

Integrated Report **2019**

Enriching lives and the world

100th
ANNIVERSARY
SINCE 1919

We have created a new Corporate Message looking toward the next 100 years.

On December 24, 2019, Sumitomo Corporation will celebrate the 100th anniversary. In this milestone year, we have created a new Corporate Message of the Sumitomo Corporation Group. We looked back at our history over the past 100 years in which our company has advanced together with society, and we looked toward the next 100 years and the achievements yet to come. Our message of “Enriching lives and the world,” which expresses enthusiasm and determination, is the result of discussions among several of our group members from around the world over the past two years. The message also represents the Group’s unwavering pledge to further enrich the world, society, and people’s lives through sound business activities. As it embarks on a new century of activity, the Sumitomo Corporation Group will be guided by the spirit encapsulated in this Corporate Message.

Participatory event to create commemorative publicity materials

To coincide with the announcement of the new Corporate Message, a participatory event was organized at which employees and their families worked together on creating commemorative publicity materials to launch us into the next 100 years. One of the pieces created at the event, drawn using pencils in our corporate colors, was selected as the background to the cover page of this report. Additionally, we have set up a special page on our corporate website including a movie explaining the spirit of the Corporate Message. To view this, please visit our corporate website.



Corporate Message special page

<https://www.sumitomocorp.com/en/jp/corporate-message>



Enriching lives and the world

We have become who we are today
by evolving with the times in unison with people and society.

We never pursue easy gains. Integrity and strong unity are
cherished principles from which we work to create value for society.

As we face a fast-changing world, we look toward the future with renewed anticipation
and reflect on the meaning of our mission.

To engage, commit and contribute.
To overcome challenges and come out ever stronger.
To cultivate the seeds of opportunity, bridge possibilities and create a better tomorrow.

We know that the passions of each individual create our indelible values.
But we also acknowledge that the power of many is far greater than the effort of one.

So we are united in all our will and determination.

We represent different regions, diverse cultures, and all walks of life.
Yet we know that the strength of unity begins with respect.
With this as our foundation, we aim to create a world never seen before.

Passion. Determination. Values.
These ideas we share universally together to achieve prosperity and realize dreams for all.

This is our enduring promise.

On the Release of Integrated Report 2019

Starting with Annual Report 2014, the Sumitomo Corporation Group has been enhancing its report content by adding non-financial information to the conventional financial information, and attempting to link the two elements organically. In 2017, we changed the report's name to the "integrated report" and began seeking to raise stakeholders' understanding of the Group's value creation mechanisms from a medium- to long-term perspective. As part of this, in Integrated Report 2018, we outlined the value creation model which enables the sustainable growth of the Group.

Sumitomo Corporation will celebrate its 100th anniversary in 2019. For this milestone year, Integrated Report 2019 reviews the Group's value creation in the past 100 years and presents our vision for value creation through our business activities for the next 100 years.

The driving force behind our value creation is the "seven types of capital," including "financial capital," "human capital," and "intellectual capital," presented in our value creation model. This also represents an underlying strength of the Group. As expectations regarding the value we provide change with the times, the Group remains committed to resolving social issues through value creation while clearly capturing society's needs.

In creating this report, we referred to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC) and the Guidance for Collaborative Value Creation formulated by Japan's Ministry of Economy, Trade and Industry. We also sought to reflect the comments and questions sent to us on a daily basis by stakeholders. In this way, we have made an earnest effort to produce an accessible report that presents our Group's past, present, and future from a long-term and embracing perspective, working together with the various corporate organizations to come to a shared groupwide approach.

Going forward, we will continue working to enrich the content of the integrated report, listening to stakeholders' opinions in this process. At the same time, by using the integrated report as a tool for constructive dialogue, we will continue to create new value over the next 100 years with the Group's corporate message newly created for our 100th anniversary—Enriching lives and the world—close in mind.

October 2019

Kuniharu Nakamura
Director, Chairman
Chairman of the Board of Directors

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Scope of the Report

- Period covered: April 1, 2018, to March 31, 2019 (Some activities starting on or after April 1, 2019, are included.)
- Organizations covered: Sumitomo Corporation and the Sumitomo Corporation Group
- Previous publication: October 2018
- Next publication: Summer 2020

Referenced Guidelines

- The International Integrated Reporting Council (IIRC) International Integrated Reporting Framework
- ISO 26000 (Guidance on Social Responsibility)
- Charter of Corporate Behavior, KEIDANREN (Japan Business Federation)
- Environmental Reporting Guidelines 2018, issued by Ministry of the Environment
- Guidance for Collaborative Value Creation by Ministry of Economy, Trade and Industry





Masayuki Hyodo

Representative Director
President and Chief Executive Officer

Toward the next 100 years. Seeing results from the various innovations we have set in motion.

My first year as CEO

Making decisions that fill our employees in the field and executives with the spirit of transformation

A year has passed since I assumed the position of President and CEO of Sumitomo Corporation. When I gave my inauguration speech upon taking office, I stated the following to all group employees: "We must clearly identify what to maintain and what to change, and move forward together with this understanding in mind. Let us also fulfill our social responsibilities as the Sumitomo Corporation Group and carry out our Corporate Mission of seeking "To achieve prosperity and realize dreams through sound business activities." FY2018 was a year of striving to achieve these goals.

The Sumitomo Corporation Group has entered a period of great change. We are seeing results from the steady progress we made in our Medium-Term Management Plan 2020, which started in FY2018, and from the innovative initiatives in various business sites to spur further growth in the future.

Our responsibility as management is to make the decisions that will boost employees' motivation. In Japanese, we say, "Cherish harmony among people." However, this does not simply mean that everyone must get along all the time; it also includes the idea of arguing and exchanging opinions to deepen our mutual understanding. This is why the management engages in thorough discussions before making any decisions. While unanimous decisions are ideal, they are not always possible. If disagreements occur, we accept the different opinions, discussing them frankly and without reserve.

Despite of all of that, we are still able to maintain harmony because of the shared values that run through the management as a whole. Those values are Sumitomo's Business Philosophy, the Sumitomo Corporation Group Corporate Mission Statement and our Material Issues. As the President and CEO, I can confirm that these values, which have been passed down over the 400 years of Sumitomo's history, serve as clear criteria when making management decisions.

Sumitomo Corporation Group's 100-year history

100 years of self-transformation, understanding the changing times and embodying "an enterprising spirit" without pursuing easy gains

December 2019 will mark the 100th anniversary of the founding of the Sumitomo Corporation Group. Sumitomo Corporation was originally founded in 1919 as The Osaka North Harbour Company Limited, a company which worked on land development in the Osaka North Harbor area, developing surrounding areas and managing real estate. After the war, the company changed its name to Nippon Engineering Co., Ltd. and began the trading activities that launched the Sumitomo Corporation Group of today.

An organization that started out with a small number of workers 100 years ago has now become a conglomerate with over 900 group companies. I am convinced that our success is firmly rooted in Sumitomo's Business Philosophy. By avoiding the pursuit of easy gains, accurately sensing changes in the times, carrying out planning with a "Grand Design" and possessing an enterprising spirit, we have been able to continuously transform our businesses

Message from the President and Chief Executive Officer

by responding to changes in the economy, industries and social environment.

Just as Sumitomo Corporation developed from the parent body Sumitomo, our future vision is to become a parent that will generate and nurture next-generation businesses full of new potential. This is our ultimate goal for the next 100 years. Such initiatives will be closely linked to the sustainable growth of the Sumitomo Corporation Group.

Requirements for sustainable growth

Contributing to the development of society is our highest priority. A sense of balance in corporate management is required.

Looking ahead to the next 100 years, there are criteria for decision-making that we should always revisit.

We need to understand that, to achieve sustainable growth, our activities must be appreciated by society and must contribute to the development of society. That said, the expectations of a company differ depending on the region and society. Past, present and future requirements can all vary. We must always be sensitive to the issues that society is facing at any point in time.

We recently revised our basic policy on climate change issues. We held numerous discussions about how we could contribute to solving social issues from a variety of viewpoints. We will continue to respond sincerely to the needs of society and fulfill our responsibilities as a corporate citizen.

(→ [Initiatives to Address Climate Change Issues](#), p. 39)

Moreover, to achieve sustainable growth, it is essential that we focus on cash flow in our consolidated group management and ensure that our financial position is sound. This means that it is crucial for us to maximize our profits by optimizing the value of various businesses and enhancing their cash-generating capabilities to secure funds. We also need to carefully reinvest those funds and actively replace our assets while paying close attention to

the profitability of each business. At the same time, it is also vital that we share the gains with our investors, shareholders, employees, business partners and all other stakeholders. Balancing these two stances is one of the important tasks of corporate management.

In short, we have two aims ahead of us: to secure wealth, and to share and distribute this wealth in an optimal way. For our shareholders and investors in particular, it is important to make sure that they receive the returns they deserve, including dividends, so that they will continue to hold our shares in the medium- to long-term. To maintain this balance is the essence of management.

It is very difficult for a company to receive an appropriate evaluation from the market, especially for integrated trading companies, which tend to be affected by what is known as a “conglomerate discount.” In spite of that, I believe the only measures available to us are to pursue the maximization of present value and show steady results each year. With that mindset, we announced our Medium-Term Management Plan 2020 to represent the balance we aim for in every aspect, including our capital allocation policies.

Summary of the first year of our Medium-Term Management Plan 2020

Steadily increasing our earning power: achievement of our highest-ever profits and clearing KPIs set in the plan

In the year ended March 31, 2019, the first fiscal year under our three-year medium-term management plan, we posted a net profit of ¥320.5 billion. That was an increase of ¥12 billion year-on-year, marking our second straight year of record profits. At the same time, our six business units are increasing their earning power by executing their individual growth strategies.

(→ [Implementation of Medium-Term Management Plan 2020](#), p. 15)

Increasing the value of existing businesses as our core growth strategy and accelerating our efforts to create next-generation businesses

Increasing the value of existing businesses is the key growth driver over the three years of the Medium-Term Management Plan 2020. In FY2018, we made great strides toward increasing earnings from many fields where the group has its strengths. For example, we entered the specialty steel business in India to take advantage of its growing automotive-related demand and also participated in offshore wind power generation projects in France and Belgium.

To upgrade our existing businesses, we are also putting our utmost efforts into Digital Transformation (DX) companywide. To that end, led by the Chief Digital Officer (CDO), we enhanced our structure by strengthening the functions of the DX Center and increasing its number of personnel. The DX Center is already in full operation, and we are accelerating our initiatives in various businesses. We are also focusing on increasing efficiency through robotics process automation (RPA) and utilizing the resources acquired in that way to create new value.

On the other hand, we are also producing results by putting efforts into increasing the profitability of businesses with difficulties. The Ambatovy nickel mine business in Madagascar, which performed below our plan, is a key case

in point. Despite the current performance, as it is expected that the next-generation of vehicles such as EVs will become widespread, the potential of a mining project that produces the high-quality nickel necessary for batteries is promising. We are therefore aiming to achieve stable operations and profitability of the project at the earliest possible time.

We are also striving to create new businesses with potential to become the pillars of our future earnings. For example, we are implementing a Smart City project in North Hanoi, Vietnam. In the healthcare field, we have entered the managed care market in Malaysia. Both projects are part of our efforts to assist the development of emerging nations. In Japan, we are speeding up our precision agriculture initiatives involving the use of agricultural drones.

Innovating together by connecting with others

These days, the wave of digitization is sweeping over every kind of business. In order to successfully take on new challenges, we must mobilize every resource, including our internal ideas along with external innovations. We have already established offices in Silicon Valley, Hong Kong and London, the incubators of new business development, and we are also expanding our networks to cover start-ups with cutting-edge technology and potential “unicorns.” Furthermore, in April 2019, we established “Mirai Lab Palette” in the Otemachi area to facilitate open innovation between people within and outside the Sumitomo Corporation Group. We have also started the “0→1 Challenge Program” to unearth and nurture entrepreneurs within our group with the aim of creating new businesses.

One of the strengths of the Sumitomo Corporation Group is its ability to serve as a business organizer that can overcome various barriers to create businesses. We are living in an age where new value is not created by a single entity but through the various “connections” formed between companies and organizations across industries, regions and nations. In such an environment, the ecosystem that the Group is building is poised to bring innovation to a new era.



Message from the President and Chief Executive Officer

Strengthening corporate governance through active discussion

One of the goals of Medium-Term Management Plan 2020 is strengthening governance in order to reinforce our management base. I consider that active discussion is indispensable to healthy governance. Since we believe that listening to diverse opinions and actively discussing them is the key to enhancing the supervisory functions of the Board of Directors, we invited five outside directors to the Board in FY2018.

Improving the governance of the Group overall is another issue that must be addressed. What we need in that respect is candid discussion and mutual understanding between headquarters and group companies. For subsidiaries, we have introduced a governance framework that seeks to clarify internal controls through repeated dialogue and works toward improving the quality of operations.

Developing human resources and accelerating growth strategies

In FY2018, we introduced a number of measures to our human resources (HR) system. (→ *Human Capital*, p. 65) The shared concept behind these measures was “supporting individual growth.” We are encouraging the approximately

70,000 group employees all over the world to grow and develop. I firmly believe that putting systems into place to allow them to gain experience, learn, make outputs and then move on to the next level will increase employees’ motivation and will propel our growth strategies forward.

We must not allow differences in gender, nationality, values or other characteristics to interfere with this growth cycle. For a company that carries out business globally, it is especially important to provide an environment that allows personnel from every part of the world to flourish. We will bring in personnel with a variety of backgrounds so that we can turn that diversity into drivers for growth. We have set this concept of “Diversity & Inclusion” as the foundation of the Sumitomo Corporation Group’s HR strategy.

Looking ahead to the next 100 years—Sumitomo Corporation’s Next Century Project

Enriching lives and the world: Our determination on the Sumitomo Corporation Group’s “100th Anniversary Transformation”

One of the expectations of the Sumitomo Corporation Group in this centennial year is our “100th Anniversary Transformation.” The strength of our young people is the driving force behind that transformation. To create new value other than by extending past achievements, the most important thing is to prepare an environment where young employees with fresh approaches can demonstrate their abilities to the fullest.

To use this memorable 100th anniversary year as an opportunity for self-transformation in anticipation of the next 100 years, the Group launched the Next Century Project in 2017. Under this project, we invited mainly young employees from offices and business locations all over the world as Next Century Ambassadors. With an assigned time of three years from 2017 to 2019, they thoroughly interviewed employees in order to uncover the challenges facing the Group at present. In that way, we can discuss what the Group needs to aim for in the next 100 years, and it enables us to plan and implement policies for our transformation. I told the Ambassadors that they could change anything except for Sumitomo’s Business Philosophy and the Sumitomo Corporation Group’s



Create a world never seen before.

The Next Century Project: changing and challenging ourselves and encouraging sustainable growth in preparation for the next 100 years



The basic concept behind the Next Century Project is realizing sustainable growth by allowing every employee to share the Sumitomo Corporation Group's fundamental values on an individual level and join together to change and take on new challenges aimed at creating a better future. To express the sense of values to be shared, we formulated a new corporate message: "Enriching lives and the world." We also drew up and are implementing an action plan to encourage employees to change and try new things.

This corporate message is rooted in Sumitomo's Business Philosophy and the Sumitomo Corporation Group Corporate Mission Statement and expresses the Group's true nature and its commitment to the future. It was created through communication with over 3,000 Sumitomo Corporation Group employees from around the world.

Additionally, to change and challenge ourselves for the sake of the future, we have set the following themes:

1. Future driven: Create the future;
2. Diversity: Accept diverse values;
3. The power of connections: Build connections with organizations within and outside the Group;
4. Individual strength: Acquire both work-related knowledge and knowledge that is not work-related.

We are implementing various action plans to pursue these themes. We have started specific initiatives such as the Mirai Lab Colosseum Salon, where different people can get to know each other and together think of a world that has never been seen before, and 100SEED, global social contribution projects that employees can participate in for the benefit of society over the next hundred years.

Corporate Mission Statement. They have worked on projects and have started extremely interesting plans that showcase their youthful mindsets.

One of the outputs of this project was the creation of a new corporate message, "Enriching lives and the world," which we announced publicly in May 2019. Through this message, it was our intention to declare to the public that the mission of the Sumitomo Corporation Group is to enrich all lives and people's lifestyles throughout the world. It also describes our deep commitment to pursuing and fulfilling the ambition of achieving prosperity and realizing dreams through sound business activities that is set out in our Corporate Mission Statement.

The Sumitomo Corporation Group endeavors to solve social issues while changing and evolving our people, businesses and business models to match the trends of the time. I hope everyone can share my excitement and expectations as I look to the future of the Group in the next 100 years.

October 2019

Masayuki Hyodo

Representative Director
President and Chief Executive Officer

Aiming for greater profit growth by optimizing our growth investments and financial structure

Koichi Takahata

Representative Director, Executive Vice President,
Chief Financial Officer

Annual results for FY2018 and forecast for FY2019

Core businesses in the six divisions performed well and we achieved record-high profits

FY2018 was the first year of our Medium-Term Management Plan 2020. While we recorded one-off losses on some projects, overall the core businesses of each business division performed well, and we posted ¥320.5 billion in profit for the year attributable to owners of the parent (an increase of ¥12 billion compared to the previous year), revising our record for highest profit ever. While individual businesses still face challenges that must be addressed, based on the favorable results of the first year, it is safe to say that the medium-term management plan has made a very positive start.

