross-business platform	Creating new value through hybridization of multiple businesses and cross-organizational collaboration
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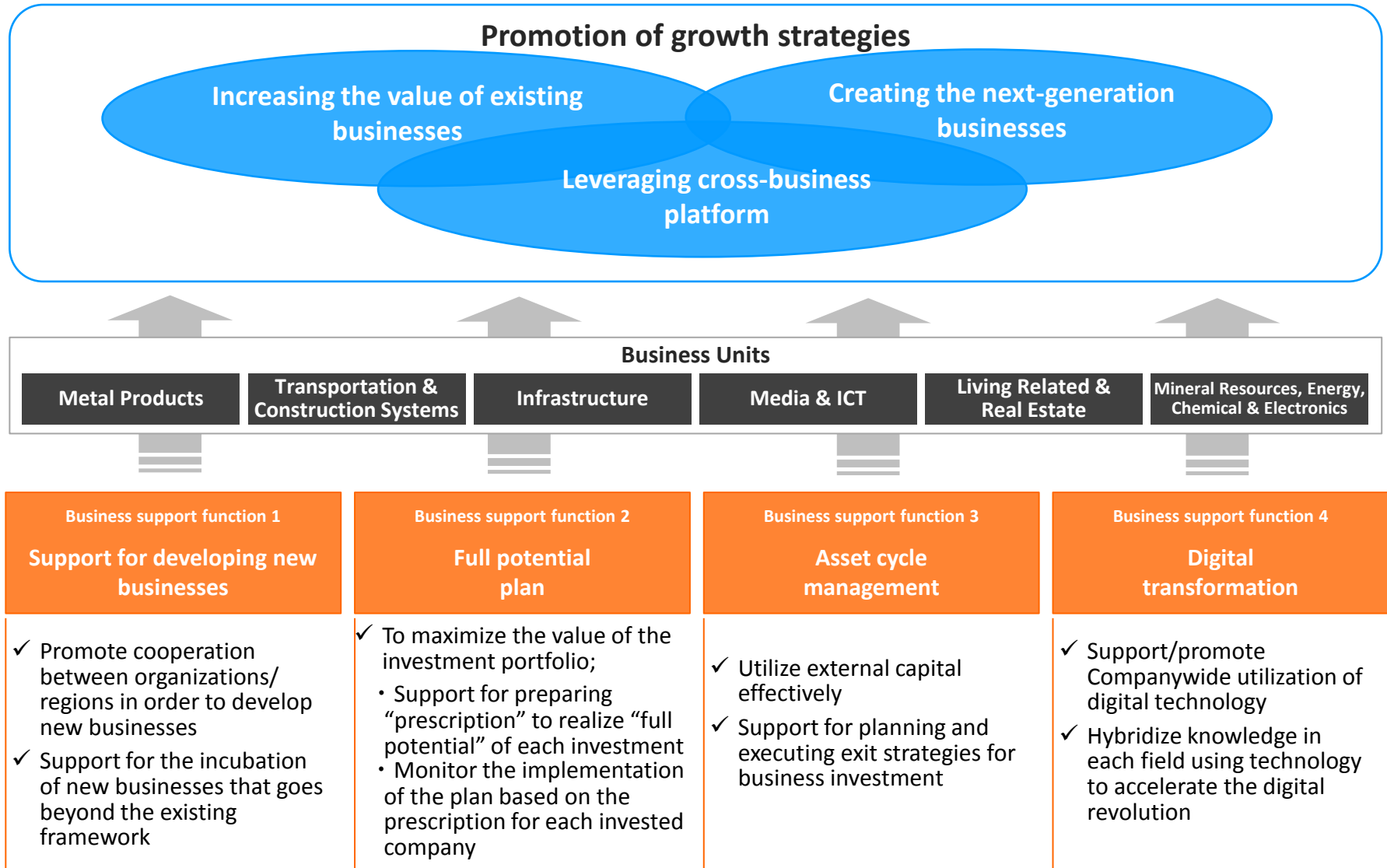
Leveraging cross-business platform for new value creation



Utilize the Sumitomo Corporation Group's business foundations and functions that have points of contact with various industries, societies and regions



3-2. Growth Strategy: Expanding Business Support Functions Sumitomo Corporation



Reinforcement of management bases 1

Enhancement of governance

● Reinforcement of monitoring functions of Board of Directors

- Periodic monitoring of medium-term management plan and portfolio strategy
- Monitoring of concentration risks and climate change response

● Reinforcing Sumitomo Corporation Group governance

- Enhancing quality of operations and corporate value through internal control

⇒ **Continuous promotion of managerial reform**

Reinforcement of management bases 2

Enhancement of human resources strategy

● Diversity & Inclusion

Making diverse strengths a source of competitiveness

“Acknowledging, respecting and accepting individual differences”

“Encouraging individuals to rise to the challenge, grow their strengths, and make good use of their strengths”

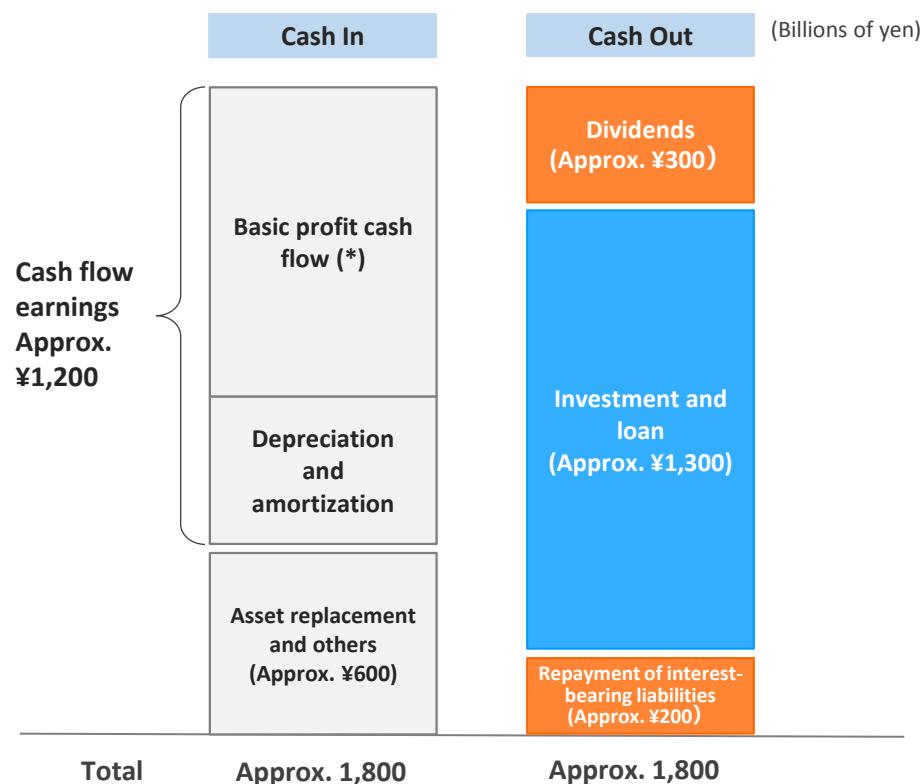
- Review systems for encouraging individuals to rise to the challenge and to grow their strengths
- Promote reform of work practices and health management
- Invigorate job rotation so as to create multiple different experiences
- Promote allocation of the right person, in the right place, at the right time, for Group human resources on a global basis

Reinforcement of management bases 3

Enhancement of financial soundness

- Continue to focus on cash flow management
- Securing an incremental ¥200 billion or more in three-year total post-dividends FCF, and allocating to repayment of interest-bearing liabilities
 - Expand cash flow earnings power
 - Recover funds through continuous regeneration of business
 - Execute investments in preparation for future
- Maintaining a balance of **[Core Risk Buffer] ≥ [Risk-adjusted assets]**

Projection of cash allocation during “Medium-Term Management Plan 2020” (three years)