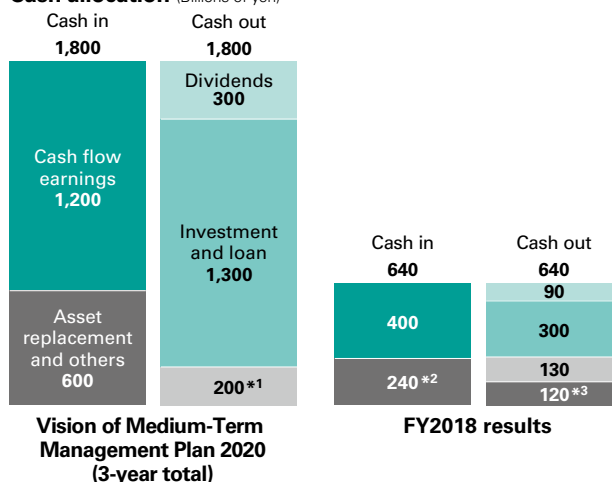
Having said that, however, it cannot be denied that geopolitical risks have been mounting in various countries and regions of the world since the second half of 2018, making our future business environment increasingly uncertain. The trade friction between the U.S. and China is of particular concern because it threatens the growth of emerging countries in Asia, where our Group has developed our businesses extensively. Despite such causes for concern, however, we have set our profit forecast for the FY2019 at ¥340 billion (an increase of ¥19.5 billion compared to FY2018) and intend to earn record-high profits for the third year in a row.

Cash flow

Spreading the “Cash is the source of growth” mentality throughout the Group

The Sumitomo Corporation Group is working hard to strengthen its cash-generating capabilities. Under Medium-Term Management Plan 2020, we set a cash inflow target of ¥1,800 billion over three years. Within that target, we are placing particular emphasis on the cash flow earnings (basic profit cash flow* + depreciation and amortization) that will

Cash allocation (Billions of yen)



*1 Repayment of interest-bearing liabilities

*2 Asset replacement

*3 Others

form the source of our growth. Accordingly we have set a target value of a total of ¥1,200 billion in cash flow earnings over three years.

In the FY2018, each business division generated cash steadily, resulting in basic profit cash flow of ¥290 billion (an increase of ¥16.1 billion compared to the previous year) and cash flow earnings of ¥401.8 billion (up ¥9 billion compared to the previous year). With the addition of asset replacements, we had a total cash inflow of approximately ¥640 billion.

Among these figures, the fact that cash flow earnings exceeded the estimated ¥400 billion for a single fiscal year is a particularly positive outcome. In our Group, all business divisions and all group companies are becoming aware that “Cash is the source of growth.” In other words, even as we increase our profit, we cannot make new investments without securing cash. Thus each business division is perpetually conscious of dividends from invested companies, and in recent years we have been striving to enhance the profitability of our invested companies by thoroughly discussing how much payback we can expect from our invested capital when we make new investments, to give one example. The cash flow earnings of over ¥400 billion this year are the fruit of these kinds of initiatives.

For cash outflows, on the other hand, we spent approximately ¥90 billion on paying dividends, ¥300 billion on investments, ¥130 billion on repayment of interest-

bearing liabilities, and around ¥120 billion on others (increase / decrease of working capital, etc.).

As part of Medium-Term Management Plan 2020, we intend to make investment for growth of about ¥1,300 billion over a three-year total. In comparison to the total figure, the ¥300 billion we invested in the first year may seem like a slow start, but the important thing is investing steadily according to the growth strategy for each business division. ¥300 billion of the total sum of ¥1,300 billion is earmarked for investment in what we call “next-generation businesses” while the remaining ¥1,000 billion will be spent on Increasing the Value of Existing Businesses.







* 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

Investments

Investing in existing business areas while tackling next-generation business to seize growth opportunities

We have been concentrating our investments on existing business areas where growth can be expected, intending to secure return from the investments. At the same time, we

The 2018 fiscal year: Investments by segment

	Investment (Billions of yen)	Major investments
 Metal Products	32	<ul style="list-style-type: none"> Specialty steel business in India
 Transportation & Construction Systems	45	<ul style="list-style-type: none"> Assets increase in leasing business and rental business
 Infrastructure	62	<ul style="list-style-type: none"> Biomass power plant in Japan (Sakata City, Yamagata Prefecture) Offshore wind farm projects in Europe (France, Belgium)
 Media & Digital	40	<ul style="list-style-type: none"> Acquisition of all shares of a financial system development company and a system verification company as wholly owned subsidiaries of SCSK Digital advertising business in Southeast Asia
 Living Related & Real Estate	66	<ul style="list-style-type: none"> Managed care service in Malaysia Acquisition of real estate in the U.S.
 Mineral Resources, Energy, Chemical & Electronics	58	<ul style="list-style-type: none"> Acquisition of Quebrada Blanca copper mine interest in Chile Agricultural input and service business in Ukraine
Total	300	Investment plan: ¥1,300 billion in a 3-year total

Message from the Chief Financial Officer

will also actively challenge ourselves with next-generation businesses once our returns from investments in existing business areas are guaranteed. I believe finding a balance between the two approaches is essential.

Except for the mineral resources business with high volatility, the profit bases of our Group's businesses have been growing at a rate of around 10% a year, and in the medium- to long-term span covering the next five to 10 years, we can expect the Group as a whole to maintain a certain level of growth by reinforcing the core and peripheral businesses of each division.

However, although "existing business" is an all-encompassing term, different business divisions have different growth phases and business environments and a different level of competitiveness in their respective markets, so the issues they need to overcome to achieve further growth differ as well. On one hand we have businesses that have plenty of room for growth once we invest additionally, and on the other hand we have businesses that have experienced a drastic drop in profitability due to changes in the business environment and which will need to be restructured, possibly by selling them off. Therefore, our current and continuing policy is to carry out the appropriate level of investment for each business division based on their individual circumstances.

When it comes to next-generation businesses, under Medium-Term Management Plan 2020, we have identified three emerging fields we intend to engage in: Technology x Innovation, Healthcare and Social Infrastructure.

So far we have invested in 25-30 relatively small-scale Technology x Innovation projects. Through these projects, we plan to gain insider knowledge and know-how in each field and consider how to develop our businesses as a Group after obtaining the seeds for future endeavors.

Healthcare is a field that calls for a lot of specialized knowledge, so we are considering entering markets as part of a joint venture with partnering organizations. When we do, it will be essential that we confirm and agree upon our strategy for advancing the business with our partners. That is the process we have followed so far to help our new businesses progress smoothly and going forward, we will continue to seize growth opportunities and invest in new fields proactively.

When it comes to Social Infrastructure, in addition to the field of power infrastructure business, which is one of our Group's traditional strengths, we also plan to invest in large-scale projects such as airports and harbors. It takes time for infrastructure and real estate projects to become profitable, but once they do, they can be expected to generate stable amounts of cash. Moreover, since they are

asset businesses, they are relatively easy to convert into cash if they become less profitable, which is why we are seeking to incorporate a higher percentage of such projects into our business portfolio.

Enhancement of financial soundness

Reinforcing our management foundation through risk management and reducing interest-bearing liabilities

We are focusing on "Enhancement of Financial Soundness" as part of our steps towards reinforcing our management foundation in Medium-Term Management Plan 2020. While continuing our cash flow management policy of investing and carrying out dividend within the limits of cash generated, we are also working on guaranteeing stability by limiting our Risk-weighted Assets (total amount of risk) to within our Core Risk Buffer (shareholders' equity). We have also set goals for our efficiency indicators: 10% or more for ROE, higher than our shareholders' equity costs, and 4% or more for ROA.

At the same time, we also plan to establish a financial structure that does not over-rely on interest-bearing liabilities. Looking ahead, the current financial environment in Japan with its negative interest rates may not necessarily continue forever. Moreover, as our businesses abroad continue to increase, we foresee the possibility of a severe situation where we will have difficulty procuring foreign exchange, especially U.S. dollar. Considering such environmental changes and our Group's earning power, we are striving to reduce our interest-bearing liabilities. Since we realize that making a certain level of progress on improving our cash flow and financial structure on a yearly basis might prove difficult, we are instead aiming to achieve a total post-dividend free cash flow of ¥200 billion over three years, which we will devote to repaying interest-bearing liabilities in order to achieve a debt-repayment term (interest-bearing liabilities / cash flow earnings) of 6.0 or less.

After that, we will determine how much capital we need for future growth and how much working capital we require when we consider potential changes in the global business environment. Then, after deciding what balance to strike between generating cash and sourcing funds externally, we will consider whether we need to reduce our interest-bearing liabilities even further or not.

As I stated earlier on, awareness is growing steadily in our Group that cash generation is the source of growth investment. That notwithstanding, a look at our recent investments reveals a number of projects that have not achieved the expected level of profitability after a set period

of time since investment began. We are working on helping such projects to display their true potential. The most important thing is for us and the management at invested companies to share the same management policy and goals right from the initial stages. Based on this consensus building, we consider the details of the invested company's business and our own expertise in order to make a comprehensive decision on how to provide hands-on support to the company.

We also monitor the status of our investments regularly and provide support for improvement as needed. For important projects, we establish a 100-Day Plan Execution Support System as an integrated support function or set up a Focused Follow-Up System to follow up on the plans to improve results and their execution, among other measures to improve the quality of the businesses. Furthermore, in this Medium-Term Management Plan 2020, we have introduced an investment monitoring system called Full Potential Plan where we perform a comprehensive quantitative evaluation of our subsidiaries and associated companies and formulate the necessary support measures to maximize the potential of their individual businesses.

Through such initiatives, we plan to improve the quality of the business portfolio of our Group as a whole. This, coupled with an increase in profitability and cash-generating ability and a strengthening of our financial structure, should lead to sustainable growth for our Group. Additionally, active disclosure on the progress of such initiatives will enhance the Group's recognition.

Shareholder returns

Enhancing shareholder returns through profit growth

When it comes to shareholder returns, while maintaining our basic approach of paying out stable dividends in the long-term, we also aim to increase the amount of dividends through medium- to long-term profit growth. In Medium-Term Management Plan 2020, we set a consolidated payout ratio of 30% as a guideline. We determine the actual amount of dividends after considering the situation of our basic profit and cash flow.

The annual dividend for FY2018 was ¥75 per share, up ¥13 over the previous year. In FY2019, in addition to the regular dividend of ¥80, we intend to pay an additional dividend of ¥10 to commemorate the 100th anniversary of our founding, resulting in a total annual dividend of ¥90. After much discussion, we decided that a commemorative dividend payout in our centennial year was an appropriate

way to show our gratitude to our shareholders for all their support over the past years.

By achieving balanced growth in both new and existing businesses and improving the quality of its business portfolio, the Sumitomo Corporation Group intends to make sustainable profit growth a reality. As CFO, I intend to continue to support these initiatives so that we can meet and exceed the hopes and expectations of our investors and shareholders.

Dividend policy

Basic policy

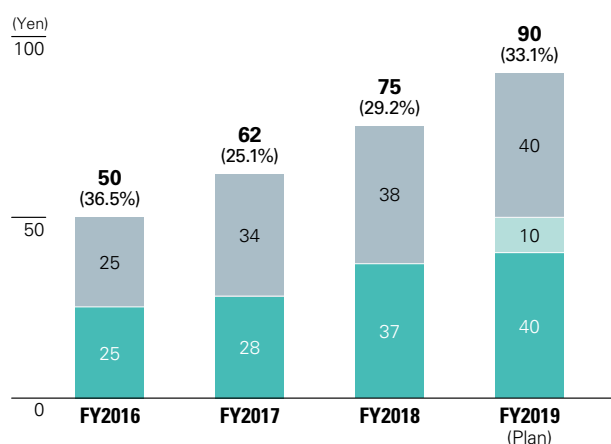
Our basic policy is to increase dividends by achieving medium- to long-term earnings growth while adhering to the Company's fundamental policy of paying shareholders a stable dividend over the long-term.

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.

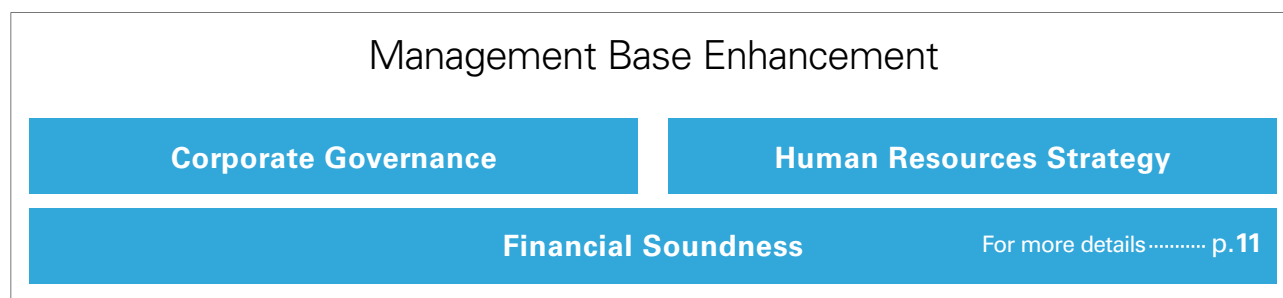
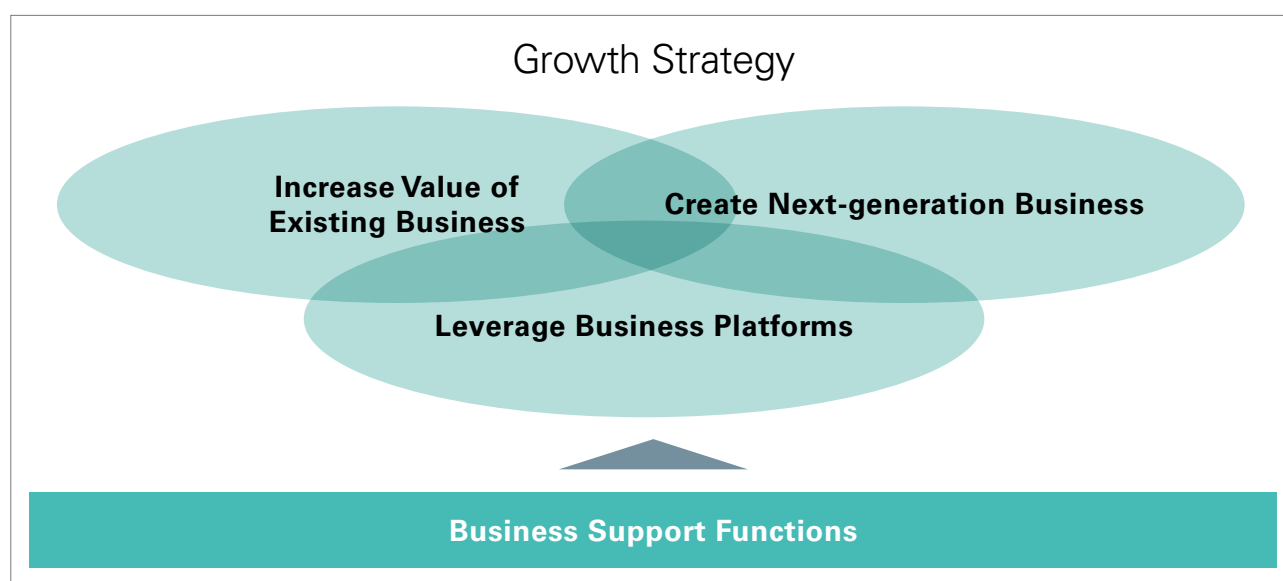
Dividends per share

■ Interim dividend ■ Commemorative dividend ■ Year-end dividend (Payout ratio)



Posted record-high profit and achieved plan target Progressing steadily with the plan's strategies and measures

In a changing business environment, industries are becoming increasingly borderless and complex due to the technological innovation driven by AI and IoT. In our new Medium-Term Management Plan 2020, we will create new value by promoting three core growth strategies: Increase Value of Existing Business, Create Next-generation Business and Leverage Business Platforms. At the same time, we will make continuous efforts to enhance our management bases.



Progress of Medium-Term Management Plan 2020 (Key management indicators)

		Plan	FY2018 Results
Profit for the year	FY2018	¥320 billion	¥320.5 billion
	FY2019	¥340 billion	–
ROA	April 2018–March 2021	4% or higher	4.1%
ROE	April 2018–March 2021	10% or higher	12%
Balance between the Core Risk Buffer and Risk-weighted Assets		Maintained	Maintained
Three-year total amount of investment		¥1,300 billion	Approx. ¥300 billion
Three-year total post-dividend free cash flow		¥200 billion or more	¥128.9 billion

Growth Strategy

Increase Value of Existing Business

Identifying and realizing the growth potential of existing businesses in each business unit

In FY2018, the Sumitomo Corporation Group further reinforced business foundations in its areas of strength through the initiatives outlined to the right. We will continue working actively to bolster earnings pillars in existing businesses while responding promptly to changes in the business environment.