(*) Basic profit cash flow = Basic profit - Share of profit (loss) of investments accounted for using the equity method + Dividend from investments accounted for using the equity method

Basic profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables)

+ Interest expense, net of interest income + Dividends) × (1-Tax rate) + Share of profit (loss) of investments accounted for using the equity method

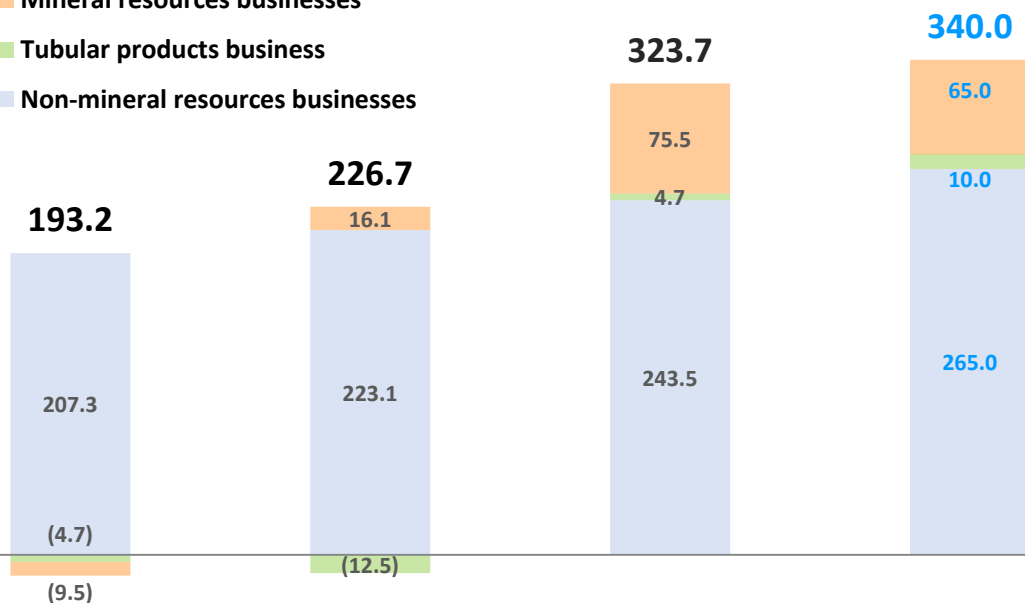
3-4. Quantitative Targets

(Billions of yen)	FY2017 Results	FY2018 Plan
Profit attributable to owners of the parent	308.5	320.0
Basic profit(*)	323.7	340.0

- Efficiency indicators**
- ROA 4% or higher
 - ROE 10% or higher

<Basic profit(*)>

- Mineral resources businesses
- Tubular products business
- Non-mineral resources businesses



Targeting steady growth in profits by implementing growth strategies



FY2015

FY2016

FY2017

FY2018

FY2020

(*) Excluding the impacts of impairment loss

Basic policy

To increase dividends by achieving mid-long term earnings growth while adhering to the Company's fundamental policy of paying shareholders a stable dividend over the long term

"Medium-Term Management Plan 2020" dividend policy

We will decide the dividend amount in view of the situations regarding basic profit and cash flow, with a consolidated payout ratio of 30% as a guideline

FY2018 dividends

¥75/share (plan) (interim ¥37/share, year-end ¥38/share)

“Unceasing Challenge for New Value Creation”

No Dream, No Success

Aim high, act on the principles and execute

Appendix

- ✓ Investments by Segment
- ✓ Medium-to long-term strategies and forecasts by Segment
- ✓ Historical Data for Medium-Term Management Plan
- ✓ Shareholders' Composition

	Investment (bil.yen)	Major Investments
	3 year Plan (18/4-21/3)	
Metal Products	40	<ul style="list-style-type: none"> • Tubular products related business • Railway and automotive related business, etc.
Transportation & Construction Systems	180	<ul style="list-style-type: none"> • Next-generation mobility related business • Manufacturing business, etc.
Infrastructure	290	<ul style="list-style-type: none"> • Overseas/domestic power instructure business (including renewable energy) • Water concession project, Industrial Park, etc.
Media & ICT	80	<ul style="list-style-type: none"> • Overseas Telecommunications Business • Additional Investment to existing business, etc.
Living Related & Real Estate	220	<ul style="list-style-type: none"> • Overseas/domestic real estate business • Additional investment to existing business, etc.
Mineral Resources, Energy, Chemical & Electronics	190	<ul style="list-style-type: none"> • New investments to mineral resources & energy • Agriculture related business • Additonal investment to existing business, etc.
Unallocated	300	
Total	1,300	

Medium-to long-term Strategies and Forecasts

<Contents>

- 1 Metal Products
- 2 Transportation & Construction Systems
- 3 Infrastructure
- 4 Media & ICT
- 5 Living Related & Real Estate
- 6 Mineral Resources, Energy, Chemical & Electronics

Segment Strategy

- ✓ **To enhance our Tubular products business**
 - through our strong OCTG^(*) customer network, which is our core competence, and (*) Oil Country Tubular Goods
 - by upgrading our supply chain management services with digitalization and new technologies.
- ✓ **To provide unique/integrated services for Railway segment (rail, wheel, axles, and maintenance services) where stable economic growth is expected.**
- ✓ **To expand value chain in Aluminum segment from smelting business in Malaysia - our core business in this segment.**
- ✓ **To capture demand for Steel products generated by**
 - urbanization and improvement of living standard in emerging countries, and
 - replacement and upgrading of infrastructure in advanced countries.
- ✓ **To strengthen earning power in Automotive manufacturing segment by merging Transportation & Construction Systems Business Unit's "comprehensive view of automotive industry's value chain" and our business unit's "expertise on materials".**

[Segment Strategy and Material Issues]

“Contributing to the Development of Local Communities and Industries”

- Meeting our customers' diverse needs through collaboration with our business partners (Tubular products, Railway, Aluminum, Steel sheets, and Automotive manufacturing)

“Achieving Harmony with the Global Environment”

- Reducing CO2 emission by contributing to promotion of
 - EV and lightweight metal (Aluminum and Automotive manufacturing),
 - mass transportation (Railway),
 - efficiency and innovation in oil&gas drilling activity (Tubular products)

“Providing Diverse Accessibility”

- Contributing to acceleration of modal shift through value chain from material/equipment to maintenance (Railway)

1 Metal Products

【 FY18 Forecasts : 37.0 billion yen 】

(1.6 billion yen increase from FY17)

- Recovery in earnings of tubular products business in North America
- Stable performance of the operation of overseas steel service centers
- Impact of U.S. tax reform in FY17 : approx. -6.0 billion yen

	(Ref.) FY17 Results	FY18 Forecasts
(unit: billions of yen)		
Global Basis		
Profit for the year attributable to owners of the parent	35.4	37.0

【Results of major subsidiaries and associated companies】

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17 Results	FY18 Forecasts
• Aluminum smelting business in Malaysia :	3.2	2.0
• Sumisho Metalex Corporation :	0.8	1.4
• Edgen Group :	0.2	1.0
• ERYNGIUM Ltd. :	-2.1	-0.1

Segment Strategy

Creating new values by capturing changes in the business environment caused by the fourth industrial revolution

✓ **To enhance the function of leasing and financing business and make synergies with other businesses**

We agreed with SMFG(Sumitomo Mitsui Financial Group, Inc.) about restructuring of SMFL (Sumitomo Mitsui Finance and Leasing Company, Limited) to be 50/50 ownership, respectively, for the purpose of strengthening the competitiveness of our entire leasing businesses including general leasing, aircraft leasing, and auto leasing. In addition, by crossing over our platform businesses such as above mentioned leasing businesses and Indonesian finance businesses, with other business units and overseas subsidiaries, or with other start-up investments, we will develop new businesses and create customer value.