Main initiatives in FY2018

Metal products business

- Invested in the specialty steel business in India

Power generation business

- Participated in the offshore wind power project business in Belgium and France

Agriculture-related business

- Invested in agricultural input & service company in Ukraine
- Acquired general agricultural input & service company in Brazil as wholly owned subsidiary

Create Next-generation Business

Concentrating management resources in emerging fields with major growth

We plan a total investment of approximately ¥300 billion over a three-year period in the three following fields: Technology x Innovation, which promises to bring business upgrading and business model innovation by accelerating Digital Transformation (DX); Healthcare, a market where rapid expansion is forecasted due to an aging population and other factors; and Social Infrastructure, where population growth and advancing urbanization are predicted to drive growth in areas such as Smart City/urban development projects and infrastructure installations. In FY2018, we made a total investment of approximately ¥10 billion in these three emerging areas.

Technology x Innovation Establishing and expanding systems for new business development globally

To quickly integrate cutting-edge technology into our businesses, we have been working to establish and expand systems for new business development globally such as in Silicon Valley, London, and Hong Kong. These bases have served as hubs for capital investment in some 30 start-ups that possess innovative technologies in agritech, 3D printing, and other areas. By leveraging local networks, we stay a step ahead in dealing with changes in the structure of industry through collaboration with individual start-ups to discover and adapt new technologies. In addition, we are working on business incubation, which gives support to fledgling start-ups.

Healthcare Investment in managed care business in Malaysia

For more details p. 119

Social infrastructure Environment-friendly Smart City development that contributes to enriching people's lives and developing local communities



In a Smart City development project in North Hanoi, Vietnam, we started Phase 1 of a real estate project including development of housing, office buildings, and commercial facilities. We will also explore the use of energy management based on microgrids and renewable energy, environment-friendly electric vehicles (EVs), security systems based on facial recognition and other technologies, and the introduction of automated payment systems.

This project does not mean simply undertaking Smart City development driven by IT. Instead, it brings together the integrated strengths of the Sumitomo Corporation Group to create exciting urban environments that will enrich the quality of life for people in Vietnam and contribute to the development of local communities.

Leverage Business Platforms

Creating new value by hybridizing multiple businesses and promoting cross-organizational collaboration

We redefine existing businesses and build new business models by leveraging business infrastructure and functions such as customer bases, telecommunications and broadcasting networks, lease, rental and sharing, and digital platforms.

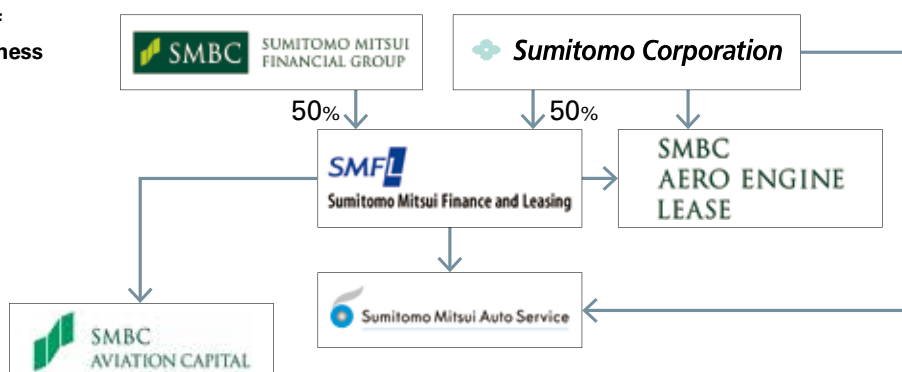
Main initiatives in FY2018

Reorganization of finance and lease company, a joint partnership with SMFG, is completed

- Ownership ratio of Sumitomo Mitsui Financial Group (SMFG) and Sumitomo Corporation Group changed to 50% each for investment in Sumitomo Mitsui Finance and Leasing Company, Limited (SMFL)
- Structure of SMFL changed to act as a platform for investing in leasing-related companies
- SMFL to develop business in real estate, infrastructure, and other fields with higher growth potential

As a result of the reorganization, SMFL will now develop business in real estate, infrastructure, and other fields with higher growth potential, seeking to strengthen the foundations and functions as a platform and simultaneously create new value.

Reorganization of joint leasing business



Capital investment in auto service-related business through Sumitomo Mitsui Auto Service Company, Limited

- Invested in KINTO Corporation, which provides a full leasing service for a fixed monthly fee covering voluntary insurance, vehicle tax, servicing costs, and other requirements as a single package
- Invested in MOBILOTS, Ltd., which provides finance services for commercial vehicles

Expanding Business Support Functions

Four business support functions to promote our growth strategy

1 Biz-Dev Support

We are cultivating next-generation businesses from a companywide perspective. In healthcare, Smart City projects, and other fields with high growth potential, we are strengthening cross-organizational collaboration to drive each project forward. In FY2018, meanwhile, we launched the 0→1 (zero to one) Challenge, a global in-house business start-up system that enables individual employees, regardless of their position or length of service, to submit proposals for new businesses beyond the boundaries of the organizations they belong to. Through

such initiatives, we are progressing with business model innovation through companywide efforts while also responding to changes in society.

2 Full Potential Plan

We are improving the quality of our portfolio by formulating specific measures to maximize the value of each business and monitoring their implementation at key points. This initiative is focused on group companies that have not yet achieved the expected performance and show room for improvement to achieve further growth.

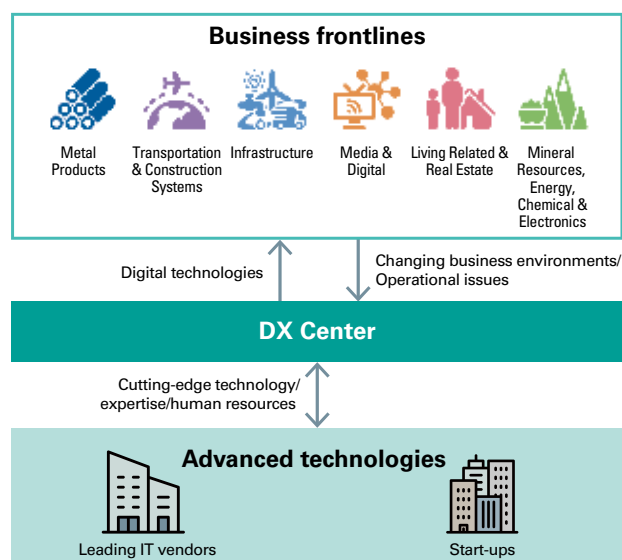
③ Asset Cycle Management

By utilizing external capital, we are increasing asset efficiency in each business. In FY2018, we established a fund for investing in the overseas offshore wind power generation business through a fund management company established jointly with two Japanese financial institutions.

④ Digital Transformation (DX)

In April 2018, we set up a DX Center, to hybridize the group's expertise with that of start-ups as a way of stimulating innovation in our business units and new business development. In April 2019, we established the position of Chief Digital Officer (CDO) to take over responsibility for proposal, planning, and implementation of companywide digital strategy.

Ecosystem for promoting DX



Management Base Enhancement

Enhancement of Corporate Governance

We have strengthened the Board of Directors' supervisory function over business execution by expanding the scope of the Board's monitoring activities. This initiative includes the introduction of enhanced reporting on the strategy of each business unit and sharing its progress and enhanced portfolio reporting on concentration risks such as market fluctuation risk and country risk. Meanwhile, to strengthen governance and to pursue a medium- to long-term increase in corporate value, we revised the executive remuneration system in FY2018. With this revision, the company increases the proportion of total remuneration accounted

for by performance-linked bonuses and stock compensation. This is designed to provide management executives with healthy incentives toward a medium- to long-term increase in corporate value and sustainable growth and to further promote sharing of the shareholder perspective. In addition, to maintain and improve the effectiveness of group governance on a global consolidated basis, we are using a group standard tool for dialogue with group companies to visualize the status of internal control as a way of enhancing the quality of operations.

For more details p. 89

Enhancement of Human Resources Management

Based on the basic concept of "Diversity & Inclusion: Make diversity a source of competitiveness," we are promoting a range of initiatives as part of the implementation of our growth strategy. Through strategic utilization of human resources in new next-generation businesses and job rotation beyond organizational boundaries, we are developing systems that allocate optimal human resources at the right time to the right place on a global consolidated basis. We have also introduced the Medium-Term Management Plan Challenge and Evaluation System as a

step toward promoting new value creation.

To coincide with this, in order to empower individuals to develop their capabilities to the fullest, we are promoting health management and have introduced a teleworking system and a "super-flexible" working hours system to support diverse workstyles. We will continue to implement our growth strategy by enhancing our human resources strategy.

For more details p. 65

Sumitomo's Business Philosophy—a legacy that has lasted over 400 years

Sumitomo's Business Philosophy is based on the founder's precepts, *Monjuin Shiigaki*, written by the founder of the house of Sumitomo, Masatomo Sumitomo (1585–1652), as a statement on how merchants should conduct business. It begins with the declaration that “Do your best prudently and meticulously, not only in business, but in every aspect of your life,” a statement of the emotional and spiritual engagement required in all situations. Sumitomo's Business Philosophy originated with this approach and has been nurtured and refined by our predecessors during Sumitomo's 400 years of history to be inherited by us today.

For more details p. 79



Founder's precepts of Sumitomo
(Source: Sumitomo Historical Archives)

Sumitomo's Business Philosophy encapsulated in four phrases

Place prime importance on integrity and sound management without pursuing easy gains

This phrase expresses a business approach based on building a reliable foundation of trust rather than simply seeking short-term gain. A business enterprise is there to pursue profit, but this management stance, which instead prioritizes relationships of trust and sound operations over immediate gain, is what has formed the corporate ethos of today's Sumitomo Group businesses.

Grand Design

This phrase expresses a planning approach which, rather than pursuing immediate profit, looks far ahead to devise a careful plan that will benefit both Sumitomo and society. This attitude—which is in synch with today's values of prioritizing management based on medium- to long-term rather than short-term perspectives—is thus a Sumitomo tradition handed down since our earliest days.

Benefit for self and others, private and public interests are one and the same

This phrase expresses the idea that Sumitomo's business must go beyond benefiting Sumitomo itself to also benefit the nation and society. In other words, it encapsulates the belief that “it is not enough for Sumitomo's business to aim to enrich itself only, it must have the grander goal of serving the interests of the nation and society.”

An enterprising spirit

This phrase expresses the approach of actively embracing new things and ideas, and maintaining a strong focus on goals that is not affected by difficulties. This thinking has formed the Sumitomo Group's corporate culture of “facing contemporary change positively and staying one step ahead of it, letting go of out-of-date businesses and starting new ones to meet contemporary needs instead, and then nurturing them with dedication and determination.”

Sumitomo Corporation Group's Management Principles are a contemporary translation of Sumitomo's Business Philosophy, which was devised 400 years ago, using simplified language and a clear structure, and rewritten from a more global perspective. The Activity Guidelines provide guidance on how each company as well as its executives and employees should behave as they conduct daily business activities to realize the Management Principles.

maintain—throughout our business practices—a unique management style that respects the personality of each individual and places prime importance on integrity and sound management, which represent the essence of Sumitomo's Business Philosophy, while cherishing a corporate culture that allows each employee to take the initiative and demonstrate creativity that is conducive to continuous reform and innovation.

By sharing the values presented in the Management Principles and the Activity Guidelines across the Group to materialize them in specific business activities, 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.

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

Sumitomo Corporation Group: 100 years of creating value ahead of its time



Depiction of copper beating pictorial record in the Kodo Zuroku



Gate pass for the Shimizu Tokugawa clan (with a symbol depicting the rim of a well)



Besshi Copper Mines (woodblock print commemorating 200th anniversary)



Head Office of The Osaka North Harbour

Source: Sumitomo Historical Archives

1600s

Origin of Sumitomo's business

Sumitomo's history began in the 17th century, when its founder, Masatomo Sumitomo, opened a store in Kyoto selling books and medicines. The legacy of Masatomo, who was also a Buddhist monk, includes a document called *Monjuin Shiigaki*, meaning "founder's precepts," which explains how merchants should conduct business. Its teachings have been handed down for over 400 years within the Sumitomo Group to become the basis of today's Sumitomo's Business Philosophy.

Next to Masatomo, the person responsible for laying the foundation of today's Sumitomo was Riemon Soga, who had learned the craft of copper refining and coppersmithing in Osaka. In 1590, he opened a business in Kyoto under the name Izumiya. He adopted overseas technology to develop a new method of copper refining known as *nanbanbuki*, which became the origin of Sumitomo's standing as copper experts. His eldest son, Rihei, married into the Sumitomo family as Tomomochi Sumitomo. The house of Sumitomo continued to develop, with Izumiya expanding from Kyoto to Osaka and from copper refining into copper trading.

Business diversification from origins in copper mining operation

With Japan's copper industry growing, Sumitomo advanced from copper trading to copper mining. The start of operation at the Bicchu Yoshioka Copper Mine (currently Okayama Pref.) in 1681 was followed in 1683 by the opening of the Dewa-Sachu Copper Mine (currently Yamagata Pref.).

After the discovery of rich ore deposits at the village of Besshi in 1690, mining began in the following year. For almost 200 years of the Edo period, the Besshi Copper Mines (currently Ehime Pref.) were famous far and wide as being among the largest copper mines both in Japan and overseas.

Sumitomo's business thus grew and developed around a core of operations related to copper ore mining and refining. In a spirit of social contribution and enterprise—expressed in the maxims "benefit for self and others, private and public interests are one and the same" and "Grand Design"—the Sumitomo Group moved into finance, insurance, iron and steel, real estate, and a wide range of other sectors to become one of Japan's leading corporate groups, of which Sumitomo Corporation forms an integral part.

1920s

Sumitomo Corporation's roots in real estate management in the North Port of Osaka

Following the Meiji Restoration, started in 1868, Sumitomo intensified operations at the Besshi Copper Mines, while at the same time its different businesses began to organize separately. With a broad overall differentiation into a mining and manufacturing division and a finance division, a diverse range of businesses developed that grew into the Sumitomo Group of modern times. These included machinery, coal mining, copper products and steel pipes, steel manufacture, chemicals, warehousing, and real estate.

Sumitomo Corporation's roots date back to December 1919, when it was the main partner in the establishment of the Osaka North Harbour Company. Founded to develop the port of Osaka and the surrounding area, this company was responsible for land reclamation and development and real estate management in the North Port of Osaka and its surroundings.



Nippon Engineering's Head Office



Newspaper advertisement regarding the Company name change



In the 1950s, export of Japanese tubular products began. In the 1990s, long-term contracts with oil majors were evolved into supply chain management systems.



In the 1950s, a ship export business was launched, followed by expansion into ship trade and chartering, and more recently into ship owning and operating.



In the 1960s, business operations began in the office building sector, with later development into condominiums, retail facilities, and large-scale complexes.



In the 1960s, the first Summit store opened. Committed to community-based service, it has grown into one of the top supermarkets in the Tokyo metropolitan area.



In the 1960s, export of crop protection products began. Wholesaling operations were developed in each of the export markets later on, with an agricultural input and service business added in recent years.

1940s

Decision to advance into the trading business following the dissolution of the Sumitomo Head Office

In 1944, as the Second World War entered its closing phase, the Osaka North Harbour Company merged with The Sumitomo Building Co., Ltd., to become Sumitomo Real Estate Building Co., Ltd. In 1945, following the end of the war, the Sumitomo *zaibatsu* conglomerate ended its history. The last Sumitomo Director-General, Shunnosuke Furuta, was concerned with supporting the livelihood of staff returning from overseas and made great efforts to provide them with employment. To do so, he decided to establish a trading company, and in November 1945 Sumitomo Real Estate Building was renamed Nippon Engineering, and launched a trading business from its newly established head office sales department. The most significant challenge during that early period was the need to establish a management foundation. Nippon Engineering worked to expand the range of products it handled and the fields it dealt in. In 1949, it undertook its first post-war capital increase and had grown sufficiently to be listed on the stock exchanges of Tokyo, Osaka, and Nagoya.

1950s

Revival of the Sumitomo brand and renaming as Sumitomo Corporation

Nippon Engineering steadily expanded its presence overseas, posting an employee to Bombay (currently Mumbai), India, for the first time in 1950, and subsequently establishing a U.S. subsidiary in New York in 1952.

On June 1, 1952, Nippon Engineering changed its name to Sumitomo Shoji Kaisha, reinstating the Sumitomo trade name that had been banned since the dissolution of the *zaibatsu*. This name change marked the start of Sumitomo Corporation's rapid advance as an integrated trading company within the Sumitomo Group.

In the Japanese domestic sphere, it reinforced relationships with other companies in the Sumitomo Group while also forming an expanding network of new business links with leading companies across the whole of industry. In line with the increase in operating capital, there was a progressive expansion in the range of banking partners, to include not only Sumitomo Bank and Sumitomo Trust and Banking Co., Ltd., but also leading city and regional banks as well as overseas banks.

1960s

Reorganization for expansion

From the mid-1950s, the Japanese economy entered a growth phase centered on the heavy and chemical industries. The success of this inevitably drove increasing internationalization in the Japanese economy. In the midst of this great wave of change, Sumitomo Corporation steadily expanded its integrated corporate strength and enjoyed rapid growth in sales to become the sixth largest integrated trading company in the industry.

In 1966, it declared the goal of becoming one of the industry's top three, reflected in the simultaneously launched "Big Three" slogan. It also targeted an increase in sales per employee. In 1962, the Osaka and Tokyo sales offices were consolidated and a product division structure was adopted to establish nine product divisions: Iron & Steel, Non-ferrous Metals, Electric, Machinery, Agriculture & Fishery, Chemicals, Textiles, General Products & Fuel, and Real Estate. Furthermore, in 1967 a project team was formed to drive initiatives involving large-scale projects, resource development, and cultivation of new industries from a cross-divisional, medium- to long-term perspective.



In the 1960s, we received overseas orders for construction of large-scale electric power plants and transmission/substations. From that point, the Company started to take on ownership of power plants as an independent power producer. Currently, we are also focusing on the renewable energy business.



In the 1980s, Sumitronics was established in Singapore as a specialized trading company dealing in electronic parts. Today, Sumitronics has expanded into Asia and North America as a provider of an electronics manufacturing service for office equipment, home appliances, and automobiles.



In the 1980s, the Company expanded from export and financing of construction and mining equipment to sales & marketing business, and subsequently progressed into the rental business. Currently, businesses extend to 16 countries around the world.



From the 1990s, the Company invested in copper mine businesses in Indonesia, with initiatives taken by the Company's Japanese operations. The experience gained from this served as the foundation for our business managing the San Cristobal Mine and other nonferrous metal mines.



In the 1970s, we expanded the scale of the steel service center business along with overseas expansion of our customers. With the main focus in Asia, these centers enhanced the processing and supply of steel products on a just-in-time basis.



In the 1980s, the Company launched its first industrial park business in Indonesia. Since then, seven industrial parks have been developed in five different countries.



In the 1980s, the Company advanced into overseas sales and distribution of automobiles. Since then, the Company has expanded its business to financing, leasing and manufacturing of parts and vehicles to create a value chain from upstream to downstream.



Established in the 1990s, Jupiter Telecommunications Co., Ltd. (J-COM), has developed its cable TV business and a wide range of other businesses.

Profit (loss) for the year*

* Attributable to owners of the parent

¥5.4 billion

1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998

1970s

Establishment of management foundation as an integrated trading company

In 1970, a new Sumitomo Shoji Building was completed in Takebashi to house the Tokyo Head Office, introducing a dual structure with Head Offices in both Osaka and Tokyo. In the same year, the Company merged with Sogo Boeki Co., Ltd., which had strong trading links with the communist bloc. The subsequent first oil crisis provided an opportunity to expand business fields to oil-producing countries in areas including the Middle East, Africa, and Central and South America. By the mid-1970s, the number of overseas offices exceeded 100.

In 1977, the "Big Three & the Best" slogan was launched to express the goal of becoming the No. 1 company in Japan, not only on an overall evaluation of business indicators such as profitability and capital strength but also in terms of public support. Toward this goal, a system of four sales divisions was introduced in 1979: Iron & Steel; Machinery & Electric; Nonferrous Metals, Chemicals & Fuel; and Consumer Products. The new guiding slogan for the 1980s was "Open Eyes on All," reflecting an emphasis on areas such as reinforced overseas business activities and cultivation of new business fields.

In 1978 the Company's English-language name was changed from Sumitomo Shoji Kaisha to Sumitomo Corporation.

1980s

"Integrated Business Enterprise" as the new medium- to long-term corporate vision

The early 1980s was a period of worldwide economic recession. Coupled with the slump in the crude oil price and the yen's appreciation after the Plaza Accord, this caused a sharp fall in operating income. With the aim of rebuilding its earnings structure, in 1988 the Company formulated its corporate vision for the 21st century as an Integrated Business Enterprise.

This medium- to long-term vision of the future envisaged trading and business activities as the two earnings pillars to build a new earning structure by reinforcing the Company's integrated corporate strength and developing downstream businesses. To coincide with this, "Seeing Tomorrow, Innovating Today" was declared as the slogan, symbolizing efforts to focus the integrated strength of the whole Company.

In 1991, with the aim of realizing the Integrated Business Enterprise vision, the Company formulated medium-term management plan Strategy 95, which sought to establish a new earnings structure to respond to globalization.

1990s

Strengthening of global consolidated management in the wake of the economic bubble and illegal copper trading incident

In 1990, Japan's economic bubble finally burst, bringing a rapid worsening of the economic environment. Then in 1996, the Sumitomo Corporation was rocked by the uncovering of an illegal copper trading incident, which resulted in a massive financial loss. With the Asian currency crisis and other challenges to follow, the economic climate continued to deteriorate. The integrated trading companies had a time of shake-out and were under pressure to reform their thinking and their structures. In response, the Sumitomo Corporation acknowledged the lessons of the illegal copper trading incident by putting in place a strict internal control system to prevent a recurrence. In 1998, a new and distinctive Corporate Mission Statement was established, and the Company became one of the first to introduce the new management indicator of risk-adjusted return ratio. Under the medium-term management plan, called Reform Package, launched in 1999, this indicator formed the basis for driving forward the policy of selection and concentration to expand the revenue base, reinforce corporate foundations, and conduct global consolidated management.



The 1990s saw the launch of the Tomod's chain, which pioneered the format of a drugstore with an integrated dispensing pharmacy. Operations have now expanded to Taiwan.



In the 2010s, the Company participated in the Myanmar telecommunications business. Initiatives are now on track to expand our footprint into other Asian countries as well as to develop a platform that provides value-added services to enrich the lives of subscribers.



In the 2010s, Sumitomo Computer Systems Corporation (SCS) and CSK Corporation merged to form SCSK Corporation, which is collaborating in our Digital Transformation (DX).



In the 2010s, the Company acquired Fyffes, which operates a fresh produce business across wide areas of Europe and the Americas, thus expanding the business portfolio in this sector.

¥320.5 billion



1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

2000s

Selection and concentration continues in a series of two-year plans

Following the Reform Package plan in 1999, Sumitomo Corporation formulated and implemented a series of two-year medium-term management plans to target revenue increase and reinforcement of business foundations. In 2001, as a first step into the 21st century, the Head Office relocated to Harumi in Chuo-ku, Tokyo.

With the launch of the new medium-term management plan, Step Up Plan, the process of selection and concentration was accelerated, and a switch to higher-quality assets was promoted.

In 2003, the Company moved to strengthen its governance practice with the introduction of the Sumitomo Corporation Corporate Governance Principles, while between 2003 and 2008 a series of two-year plans were implemented whose core policy was to intensify management led by risk-adjusted return ratio: the AA Plan, AG Plan, and GG Plan. Since 2009, with a view to the next 10 years, we have implemented new medium-term management plans FOCUS'10 and $f(x)$ to target growth on diverse business fronts through value creation.

2010s

Returning to a growth track after major impairment losses

In 2012, a corporate vision was announced under the title "What We Aim to Be in 2019, Our Centennial Year." At the same time, a slogan was adopted to envision sustainable growth over the coming 50 to 100 years: "Be the Best, Be the One (BBBO)." Under the medium-term management plan BBBO2014, the overseas regions were restructured and emphasis was placed on enhancing medium- to long-term earnings capacity through continuous regeneration of business.

However, with economic stagnation in emerging countries, commodity prices slumped and substantial impairment losses were recorded in 2014 and 2015, mainly on large-scale projects in the mineral resources & energy fields. In response, the medium-term management plan launched in 2015 "Be the Best, Be the One 2017 (BBBO2017)" prescribed promotion of managerial reform and growth strategies, and focused on securing financial soundness to return the business to a growth track. This effected a steady recovery and FY2018 was a year of record-high profits.

2020s and onward

Implementing sustainability management to guide the Company over the next 100 years

In December 2019, 100 years since the establishment of Osaka North Harbour Company in 1919, the Sumitomo Corporation Group will celebrate its 100th anniversary. Initiatives looking forward to the next 100 years are already under way.

Since 2017, the emphasis has been on sustainability management, with the aim of combining sustainable growth with solutions to social issues by defining "Six Material Issues to Achieve Sustainable Growth with Society." In 2018, we announced the Medium-Term Management Plan 2020, a growth strategy with the main theme of "Unceasing Challenge for New Value Creation." In September of that year, the Head Office relocated within Tokyo to Otemachi, Chiyoda-ku, as part of the overall strategy to stimulate further growth.

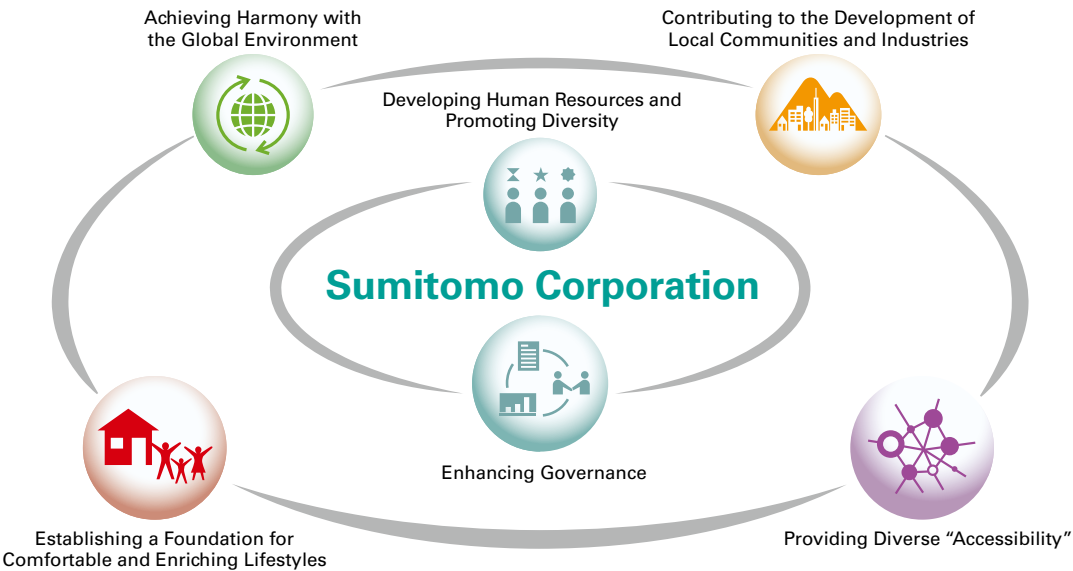
In May 2019, the Sumitomo Corporation Group declared its corporate message "Enriching lives and the world" to encapsulate its aspiration going forward: To grow as a corporation delivering prosperity to people around the world.

Six Material Issues to Achieve Sustainable Growth with Society

Over the years, we have conducted our business activities guided by Sumitomo's Business Philosophy and Corporate Mission Statement. Today, the question of how businesses should address the issues facing society is once again a focus of intense debate.

To achieve sustainable growth together with society into the future, in April 2017 we identified "Six Material Issues to Achieve Sustainable Growth with Society" that

we should address with priority by leveraging our strengths in line with Sumitomo's Business Philosophy and Sumitomo Corporation Group's Corporate Mission Statement. These six issues consist of four social issues with which we engage (outer ring of below diagram) and two internal group issues (inner ring of below diagram), which form a foundation for supporting initiatives to help resolve the external social issues.



Strategic positioning and future initiatives

We defined the Six Material Issues to Achieve Sustainable Growth with Society as an important factor in the development of business strategies and in the decision-making process for individual businesses. By helping to resolve these issues through our business activities, we

aim to achieve continuous growth.

At the same time, by intensifying dialogue with stakeholders we will continue with efforts to deepen our understanding of what society expects from us and where our strengths lie, which will enable us to flexibly reassess and revise our Material Issues in line with changes in society.



Leveraging our trust-based relationships with customers and partners across the globe and utilizing our business expertise, we will secure the growth of the Sumitomo Corporation Group and address social issues simultaneously by fulfilling our Corporate Mission, "To achieve prosperity and realize dreams through sound business activities."



Achieving Harmony with the Global Environment

To realize recycling-oriented society and mitigate climate change, we are working to establish frameworks for the efficient use of resources and stable supply of renewable energy. In doing so, we will achieve growth in harmony with the global environment.



Contributing to the Development of Local Communities and Industries

We steadily procure and provide goods and services to meet the needs of people in various countries and regions and contribute to developing industrial platforms. Through these means, we will create a virtuous cycle in which we can grow and develop together with local communities.



Establishing a Foundation for Comfortable and Enriching Lifestyles

We strive to realize more convenient and comfortable lifestyles by providing goods and services for daily use while also responding to needs for high-quality lifestyles in order to support the physical and mental health of people around the world.



Providing Diverse "Accessibility"

We provide diverse accessibility to open up the possibility of creating new value. To this end, we will improve mobility for safe and efficient flow of people and goods, and expand the network connecting information and finance.

As a prerequisite for resolving the issues listed above, we strive to maintain and enhance our Management Style that places prime importance on integrity and sound management with utmost respect for the individual and our Corporate Culture full of vitality and conducive to innovation.



Developing Human Resources and Promoting Diversity

In order to create new value and innovation by allowing our diverse personnel to fully exercise their abilities in a variety of fields, we will promote the development and empowerment of human resources, which represent our most important management resources.

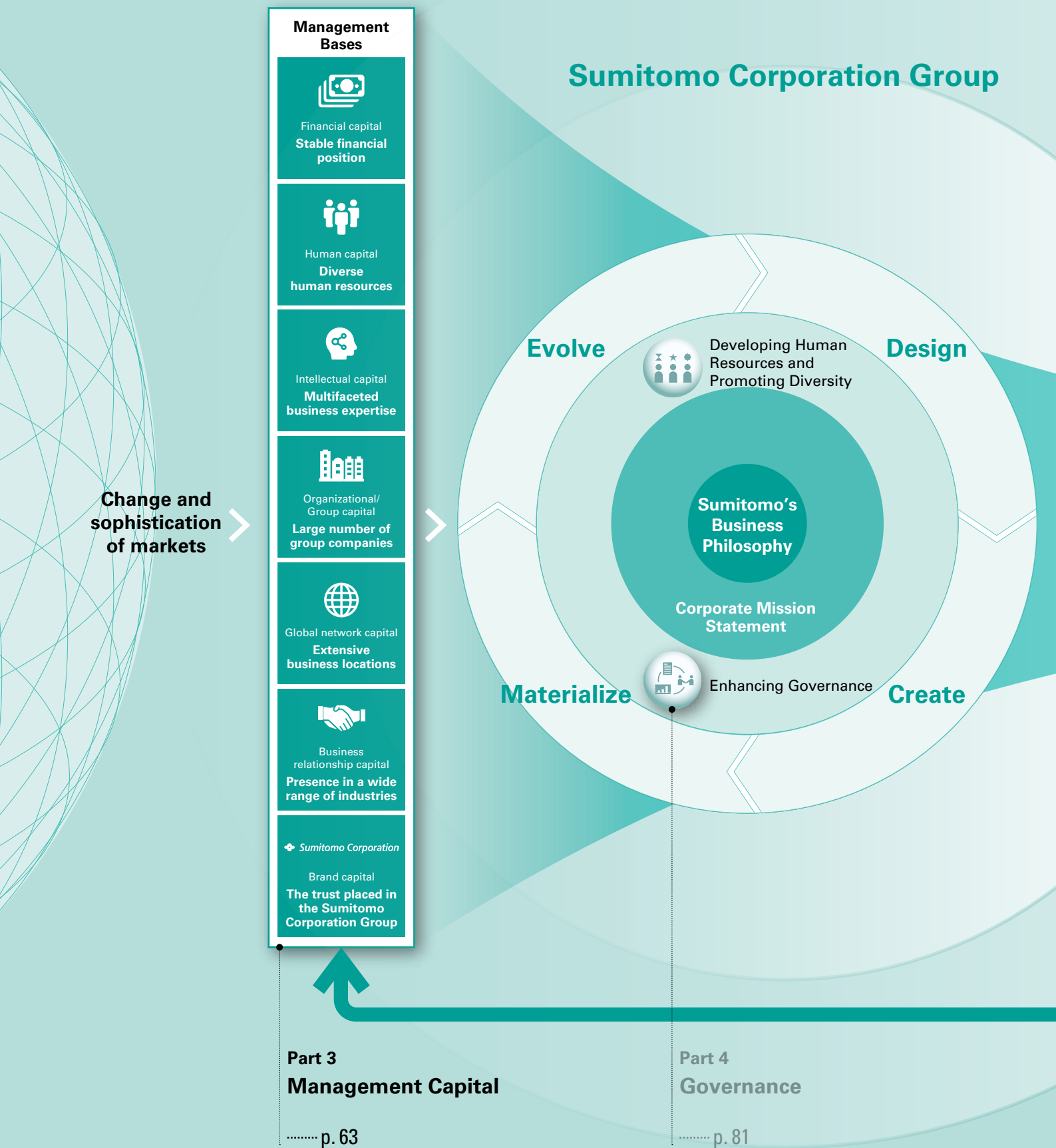


Enhancing Governance

We will enhance our ability to draft and implement strategies for achieving sustainable growth and to provide appropriate supervision of these strategies, all while maintaining transparency. In this manner, we will improve management efficiency and maintain sound management.