✓ **To promote various businesses in the coming mobility society**

We will further strengthen our existing wide value-chain while making investments and developing businesses in new domains in the coming mobility society such as electric vehicles, autonomous driving and car sharing. Also, we will aim at creating new business values by crossing over new technologies / business models of startup companies with our platform businesses, such as SMAS (Sumitomo Mitsui Auto Service Company, Limited) that has wide customer base in Japan or TBC that has wide tire sales network in the US.

✓ **Challenging to new areas of manufacturing business**

Responding to changes in the business model caused by the fourth industrial revolution, we aim at expanding our manufacturing business centered on R&D functions, taking advantage of digital transformation. In addition, working together closely with the Metal Products Business Unit, we realize innovation in our manufacturing business by incorporating new technologies and latest developments in materials.

✓ **Human resources management**

We will continuously develop human resources who can lead businesses and create new business opportunities, and promote diversification of human resources.

2 Transportation & Construction Systems

【FY18 Forecasts : 73.0 billion yen】
(2.2 billion yen increase from FY17)

- Stable performance by leasing business
- Stable performance in automotive financing business in Indonesia
- Robust performance in construction equipment rental business and sales & marketing business
- Impact of U.S. tax reform in FY17 : approx. -13.0 billion yen

(unit: billions of yen)	(Ref.) FY17 Results	FY18 Forecasts
Global Basis		
Profit for the year attributable to owners of the parent	70.8	73.0

【Results of major subsidiaries and associated companies】

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17 Results	FY18 Forecasts
• Sumitomo Mitsui Finance and Leasing Company, Limited (SMFL)* ¹ :	34.8	23.6
• Automotive Financing Business in Indonesia :	4.5	5.4
• Sumitomo Mitsui Auto Service Company, Limited :	3.8	4.4
• Sumisho Machinery Trade Corporation* ¹ :	1.9	0.8
• TBC Corporation* ² :	2.1	-
• PT. Bank Tabungan Pensiunan Nasional Tbk (BTPN)* ^{1,3} :	-13.0	-

*1 Equity in earnings for companies marked with an asterisk are equity amounts company-wide including other segments. The percentage of this segment/companywide of each company is as follows:

SMFL:35/40, BTPN:17.79/20.33, Sumisho Machinery Trade Corporation: 60/100

*2 We refrain from disclosing forecasts of FY 18, due to reorganization.

*3 We refrain from disclosing forecasts of FY18 since BTPN does not disclose those.

Segment Strategy

“Stay Ahead, Shape the Future”

- ✓ We value diversity and form attractive functional Business Unit in which every one of members enjoy their work.
- ✓ We make broad contributions to the development of society, by staying a step ahead in dealing with changes, and create new values that meet the needs of each region and customers.
- ✓ We create businesses that provide values unique to Sumitomo Corporation in each field, and achieve the goal as a whole.
- ✓ We make sizable effort to achieve sustainable growth, through good understanding over the trend of market, customer, and policy and change in society from long-term perspective.

[Trends of social issues in relation to our strategies and the values we can offer for the solution.]

In the recent movements, there has been a significant growth on the environmental awareness and the efforts to reduce greenhouse gas emissions. On top of that, the development of social infrastructure has been urgent matters because of the rapid urbanization and the population growth, especially in emerging countries.

Under such circumstances, we focus on

- development of eco-friendly infrastructures in developed countries, and
- contributions to social development and constructions of infrastructure for living, through improving shortage of electricity and water, and designing logistics networks in emerging countries.