Value Creation Model

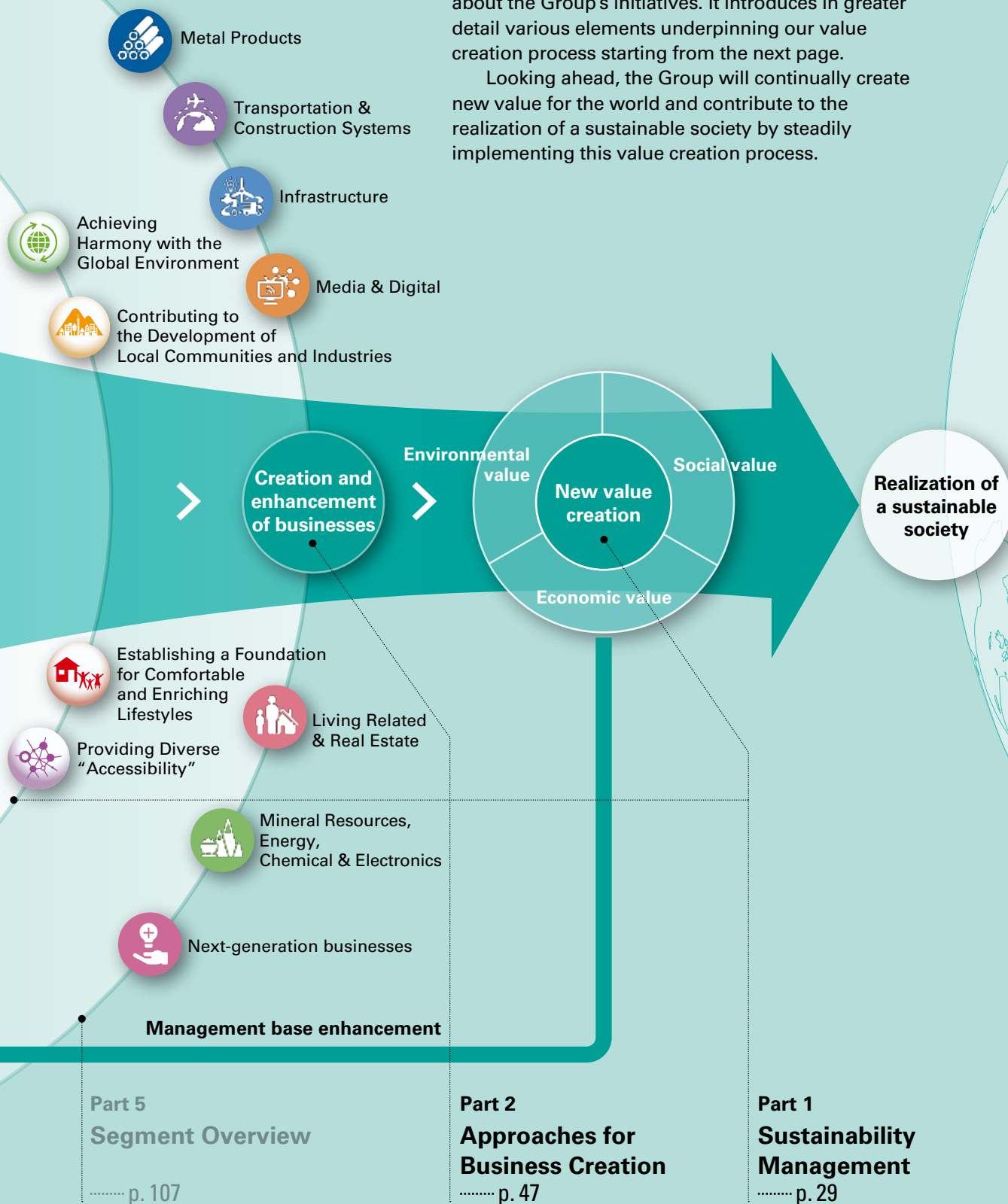
Creating new value for today and tomorrow



The Sumitomo Corporation Group aims to be a global organization that contributes to realizing a sustainable society by constantly staying a step ahead in dealing with change and by creating new value through creating businesses.

In our Integrated Report 2018, we presented the Group's value creation model. In this Integrated Report 2019, it represents as a "handbook" for further deepening stakeholders' understanding about the Group's initiatives. It introduces in greater detail various elements underpinning our value creation process starting from the next page.

Looking ahead, the Group will continually create new value for the world and contribute to the realization of a sustainable society by steadily implementing this value creation process.





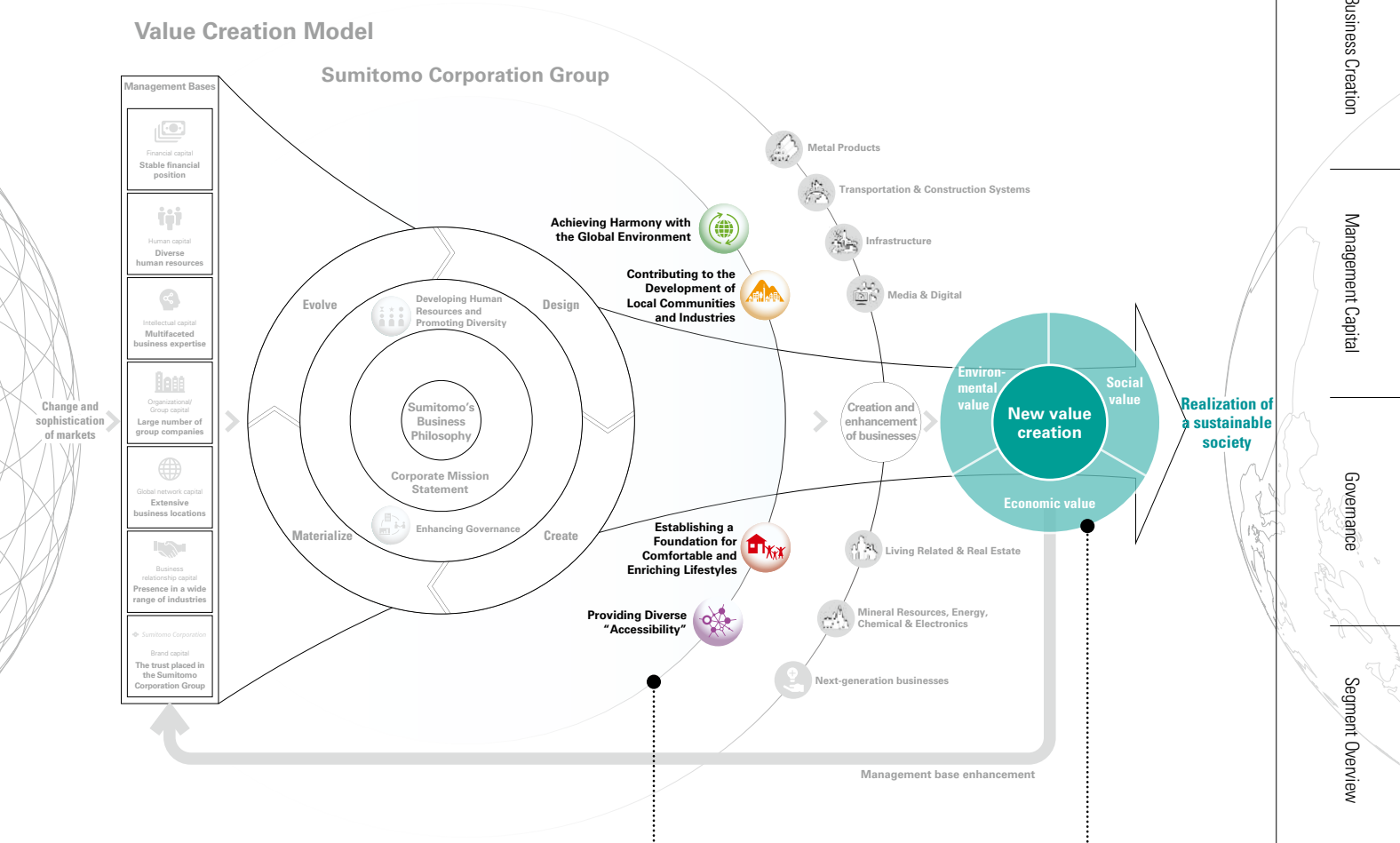
Part 1 Sustainability Management

Addressing social issues: Sumitomo Corporation's value creation

Corporations of today are expected to show two types of sustainability: the first is the sustainable growth of the company itself and the second is making contributions to the sustainability of society. A company is expected to meet both requirements at the same time. The Sumitomo Corporation Group has established Six Material Issues to Achieve Sustainable Growth with Society by conducting sustainability management.

We are committed to the creation of new value that addresses social issues and that contribute to the prosperity of the world.

Sustain



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Special Feature A Dialogue with an Expert

What sustainability management means for an integrated trading company

Sumitomo Corporation's CSO/CIO discusses future trends for balancing global and social sustainability and sustained corporate growth with Takashi Nawa, an expert in both fields.

Theme 1 The expected role for an integrated trading company in creating sustainable society

The role as a major player in solving environmental and social problems on a global scale

Yamano Since the United Nations' resolution on the SDGs—Sustainable Development Goals—in 2015, the expectation to contribute to fulfilling these goals has increased dramatically especially for corporations like ours. In financial markets, ESG factors have become one of the standards by which corporate value is measured, and there is growing interest in sustainability management. The Sumitomo Corporation Group carries out a number of initiatives to ensure that we grow sustainably together with society, but I would like to take the opportunity today to exchange some ideas on what a corporation should be in light of such changes in society.

Nawa The world is certainly suffering under the strain of variety of issues triggered by economic development, so people are expecting the companies to grow by solving social issues. Given the seriousness of issues such as climate change, the depletion of water and other resources,

poverty and the unequal distribution of wealth, I believe that the first priority of a company's governance should be pursuing profit while having positive influences on society and the environment.

Yamano Integrated trading companies are active in all regions and industrial fields around the world, so their business is highly dependent on the healthy growth of global economies, industries and societies. Thus, we have a responsibility to help resolving various social issues through our businesses, but, at the same time, we also have a fundamental incentive to realize a sustainable society.

Nawa That is true. As I like to put it, an integrated trading company's business involves a "space axis," which requires it to consider the trends in various countries, regions and areas of industry, and a "time axis," where it has to take the past, present and future into account when providing society with the goods and services it needs. As they balance both axes while trying to solve social problems through diverse businesses, trading companies are naturally involved in almost all of the 17 SDG goals. As a major player in the business world, I am sure we can expect to see great contributions from Sumitomo Corporation when it comes to resolving environmental and social problems on a global scale.

Hideki Yamano

Representative Director, Managing Executive Officer, Chief Strategy Officer and Chief Information Officer

Profile Hideki Yamano joined Sumitomo Corporation in 1983. He focused on managing infrastructure projects in Japan and overseas and was appointed as the executive officer and general manager of the Corporate Planning & Coordination Department in 2016, after holding other positions such as the general manager of the Wind Power and Water Infrastructure Business Department, general manager of the Renewable Energy Department No. 2 and corporate officer and general manager of the Environment & Infrastructure Project Business Division. He assumed his present position in 2018.



Theme 2 Sumitomo Corporation Group's sustainability management

Promoting sustainability management based on Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement

Nawa As an integrated trading company with the potential to address many social issues, what kind of sustainability management does the Sumitomo Corporation Group pursue?

Yamano We carry out a wide variety of initiatives, but they are all grounded in Sumitomo's Business Philosophy. This is expressed in the phrase, "Benefit for self and others, private and public interests are one and the same." It stresses the importance of pursuing profit for the good of the general public. The corporate vision of the Sumitomo Corporation Group, which states, "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," is an organized version of that same philosophy with a modern twist. It speaks of our dedication to creating value that improves society in these changing times.

Nawa In other words, the pursuit of social sustainability is built right into your corporate DNA. That is very impressive. So based on that philosophy, your company intends to use your various inbuilt functions and your management capital to display your full strength?

Yamano Yes, that is the kind of company we want to be. To put our business philosophy and mission statement into practice, in 2017, the Sumitomo Corporation Group identified Six Material Issues to deal with.

Nawa Distilling your business philosophy and mission statement into a set of Material Issues is a clever move. I think it is unfortunate that many corporations merely look through the 17 SDGs and select only the ones that concern them. To borrow a term from gymnastics, they basically stop at the "compulsory exercises." But instead, I would say a corporation should take up the "free exercises" as well and leverage its unique strengths to aim for the 18th goal outside the SDGs. In that way, they will be able to pursue sustainability in many regions and industrial fields around the world.

Yamano Although the Sumitomo Corporation Group's Material Issues are based on the SDGs, we went beyond them to add ambitions that reflect our abilities to link various types of information and resources and our desire to seek new value. Thus, we ended up with goals such as "Providing Diverse Accessibility (create avenues for people, goods, information and capital to interact efficiently)" and "Establishing a Foundation for Comfortable and Enriching Lifestyles," which people outside the Company have told us are very "Sumitomo-like" targets.

Nawa Yes, I can certainly feel the strong desire of the Sumitomo Corporation to create and offer new prosperity to society in addition to solving social challenges behind this set of Material Issues.



Takashi Nawa

Professor,
School of International Corporate Strategy
Hitotsubashi University Business School

Profile Professor Nawa joined Mitsubishi Corporation in 1980. After that, as a director at McKinsey & Company, he became the Asian Regional Head in the automobile and manufacturing field and the Japanese branch head in the high-tech and communications field. He widely participates in projects involving next-generation growth strategy and full company structural reform in a range of industries. He assumed his present position in 2010. He also serves as the supervisor of a CSV forum that is a gathering of leaders from around 30 of Japan's most prominent companies.

Special Feature A Dialogue with an Expert

What sustainability management means for an integrated trading company

Theme 3 Sustainability management in practice

Balancing opportunities and risks in promoting business with focus on the Six Material Issues

Nawa I understand Sumitomo's mindset and approach now, but when it comes to actual decision-making process in business, what kind of initiatives are you working on?

Yamano When we discuss the growth strategy for the entire organization or make a decision on investment in an individual business, we discuss the Material Issues in addition to the social and economic megatrends and our company's capabilities.

Nawa You mean you study business opportunities through the lens of Material Issues?

Yamano Exactly. Moreover, I believe we display our true value when we use our various functions and human resource networks to manage environmental and social risks instead of merely avoiding them, thereby running businesses that make society more sustainable.

Nawa That is very encouraging to hear.

Creating systems and organizations to practice sustainability in actual business and cascading down the mindset

Nawa When it comes to practical sustainability management, there are quite a few cases where organizations have put the necessary business decision-making structures and rules in place, and yet the mindset of the people who will actually perform these measures lags behind.

Yamano Indeed, it is the individual employees on the ground who are implementing sustainability management. In the Sumitomo Corporation Group, we hold internal seminars and other events to share our ideas. We have also

appointed sustainability promoting staff in each business unit and regional organization to create an environment where Material Issues are actively discussed in the course of daily business.

Nawa Are these measures having any effects?

Yamano Yes, the employees are highly motivated by the idea of contributing to the sustainability of society. The younger generation in particular feels very strongly about giving their all to help resolve social issues.

Nawa So would you say that Sumitomo's Business Philosophy that prioritizes the public good functions as a positive, unifying force that attracts talented personnel from all over the world?

Yamano It most certainly does. For example, when staff from abroad comes to Japan for training, I am told they feel a strong sense of affinity upon visiting the Besshi Copper Mines and upon hearing about our 400 years of history of the Sumitomo Group (→ [Brand Capital](#), p. 79). That reminds me afresh that Sumitomo's Business Philosophy is universal, crossing state and regional boundaries.

Human resources are an intangible asset that supports sustainable growth through hands-on group company management

Nawa I can tell there is a clear distinction between Sumitomo Corporation's business style and that of other integrated trading companies. I get the impression that it truly embodies the ideas of "Avoiding the pursuit of easy gains" and "Grand Design" stated in your Business Philosophy. Instead of pursuing immediate profits only, Sumitomo Corporation plants business seeds from a long-term perspective and nurtures the fruits, contributing to the development of a wide variety of regions.

Yamano Indeed. Our Company goes beyond investment activities and prioritizes hands-on management that takes active part in business management. I can sense a deep-seated spirit of sincerity towards our businesses throughout the organization. Our business approach of getting down and dirty on site is an invisible but important asset that supports the continued growth of the company.

Nawa In short, in addition to putting up sensors around the world to detect signs of change and find business opportunities that help to solve social issues, your company also have the ability to immerse yourselves in the actual business, involve those around and move them to make things happen. I think in that way, Sumitomo displays the true strength of an integrated trading company.