3 Infrastructure

【 FY18 Forecasts : 53.0 billion yen 】
(17.3 billion yen increase from FY17)

- Power infrastructure business (overseas):

IPP/IWPP business : stable

Large-scale EPC* projects : progress in construction

- Impact of U.S. tax reform : approx. -1.0 billion yen in FY17

*EPC: Engineering, Procurement & Construction

(unit: billions of yen)	(Ref.) FY17 Results	FY18 Forecasts
Global Basis		
Profit for the year attributable to owners of the parent	35.7	53.0

【Results of major subsidiaries and associated companies】

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17 Results	FY18 Forecasts
• Sumisho Global Logistics Co., Ltd. :	2.6	2.3
• Summit Southern Cross Power Holdings Pty Ltd :	2.0	0.9

Segment Strategy

- ✓ **To contribute promoting the company-wide initiative, “Digital Transformation” by leveraging advanced technologies/know-how and by developing human resources with expertise**
- ✓ **To contribute establishing foundation for comfortable and enriching lifestyles by providing products and services meeting with consumers demand globally and by creating new distinctive values and lifestyles through our businesses**

〔Main Initiatives〕

○Enhancement of core businesses

- J:COM: To enhance 3 main services and to upgrade services by strengthening of its infrastructure
- Jupiter Shop Channel: To strengthen foundation by continuous capital expenditure and to expand customer base by enhancing marketing practices
- SCSK: To transform revenue model by expanding its product line-up and by shifting to service-oriented businesses
- T-GAIA/Telecommunications business in Myanmar(MPT) : To increase the value of existing businesses and to provide new services by making most of the leading positions in the market

○Creating the next-generation businesses

- Accelerating the deployment of digital media business, Global expansion of video content-related businesses
- Promotion of SC Group’s digital transformation with SCSK and utilizing advanced technologies
- Contribution to the development of local societies and industries by expanding telecommunication infrastructure and extending various services in emerging countries focused on Southeast Asia

○Utilizing the platforms

- Development of various new services based on J:COM/MPT's customer base and telecommunication infrastructure as platforms
- Upgrading our group’s businesses and creating new values by integrating “Enabler functions” such as finance and logistics with SCSK 's IT technology

【 FY18 Forecasts : 46.0 billion yen 】
(13.0 billion yen decrease from FY17)

- Increase in costs of capital investment by domestic major group companies
- One-off profit from asset replacement in FY17

(unit: billions of yen)	(Ref.) FY17 Results	FY18 Forecasts
Global Basis		
Profit for the year attributable to owners of the parent	59.0	46.0

【Results of major subsidiaries and associated companies】

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17	FY18
	Results	Forecasts
• Jupiter Telecommunications Co., Ltd. :	35.6	34.0
• SCSK Corporation :	22.6	12.5
• Jupiter Shop Channel Co., Ltd. :	8.8	8.3
• T-Gaia Corporation :	4.2	4.3

Segment Strategy

- ✓ **To contribute establishing foundation for comfortable and enriching lifestyles by providing products and services meeting with consumers demand globally and by creating new distinctive values and lifestyles through our businesses**
- ✓ **To contribute promoting the company-wide initiative, “Digital Transformation” by leveraging advanced technologies/know-how and by developing human resources with expertise**

[Main Initiatives]

○Enhancement of core business

- Summit (supermarket) : Acceleration of new store opening, development of new small store format, enhancement of ready made dishes such as delicatessen products
- TOMOD’S (drugstore) : To enhance its business by leveraging new store development including M&A opportunities, and by enlarging at-home prescription dispense service
- Real estate business : To expand overseas business and fund business
- Leveraging the foundation of core business including Summit/TOMOD’S/SC Foods/Real estate business

○Development of existing business

- Fyffes : Increase of the value of existing business and acceleration of supply source integration

○Creation and enhancement of business in emerging fields

- Creating foundation for domestic and overseas healthcare business
- Expansion of wood resources business through acquisition of high quality forest asset
- Increase of the procurement capacity for biomass fuel and expansion of biomass manufacturing
- Initiatives for Smart City project by utilizing our integrated corporate strength

5 Living Related & Real Estate

【 FY18 Forecasts : 45.0 billion yen 】 (10.5 billion yen increase from FY17)

- Stable performance of real estate business
- Higher commodity price in fresh produce business
- Impact of U.S. tax reform in FY17: approx. -2.0 billion yen

	(Ref.) FY17 Results	FY18 Forecasts
(unit: billions of yen)		
Global Basis		
Profit for the year attributable to owners of the parent	34.5	45.0