Theme 4 The sustainable value creation by the Sumitomo Corporation Group

The three growth strategies of Medium-Term Management Plan 2020 aimed at achieving sustainable growth

Nawa What kind of value creation structures are incorporated in the medium-term management plan to support sustainable growth?

Yamano Medium-Term Management Plan 2020 has set Increase Value of Existing Business, Create Next-generation Business and Leverage Business Platforms as the pillars of its growth strategy. Increasing the value of existing businesses is important in the short- to medium-term, so we will bring out every ounce of strength to earn the capital we will need for further growth in the future. On the other hand, creating new, next-generation business is the part of our strategy that is aimed at creating pillars of profit for a new age from a medium- to long-term perspective. We have selected the three growth areas of Technology x Innovation, Healthcare and Social Infrastructure as areas with potential for future profit growth where we can help by solving the social problems of the future and by creating social value.

Nawa How is the third initiative, Leverage Business Platforms, connected to corporate growth?

Yamano This strategy encapsulates our intention to transcend organizational barriers and create new value. We focus our attention not only on vertical divisions between business units but on regions and other horizontal dimensions as well, allowing us to take advantage of opportunities we would not notice if we only looked vertically. This is one of our strengths. Through the mutual interactions between our global networks and the excellent human resources and client bases of our six business units, we plan to create synergy and display our premium value as a conglomerate.

Nawa Since Sumitomo Corporation is an integrated trading company promoting business in a variety of areas, that gives you all the more reason to strengthen the features that people expect to see from your company, correct?

Yamano Correct. One of the priorities of Medium-Term Management Plan 2020 is accelerating Digital Transformation (DX). It is important for us because we will be able to both upgrade our business models and create synergy through that process. The newly formed DX Center works together with the Corporate Planning & Coordination Department and regional organizations overseas to cross the boundaries between the six business units that form



the vertical axis and use the assets of each unit to create future growth and provide new value.

Nawa It will be extremely interesting to see what kind of new value chains the Sumitomo Corporation Group will create by using “digital power” to overcome organizational barriers and share information.

Using a wide perspective and foresight to achieve prosperity and realize the dreams for a new generation

Nawa Thanks to today’s discussion, I understand that the sustainable growth of the Sumitomo Corporation Group is formed from the combination of the Sumitomo’s Business Philosophy and Corporate Mission Statement that esteems the public good, and the Sumitomo Corporation business style of getting deeply involved in the details of actual business. Even if AI manages to surpass human abilities through the Fourth Industrial Revolution, human beings still have qualities that only we can display: a wide perspective, foresight, and the ability to dream. I hope the Sumitomo Corporation Group will use its history and achievements to realize its dreams for the future through a wide perspective and foresight, and will become a corporation group that can contribute to the sustainability of global society.

Yamano Thank you very much. The world is changing rapidly right now, but one thing has been a constant since the dawn of time: the future is always uncertain, and staying in one place is the biggest risk of all. As you said, over the next 100 years, we want to use our wide perspective to look at the big picture of the future, then work backwards from our future vision of “to achieve prosperity and realize dreams” throughout the whole world in order to create the new kinds of value that society needs. Thank you very much for today.

Promoting Sustainability Management

Business enterprises today are expected to provide value that contributes to the realization of a sustainable society from a long-term perspective. The Sumitomo Corporation Group contributes to addressing social issues and works for sustainable growth with society through sound business activities.

Structure for promoting sustainability

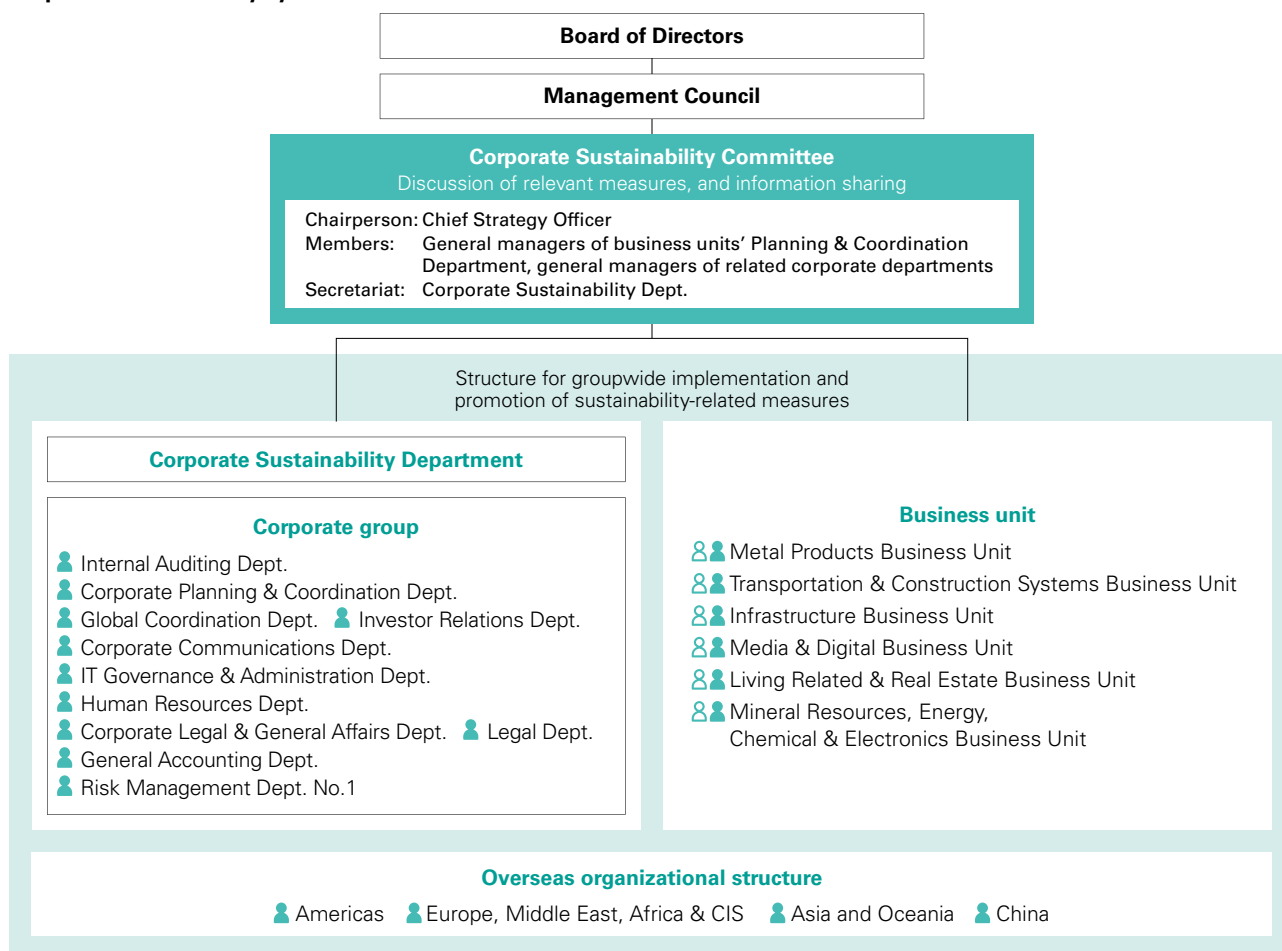
The world faces a wide range of issues, from climate change and other environmental problems to social issues in areas such as human rights, which need to be overcome through a united global approach. In response, the Sumitomo Corporation Group is committed to delivering value required by society through its business activities, thereby contributing to addressing social issues and realizing a sustainable society.

At the same time, we aim to achieve sustainable corporate growth through clear management guidelines and frameworks for value creation and making effective use of management resources leveraging our strengths. In pursuing this aim, we also work to ensure that our management activities meet the needs of a wide range of stakeholders while maintaining an awareness of the links between corporate business activities and social and environmental issues.

The Sumitomo Corporation has established the Corporate Sustainability Department, which is responsible for the planning of measures to promote sustainability and ensuring their implementation throughout the organization. Meanwhile, the department coordinates with general managers, who are responsible for promoting sustainability within each business unit, and with the sustainability promoting staff of each business unit's Planning & Coordination Department. The department also works with the sustainability promoting staff of relevant corporate departments and overseas regional organizations to ensure that sustainability promotion measures are fully implemented groupwide and also that the different business units and regional organizations pursue measures tailored to the specifics of their business or region.

The Corporate Sustainability Committee acts as an advisory body to the Management Council and discusses important policies, measures, and initiatives relating to the promotion of sustainability. Important initiatives relating to

Corporate sustainability system



Sustainability managers (general managers of business units' Planning & Coordination Department) Sustainability promoting staff

sustainability promotion are referred by the committee to the Management Council and the Board of Directors for further discussion. Some important initiatives are subject to the decisions of the Management Council and the supervision of the Board of Directors.

Approach to Material Issues

In April 2017, we identified Six Material Issues for the Sumitomo Corporation Group that illustrate the relationship between our business activities and society. The Group's Material Issues are selected to reflect the United Nations Sustainable Development Goals (SDGs)—global initiatives toward realizing a sustainable society—as well as the Sumitomo Corporation Group's Management Principles and its business strengths. The Group places the Material Issues at the foundation of its management activities, defines them as an important factor in the formulation of management strategy and the decision-making process for individual businesses, and highlights the relevance of Material Issues to individual businesses and in strategic discussions.

Identification process

When identifying Material Issues, each business unit first gathered information on and analyzed its relationship with social issues, referring in this process to the SDGs and international guidelines. The next step was to select social issues that we regard as important and that need to be addressed as priorities in light of Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement. After surveys covering all officers and employees and exchange of opinions with outside experts, the selected social issues were outlined. The selected issues and their importance were then reviewed by the CSR Committee (currently the Corporate Sustainability Committee). The Material Issues were finalized following deliberation and approval by the Management Council and the Board of Directors.



Initiatives on Material Issues

The Sumitomo Corporation Group's Material Issues represent a clear and simple statement of the Group's commitment to contributing to the realization of a sustainable society by addressing a wide range of social issues through its diverse business activities in the spirit of its Management Principles. The Material Issues serve as a tool through which we can lead a variety of external stakeholders to a better understanding of our business approach and also motivate our employees to practice the Group's Management Principles.

Our initiatives on Material Issues encompass a variety of aspects. One of these is promoting the practice of our Management Principles in the individual businesses and delivering value to society from a long-term perspective. Other aspects include controlling the impact of overall group business activities on society and the environment, and grasping business opportunities arising from long-term trends in social issues and undertaking strategic development of businesses that contribute to addressing the issues.

These initiatives will enable the Sumitomo Corporation Group to enhance the growth potential and stability of its business over the long-term, work for a sustainable improvement in corporate value, and at the same time, increase the recognition and trust received from our diverse stakeholders and improve employee motivation.

Business policy in response to Material Issues

Practicing the Management Principles through individual businesses

Deliver value and improve governance and risk control based on long-term social trends

Controlling the impact on society and the environment of overall group business activities

Manage social and environmental risks in the Sumitomo Corporation Group and its supply chain

Strategic development of businesses that contribute to addressing social issues

- Carry out strategic allocation of management resources to emerging fields
- Create new next-generation businesses that contribute to addressing social issues

- Long-term business stability and growth potential and improvement in corporate value
- Increase recognition from shareholders and stakeholders
- Increase employee motivation

Management of Social and Environmental Risks

As sustainable growth becomes a common concern for the global society, the Sumitomo Corporation Group, which has a wide range of businesses and has offices and business operations worldwide, is committed to appropriately controlling the impact of overall Group business activities on society and the environment.

Framework for social and environmental risk management

The Sumitomo Corporation Group's business activities have a variety of impacts on the global environment and on different stakeholders such as local communities, business partners, and our officers and employees. To achieve sustainable growth together with society, we work to control the social and environmental impacts of our business, and, by monitoring the entire supply chain of each business, to ensure that the impact of the associated business activities is not a threat to people's lives or the global environment and does not constrict the sustainability of our management.

To appropriately manage the social and environmental impacts from the overall activities of the Group with its wide-ranging business portfolio, the Sumitomo Corporation Group has put in place a companywide framework to apply when starting new businesses, including review and periodic monitoring.

When implementing due diligence on a new investment, based on the nature of the business, we carry out an environmental assessment through an environmental consultant and an assessment of human rights and labor issues through a law firm or similar. By taking these steps, we ensure that the business is operating on a sound basis and that the business activities

are not seriously impacting the global environment or local communities, employees, and other stakeholders.

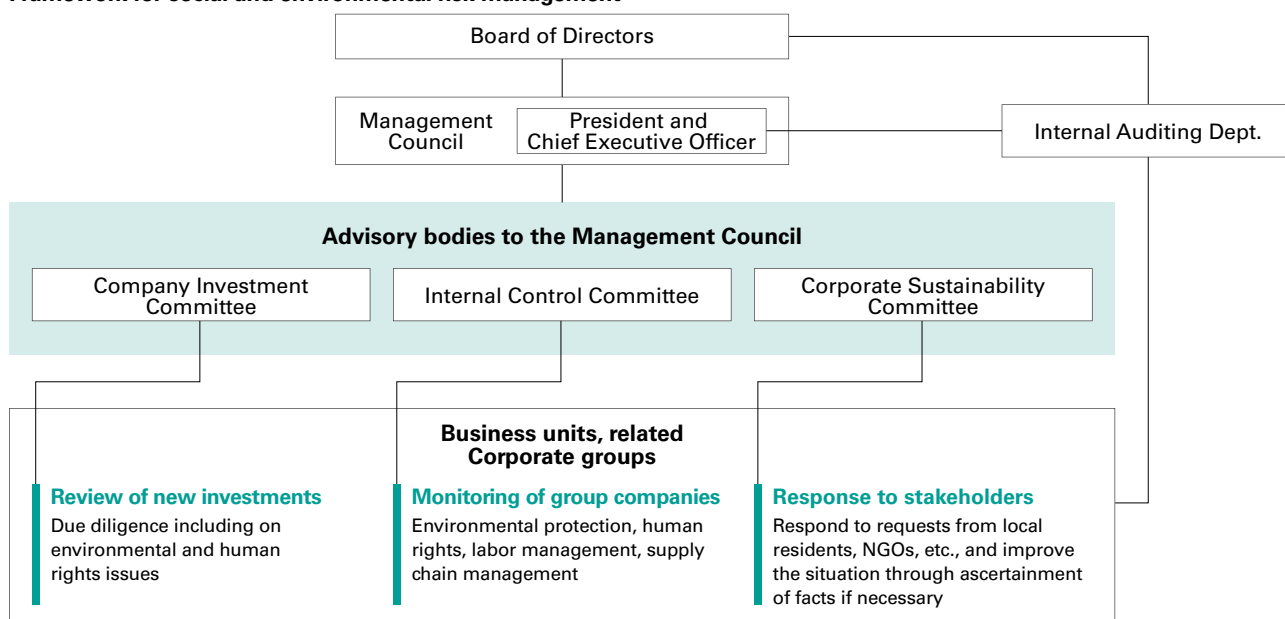
After the investment, the responsible business department and related corporate departments work jointly to monitor the business periodically for issues in environmental, human rights, labor management, and supply chain conditions through dialogue with the group companies. This forms part of the reinforcing of group governance which is one of the initiatives under Medium-Term Management Plan 2020. If any issues arise, we have a framework for taking countermeasures in line with the characteristics of each business. During internal audits of our group companies, based on the characteristics of each business, we make sure that it is legally compliant and that it is operating in accordance with international standards on social and environmental matters.

When issues are pointed out by local residents, non-governmental organizations (NGOs), or other stakeholders regarding the impact of the Sumitomo Corporation Group's business activities, we ascertain the facts and respond by planning and implementing corresponding improvements.

In addition, following the review and monitoring of new investments outlined above, the response to any significant social or environmental issues in individual cases is referred for further discussion to the Management Council and the Board of Directors through the related committees.

For more details p. 104

Framework for social and environmental risk management



Initiatives in social and environmental risk management

Since the Sumitomo Corporation Group operates businesses dealing in different products and business models in various regions of the world, each business is exposed to different social issues. To clarify our approach to social and environmental issues, we have set out an Environmental Policy and CSR Action Guidelines for Supply Chain Management. Regarding human rights issues, we have issued a statement based on the United Kingdom's Modern Slavery Act, while on the environmental front, we have constructed and operate an environmental management system compliant with the ISO 14001 international standard. In addition, we are devoting efforts to embedding these policies throughout the organization and to raising employee awareness through e-learning and other methods.