【Results of major subsidiaries and associated companies】

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17 Results	FY18 Forecasts
• Summit, Inc. :	4.7	4.4
• SC Foods Co., Ltd. :	2.8	2.6
• Fyffes Limited* :	0.1	2.2
• TOMOD'S Inc. :	1.6	1.7
• SUMMIT FORESTS NEW ZEALAND LIMITED :	1.1	1.1
• S.C.Cement Co., Ltd. :	1.0	1.0
• Sumisho Realty Management Co., Ltd. :	0.8	1.0
• Sumifru Singapore Pte. Ltd. :	-1.6	0.7
• Grain business companies in Australia :	0.1	0.2

* We started to disclose the equity in earnings from this quarter due to the completion of Purchase Price Allocation after the acquisition.

Segment Strategy

- ✓ **In the mineral resources and energy field, we aim to fulfill stable supply to industry with a business portfolio which can contribute to earnings significantly over the medium to long term and is effectively diversified against risk.**
- ✓ **In the chemical and electronics field, we aim to provide differentiated, highly profitable and value added services and raw materials in growing industries.**

The global macro trends such as population growth, increasing incomes and urbanization change the demand-supply mineral resources, energy and food, and the industrial structure of IoT. Considering those changes, we aim to accomplish following material issues: Achieving harmony with the global environment; Contributing to the development of local communities and industries; Developing human resources and promoting diversity of colleagues working in the field around the world; and Establishing a foundation for comfortable and enriching lifestyles.

[Mineral Resources & Energy]

- Improve profitability of existing large projects.
- Acquire cost competitive assets in medium to long term view.
- In mid-downstream business, we will create high value-added business by pursuing synergies with upstream business and utilizing derivative functions. We will expand our existing business and explore new business models.

[Chemical & Electronics]

- Strengthen our earnings base through the combination of the trading and manufacturing businesses, as well as corporation between organizations.
- We will utilize our specialty, knowledge and knowhow to strengthen the earnings base of existing businesses in the area where we have competitiveness, such as in Electronics Manufacturing Service, crop protection product, and pharmaceutical products. We will also add values to existing projects that we recently invested in.
- Create new businesses considering the change in industrial structures such as EV, Energy-saving and IoT.

【 FY18 Forecasts : 66.0 billion yen 】

(12.5 billion yen decrease from FY17)

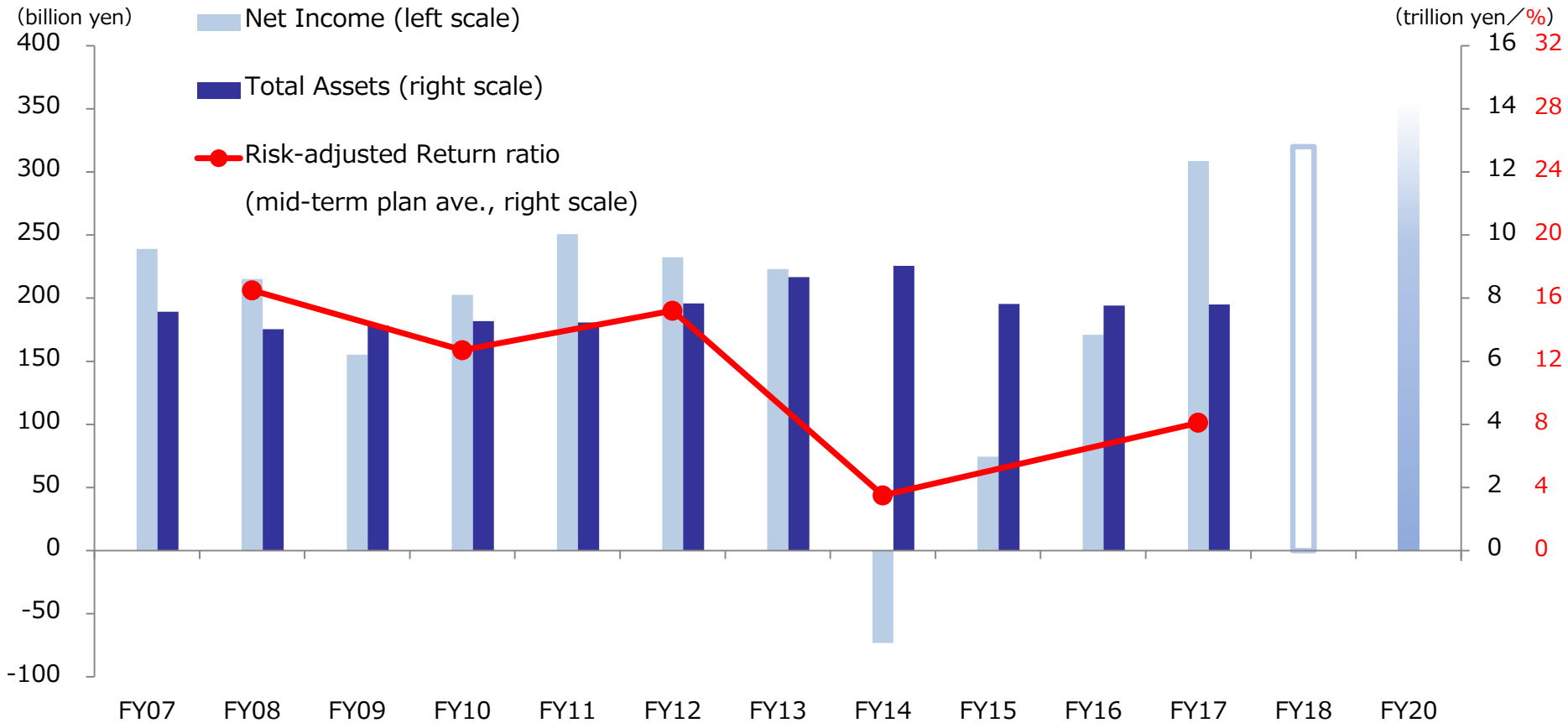
- Silver, zinc and lead mining business in Bolivia :
Decrease in earnings
- Posted one-off profits in FY17

(unit: billions of yen)	(Ref.) FY17 Results	FY18 Forecasts
Global Basis		
Profit for the year attributable to owners of the parent	78.5	66.0

【Results of major subsidiaries and associated companies】

Company	Equity in earnings of the segment (unit: billions of yen)	
	FY17 Results	FY18 Forecasts
• Silver, zinc and lead business companies in Bolivia :	27.8	18.8
• Oresteel Investments (Proprietary) Limited :	15.4	14.5
• Companies related to coal business in Australia :	10.1	13.7
• SC Minerals America, Inc. :	4.4	4.9
• Sumitronics group :	3.1	3.9
• Sumitomo Shoji Chemicals Co., Ltd. :	2.6	3.1
• SMM Cerro Verde Netherlands B.V. :	1.5	2.8
• LNG Japan Corporation :	2.3	2.3
• Iron ore mining business in Brazil :	3.7	1.4
• Companies with oil field interests in the North Sea :	0.9	1.4
• Summit Rural Western Australia Pty. Ltd. :	0.4	0.5
• Shale gas business in the U.S. :	0.2	-0.1
• Copper and molybdenum mining business in Chile :	-0.8	-1.1
• Nickel mining and refining business in Madagascar :	-14.1	-9.8

Historical Data for Medium-Term Management Plan



GG Plan (2 year)	FOCUS'10 (2 year)	$f(x)$ (2 year)	BBBO2014 (2 year)	BBBO2017 (3 year)	Medium-Term Management Plan 2020 (3 year)
Pursuit of further improvement of quality heading for a new stage of growth	A growth scenario on a new stage	Growth across regional, generational and organizational boundaries	Heading for an even higher level of profit growth by thorough enhancement of our earning power	To make group-wide efforts in overcoming issues and to outline a path toward the realization of "What We Aim to Be"	Unceasing challenge for new value creation

Shareholders' Composition