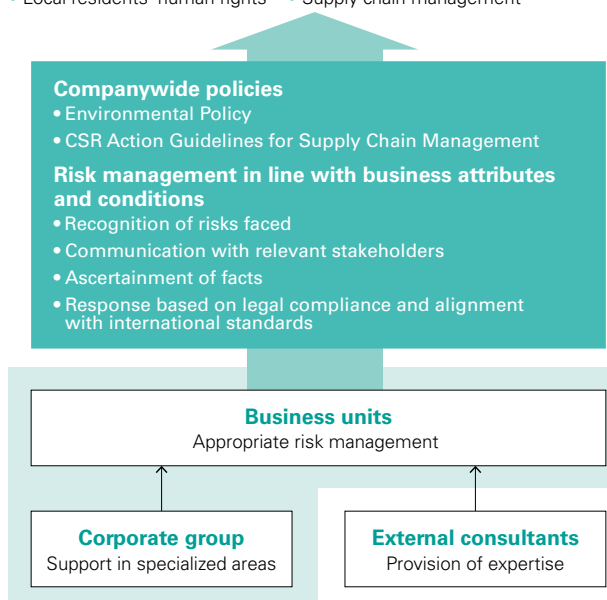
Because the impact of each business on society and the environment and the nature of the risks requiring management focus differ depending on the nature of the business and the region where it operates, risk management needs to be adapted to the specific character of the business. For each of our businesses, we obtain the relevant data, including information on its interface with society and the environment and the associated risks. In addition, we ascertain whether serious issues are present by maintaining communication channels with local communities, employees, and other stakeholders, and check not only that the business is legally compliant across the range of social and environmental issues but also that its response in the area complies with international standards on the environment and human rights.

Within the Sumitomo Corporation Group and its diverse range of businesses, the responsible business department of individual businesses and the related corporate departments are working jointly to raise the standard of social and environmental risk management groupwide, utilizing the knowledge of outside experts.

Response of individual businesses to social and environmental risk management

Variety of sources leading to social and environmental risks

- Climate change
- Biodiversity
- Pollution
- Resource depletion
- Labor health and safety
- Forced labor
- Discrimination
- Local residents' human rights
- Supply chain management



CASE

Human rights audit implemented at Thailand chicken processing plants

In March 2019, with the appointment of external experts, Sumitomo Corporation implemented a human rights audit at three chicken processing plants operated by Thai business partners. Cases have come to light in Thailand of infringement of the human rights of foreign workers in labor-intensive industries such as poultry rearing, seafood processing, and garment manufacture. The Company makes periodic visits to the processing plants of its business partners to check that regulations on human rights and other areas are stringently observed. This audit was carried out with particular focus on the work environment of foreign employees.

The audit team visited the plant and the employees' dormitory to check for forced overtime working, confiscation of identification documents, and labor health and safety issues, which are cited as common human rights risks in the poultry industry. In addition, employees of non-Thai nationality from Cambodia, Myanmar, and other countries were randomly selected for interview. The audit found no human rights issues relating to foreign workers at any of the three locations and the processing plants demonstrated proactive communication with the Company and a strong commitment to further improvement of operations.

To fulfill its social responsibility in the supply chain, the Sumitomo Corporation Group will continue to address human rights issues in its relationships with important suppliers and to carry out audits, taking account of local conditions and industry practices in those countries and regions with concerns over human rights risk.

Initiatives to Address Climate Change Issues

The Sumitomo Corporation Group contributes to addressing climate change issues and realizing a carbon-neutral society, which are necessary for the sustainable development of society.

Policy on climate change

The impact of climate change is a serious problem that threatens the stability of society and the environment globally for generations to come. The Sumitomo Corporation Group, which operates a wide range of businesses around the world, also considers it as a risk that requires particular attention. The Group has recently revised its climate change policy in view of the situation worldwide. Currently, initiatives toward the achievement of the climate

change mitigation targets set by the Paris Agreement are being implemented, but there are many issues to address. As a member of the global society, the Sumitomo Corporation Group is committed to making ongoing contributions across the range of its business activities to overcoming these issues and addressing the problem of climate change to pass on to future generations a sustainable society.

Basic policy

The Sumitomo Corporation Group contributes through its business activities to resolving the climate change issues and to realizing a carbon-neutral society for the sustainable development of society.

Policy for business activities

- We aggressively promote the followings: 1) renewable energy business, 2) advanced energy management business, 3) the development of business models/innovations that contribute to the reduction of energy consumption, and 4) other businesses that contribute to mitigating or adapting to climate change. In addition, we put our effort on controlling greenhouse gas emissions associated with our business activities.
- In the power generation business, we provide a stable supply of the energy, essential for the economic and industrial development of local communities. At the same time, we continuously shift management resources to renewables and other energy sources with low environmental burden in the power generation portfolio. (By the target year of 2035, we aim to shift the composition of the portfolio in terms of net ownership generation capacity as follows: coal 50%→30%; gas 30%→40%; and renewables 20%→30%)
- We will not have new development in the coal-fired power generation business. However, we make a decision individually about new development in cases where the project is essential to the economic and industrial development of the local community and where the project is complying with the policies of the Japanese and host country governments based on the international initiatives to mitigate climate change issues.*
- In the thermal coal mining business, we limit our equity share coal production to our current levels, and desist from new mine development projects.

* The Van Phong coal-fired power generation project in Vietnam is a project based on this policy.

Support for TCFD final recommendations

Enhanced disclosure of information on climate change-related risks and opportunities

Recognizing the importance of corporate information disclosure on climate change, in March 2019 Sumitomo Corporation indicated its support for the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will address the issue of further improving information disclosure in line with the framework recommended by the TCFD.

In connection with climate change issues, a close watch is kept on relevant developments including international initiatives as well as trends among financial institutions. The impact on the Group's business activities is reported periodically to our Board of Directors. Although we currently judge that there is no risk of climate change issues having a serious impact on the Group's management, we will remain vigilant for changes in the business environment, capturing the various associated business opportunities and continuing to contribute through our businesses to resolving the issues.

Contributing through business activities to addressing climate change issues

Through initiatives on various fronts, the Sumitomo Corporation Group will continue contributing to addressing the many issues related to climate change mitigation and the realization of a carbon-neutral society.

In the power generation business, in addition to supplying renewable energy in a variety of forms including wind and solar power, we are also working to realize disruptive innovation through new technologies such as carbon capture and storage (CCS)*¹ and CO₂-free hydrogen production.

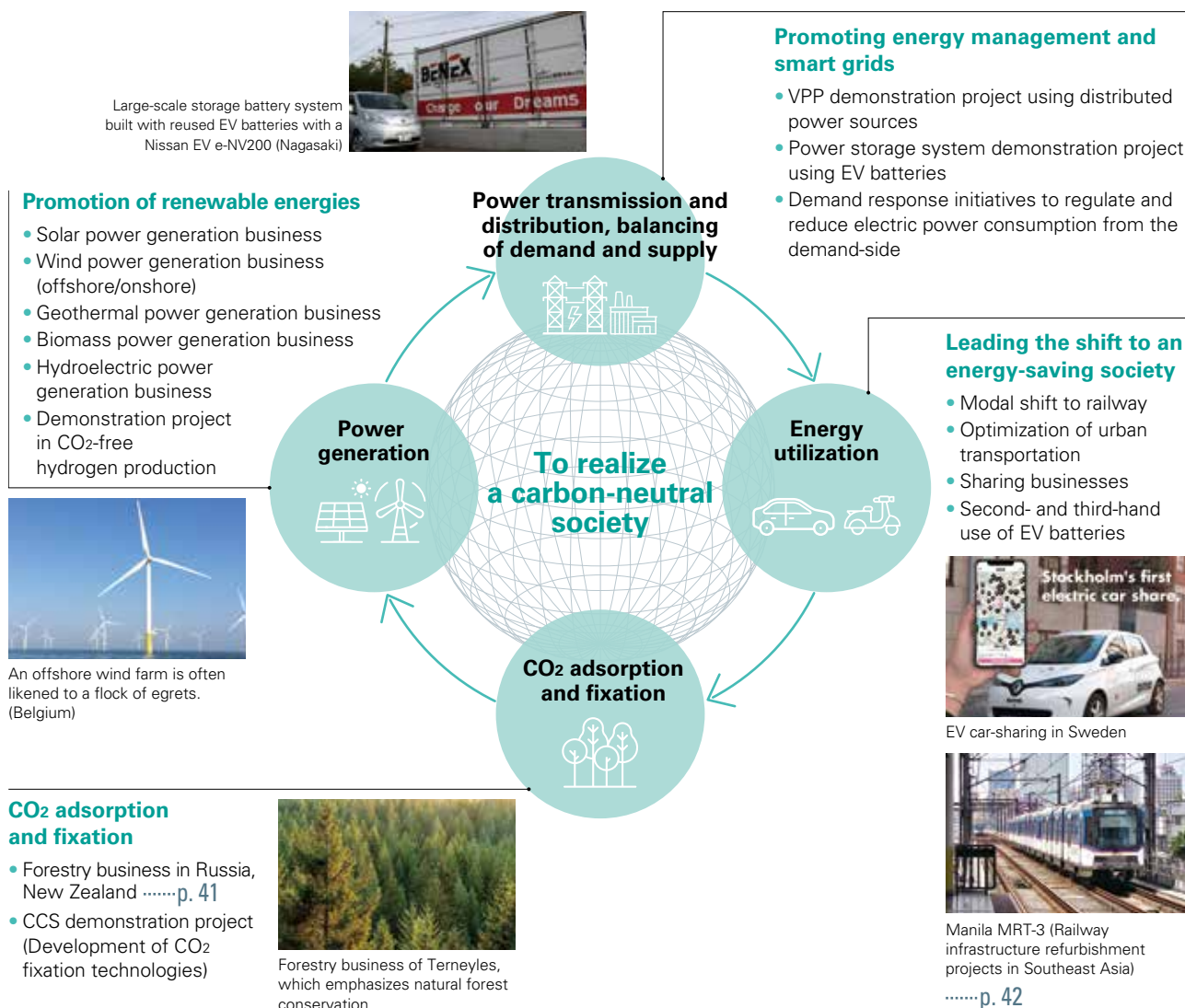
To achieve reliable stability in electric power systems, which is a great challenge for the wider use of renewable energy, we are progressing with the commercialization of new energy management technologies using storage

batteries and a wide range of other electric power sources as well as IoT-based virtual power plants (VPPs).^{*2}

However, initiatives are not limited to the energy supply-side. We are also pursuing active measures on the demand-side, which is the other key to climate change mitigation. These include the development of sharing businesses and other initiatives that help reduce energy consumption and promote renewable energies, and forestry projects that work to adsorb and fix CO₂.

^{*1} Technologies to isolate and store CO₂ by burying it underground or under the seabed

^{*2} An IoT-based technology initiative integrating dispersed storage batteries and other energy sources to balance electric power supply and demand by controlling power storage and release



Approaches to Material Issues

The Six Material Issues to Achieve Sustainable Growth with Society are identified as important factors for business strategy and decision-making for individual businesses. By focusing on the four issues mentioned below in particular, we are aiming for sustainable growth with society through new value creation.

Achieving Harmony with the Global Environment





Sustainable forestry practiced in harmony with nature in our New Zealand timberland

Sustainable forestry

Areas: Russia and New Zealand



Forests are an extremely important resource in the context of sustainable global development. As we work to achieve more sustainability-oriented conservation and utilization of forest resources, we are also responding to increasing demand for timber resources in Asia, where economic growth is ongoing. In Russia, we have adopted the *ribbon cutting* logging method, which leaves parent trees intact so that they can drop seeds, while in New Zealand we practice a 30-year cycle of planting, nurturing, and felling. Following a plan-based program of forest husbandry in this way not only contributes to CO₂ absorption and fixation but will also enable us to supply timber resources in a more environment-friendly way that avoids depleting precious forest resources while promoting business expansion.

Relevant Material Issues  

Stable supply of biomass fuel

Areas: Canada and Brazil

Today, interest in biomass power generation, which allows reliable generation of electric power regardless of weather conditions, is increasing. Sumitomo Corporation began a business in the import and sale of wood-based biomass fuel in 2008, founded on our over 40 years of experience in the stable procurement and supply of overseas woodchip as a raw material for paper manufacture. In anticipation of increased future demand for biomass fuel, we invested in a Canadian wood pellet production business in 2017. In Brazil, we have participated in a fuel pellet production business that uses sugarcane as raw material. We will continue contributing to harmonization with the global environment through these initiatives.

Relevant Material Issues  



Wood pellets, a form of biomass fuel

Development of railway infrastructure to support people's lives and industries around the world

Areas: Southeast Asia (Vietnam, Thailand, Indonesia, the Philippines, Myanmar, etc.)

We are actively developing railway-related businesses in Japan and overseas and have so far handled numerous projects in railway construction and railcar export. In Southeast Asia, the population is increasing and the demand for human and cargo transportation is strong, but the railway infrastructure is underdeveloped. Moreover, partly due to the aging state of the existing facilities, equipment, and rolling stock, services are affected by problems such as declining speeds and operational delays. Quality improvement is thus an issue that needs to be tackled. In partnership with Japanese and other enterprises, Sumitomo Corporation has won rail project contracts in various Southeast Asian countries. Using our rich experience to bring these projects to a successful completion, we contribute to the economic development of the respective countries and an improved quality of life for their citizens.

Relevant Material Issues



Manila MRT-3 rehabilitation and maintenance works

Manila Metro Rail Transit System Line 3 (MRT-3) was completed by Sumitomo Corporation in 2000 and used by approximately 500,000 passengers a day until the end of our maintenance period in 2012, making it a vital transport artery for the city. However, ridership declined to less than 400,000 due to the system deterioration. In response, the Philippine government sought the cooperation of the Japanese government and Sumitomo Corporation and commissioned us with rehabilitation and maintenance works. The Manila MRT-3 will now once again be a mainstay of Manila's public transit system, providing high-quality service to the Philippine metropolis.



Manila MRT-3

Contributing to the Development of Local Communities and Industries



MRT railcars traveling alongside a main road in Jakarta

Approaches to Material Issues



Offering a product range unique to Shop Channel, programs buzz with live action

Establishing a Foundation for Comfortable and Enriching Lifestyles



Shop Channel, Japan's No. 1 TV shopping channel

Areas: Japan

Jupiter Shop Channel Co., Ltd. started broadcasting in 1996 as Japan's first channel dedicated to shopping, and has since grown to become Japan's leading TV shopping company. Its wide range of products, from fashion and beauty to household goods and food products, are selected according to a distinctive set of criteria comprising uniqueness, rarity, value, and storyline. As many as 500 items are presented every week via 24/7 live broadcasting. Viewers are attracted by the lively and detailed presentations, which convey the product features clearly, and by the channel's distinctive production approach rich in flexible improvisation.

Relevant Material Issues



Program information and product details are also offered through the official smartphone app and a range of social networking services.

Reaching out to new customer segments through new sales media for further growth

Shop Channel has conventionally focused mainly on selling through TV media, but for further growth and to reach out to new customer segments, we are now also working on services delivered through websites and social media. By enhancing the smartphone app and linking it in real-time with live TV broadcasts, we will make it possible to view Shop Channel and place orders anytime, anywhere. We are also working to expand sales opportunities by using Internet-only content and video content streamed through social networking services. By expanding customer contact points, we aim to continue delivering shopping services in ever more convenient and enjoyable formats.




Evolving mobility to support the movement of people and goods

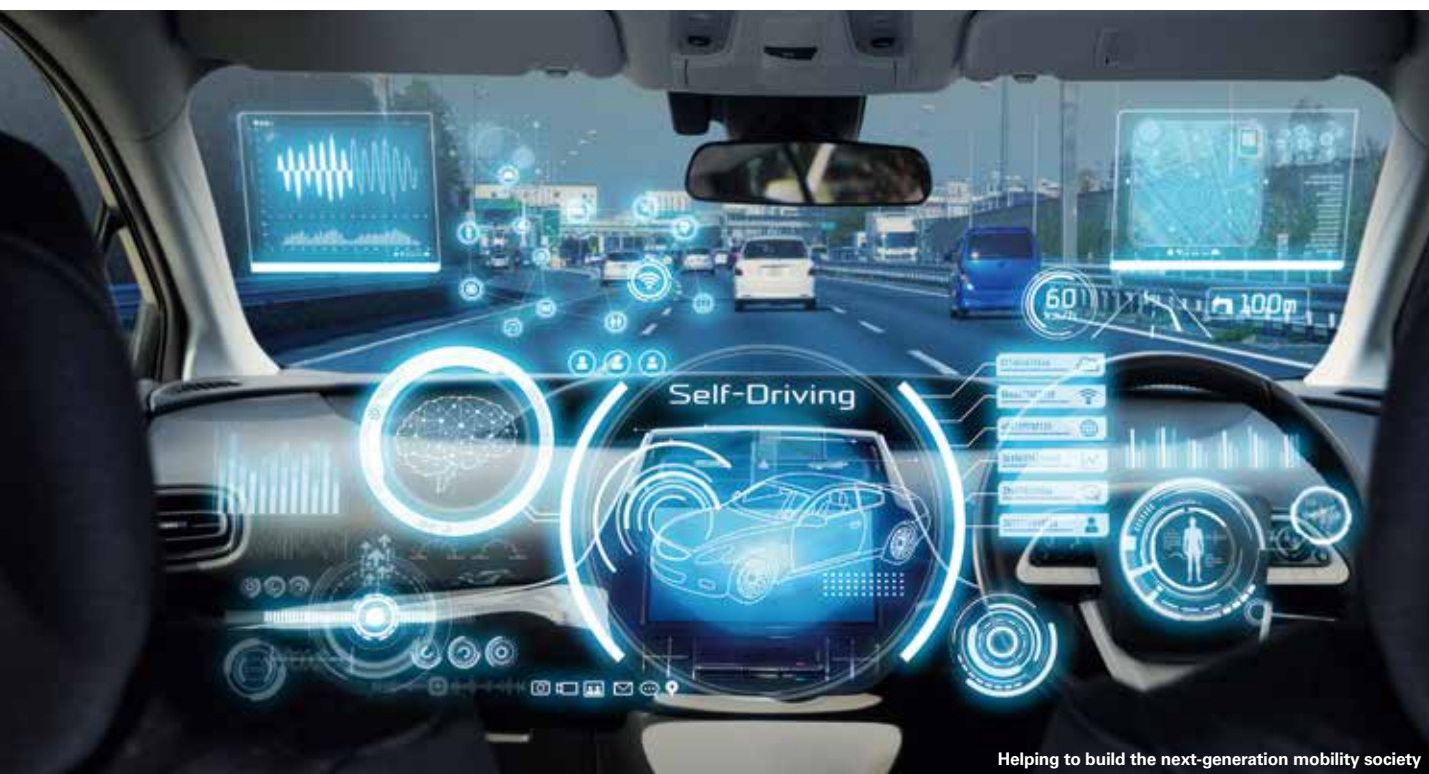
Areas: Worldwide

Providing Diverse "Accessibility"



The movement of people and goods is directly linked to economic trends, and our aircraft and automotive businesses act literally as a driving force for development in society. In addition to strengthening the present wide-ranging value chain of these businesses, we have invested in new sectors to respond to the recent shift in consumer priorities from material goods to experiences and from owning to using. In the automotive business, for example, through our participation in the connected vehicle sector, which enhances vehicles with connectivity through communications technology, and the car sharing sector, we are implementing a wide range of services for the new automotive society. We will continue working to deliver innovative mobility services with the aim of contributing to new technological advances, the development of industry, and the building of the next-generation mobility society.

Relevant Material Issues   



Helping to build the next-generation mobility society

Creating new businesses in the air mobility field

Air mobility—a service that uses small electric-powered aircraft that can take off and land vertically to shorten transport times, improve convenience, and speed up cargo operations—is seen as having the potential to revolutionize existing concepts of airborne transportation. Sumitomo Corporation has entered into a business alliance with Bell Textron Inc., a leading company in the air mobility sector, and aims to deliver services such as Bell's drone Autonomous Pod Transport (APT) and Air Taxi *Nexus*, with a target date for practical realization of sometime in the mid-2020s.



Air mobility that will revolutionize airborne transport

Social Contribution Activities

The Sumitomo Corporation Group contributes to developing the local communities in Japan and overseas where it does business as well as to creating next-generation human resources. The Group's activities are guided by its Basic Principles on Social Contribution 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.

Marking our centennial with the launch of 100SEED

The Sumitomo Corporation Group is currently rolling out The Next Century Project, a forward-looking initiative with a vision for the next 100 years. After numerous discussions on the project, we came to an idea that includes not only the Sumitomo Corporation Group but also society as a whole in its vision for the 100 years from now. The result is the launch of 100SEED, the first program to involve group employees worldwide in the planning and implementation of social contribution activities.

The program works in three stages: POST, where employees post an opinion on the social issues that concern them; DISCUSS, where they decide the form their activities should take; and ACT, where they then implement the relevant activities. Through participation at each stage, individual employees take ownership of social issues. In this way, the program continues our 100-year tradition of implementing Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Management Principles, and embodies our wish to continue developing hand-in-hand with society.

Concept

- ✓ Consider social contribution activities that the Sumitomo Corporation Group should implement by thinking back from what we wish for the future.
- ✓ Make efforts to resolve the different social issues around the world by making use of the diverse ideas held by people in the Sumitomo Corporation Group.
- ✓ Put action plans to work through visiting, communicating and hands-on participation at site.



Online posting to discuss that social issues to address in each region

We set up a dedicated website open to participation by all group employees worldwide. The website, which was coordinated in each region by a representative known as the Next Century Ambassador, presented an outline of the program and its aims along with other relevant information and invited employees to post their own ideas and opinions.

Using the United Nations' 17 Sustainable Development Goals (SDGs) as a reference point, the website called on employees to nominate social issues and state why they concerned them. Within the two months from February 2019, over 2,500 posts were received. In May, the program progressed to the DISCUSS stage, where the themes to be addressed in each region and the global orientation of activities is being debated.



The content of posts showed a distinct local flavor in each region. SDG No. 4, "Quality Education" attracted a high level of interest across all regions.



Engaging in a wide range of social contribution activities in each global region

Here, we present ongoing initiatives to contribute to the local communities throughout Japan and overseas in which the Sumitomo Corporation Group operates.



EMEA & CIS

Supporting a children's hospice

Since 2014, Sumitomo Deutschland GmbH has made donations to the Düsseldorf hospice Regenbogenland, which supports terminally ill children and their families. As part of their continued support, employees make regular visits to the facility to hear at first hand from those at the frontline of its work.



AMERICAS

Donating bicycles for children

Sumitomo Corporation of Americas holds an annual companywide event, SCOA WEEK, during which employees carry out social contribution activities. In 2018, employees formed teams to take part in a Build-a-Bike competition. The assembled bicycles were then donated in completed form to disadvantaged children in local communities.



EAST ASIA

Supporting education in poor areas

In China, Chinese and Japanese employees cooperated in collecting donations, which were matched with an equal sum by group companies and then used to support disadvantaged students in Anhui Province. Employees have maintained direct contact with the students that they support by making on-site visits to their home province and inviting them to Shanghai. This activity was launched in 2009 by Sumitomo Corporation (Shanghai) Limited and has now expanded to Sumitomo Corporation China Group.



ASIA & OCEANIA

Supporting people in need

In Singapore, a diverse range of employees take part as corporate volunteers in activities to support people in need. These activities take many forms, from help with mobility and the provision of meals to sport and art therapy, and attracted the participation of 89 volunteers in FY2018.



JAPAN

Introducing Japanese culture

With the aim of building good relations with local communities at overseas business bases, we give presentations on traditional Japanese culture. The Kesenuma Shishiori Marine Product Processing Cooperative is a group of businesses located in Miyagi Prefecture, to which Sumitomo Corporation is

providing cooperation for industrial recovery after the devastating tsunami and earthquake of 2011. In 2019, Indonesian technical trainees working at member businesses of the cooperative were invited to such hands-on experiences as *kimono* wearing and a traditional Japanese tea ceremony.



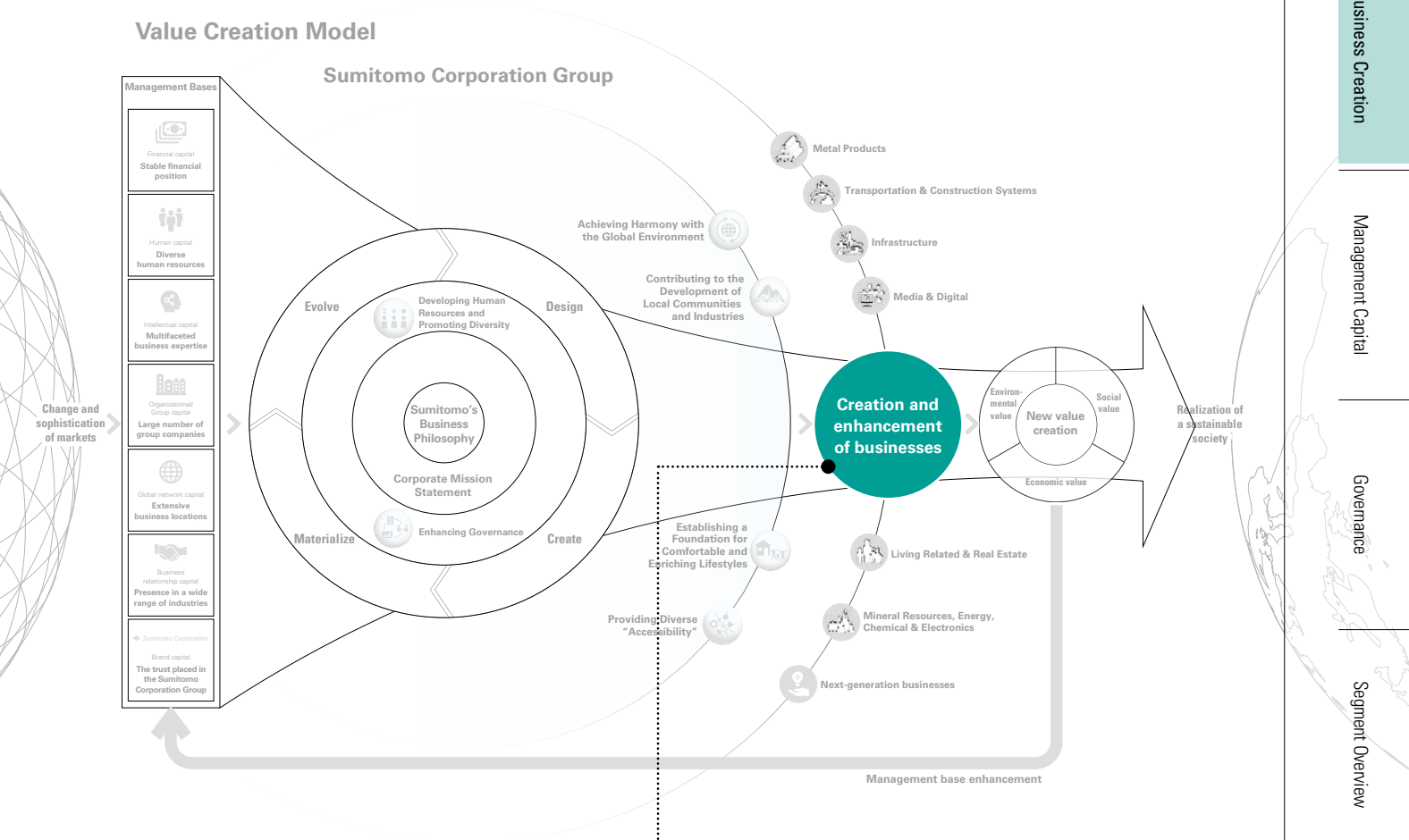
Part 2 Approaches for Business Creation

Structures for providing value through business creation

In light of the accelerated progress of technology such as AI and robotics, industrial structures are changing drastically, and businesses are becoming increasingly borderless and complex. Various social issues are becoming apparent and interfering the sustainability of society. More attention will be directed to the value that corporations should create and provide.

The Sumitomo Corporation Group delivers the value needed by society at any point in time through business creation based on forecasting of the future. This is generated by hybridizing the “ecosystem” we have built over the years of its history together with our business partners and the “innovation” that is progressing significantly in the midst of this Fourth Industrial Revolution.

Business



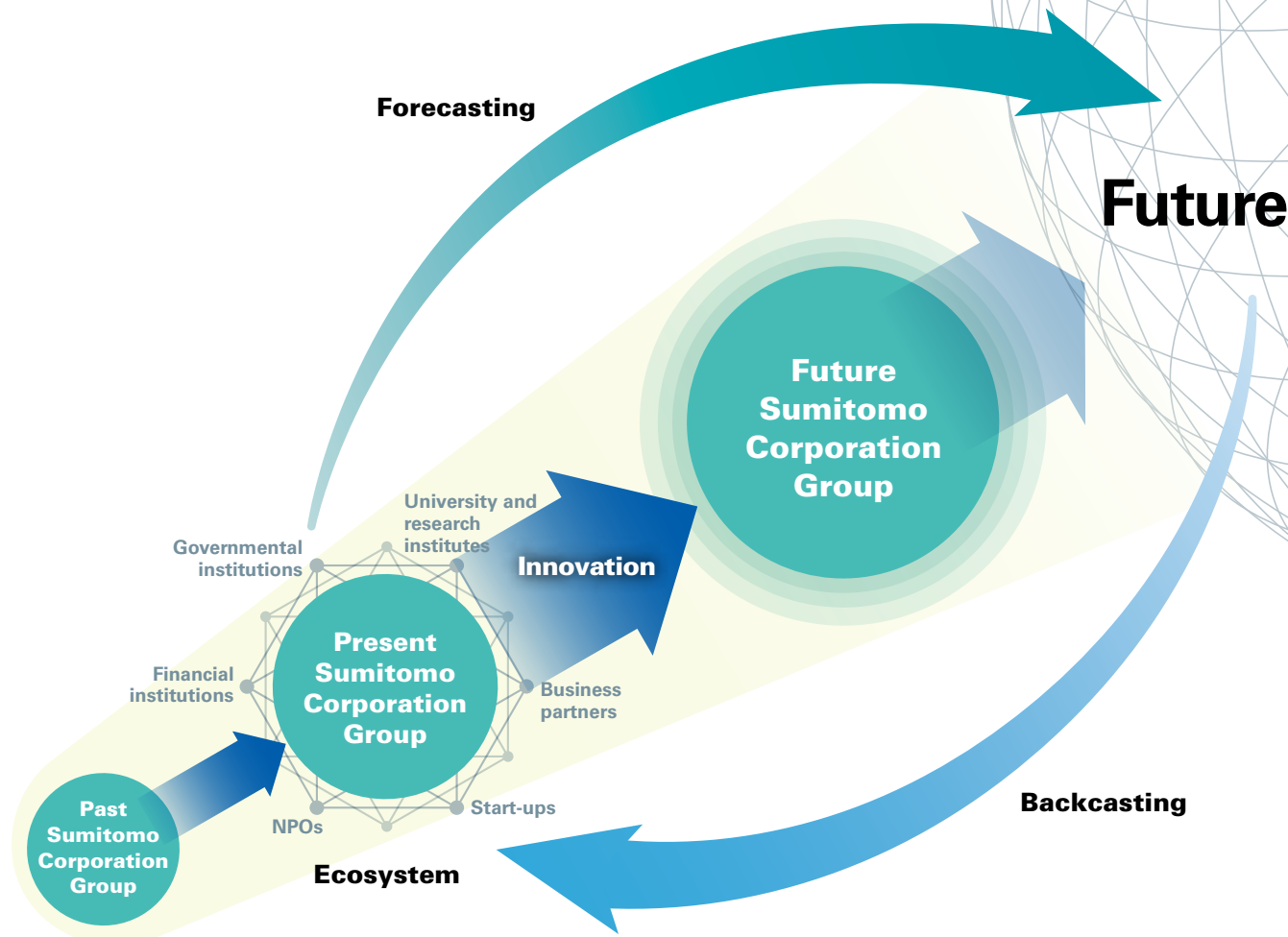
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How our value creation evolves with growing trust

Creation

Business Creation Structures and Value Provision Based on a Grand Vision of the Future



The Sumitomo Corporation Group aims to achieve stable and sustainable growth towards the future together with society by providing value generated from creating and upgrading businesses. Using the relationships of trust built with various partners over 100 years of history and the many businesses supported by those relationships as its core, the Sumitomo Corporation Group has forecasted the future picture of the Group and of society, and has generated innovation by foreseeing social changes based on the mindset of “Grand Design” passed down through the Sumitomo Group. We will continue to be committed to evolving ourselves to suit the future through progressive innovation and to providing even more fulfilling value to “industries,” “consumers” and “communities.”

Forecasting and Backcasting

The Group has made steady progress in expanding its business areas by using two methodologies — forecasting (using the present as the starting point to foresee the future based on the past results and data) and backcasting (using the targeted future as a starting point to look back to the present and determine the next action). With the current rapid changes in the business environment, these approaches have become more important, and we are also creating an increasing number of innovative businesses that span different business fields with these methodologies.

Ecosystem

The Group works together with a large number of business partners, organizations and institutions to leverage the technology and know-how each possesses to build an ecosystem. We create new businesses within the ecosystem that provides connections across industrial barriers. The cooperative links we have deepened with our partners through our 100 years of history is an indispensable factor that works to strengthen existing businesses that resolve social issues and create new businesses and innovation.

Innovation

By combining our experiences with cutting-edge technologies (AI, big data usage, robotics), we intend to generate innovation, upgrade existing businesses, create new businesses and transform our business models. As part of these initiatives, in April 2018, we set up the DX Center to spearhead companywide Digital Transformation (DX).

The value delivered by the Sumitomo Corporation Group

Our businesses that provide value to society in various ways

Providing value to “industries”



The silver-zinc-lead mining project in Bolivia creates jobs locally. Furthermore, the stable supply of mineral resources contributes to the development of industries in a broad range of fields.



The aluminum smelting business provides a stable source of aluminum, a strong and light material that is expected to play a great role in the recycling-oriented society of the future, thus helping support the industries and lives of people in the future.



The construction & mining equipment businesses provide a wide range of businesses and industries such as infrastructure improvement, mine development, agriculture and forestry with the machines they need and enable them to operate reliably. This helps our customers to increase their productivity and contributes to the social and economic development of their nations.

Providing value to “consumers”



The product lineup and services available in our supermarket businesses evolve to meet the needs and lifestyles of the time, helping our customers to achieve a better quality of life.



The telecommunications business in Myanmar is helping to spread the use of mobile phones and also making the lives of Myanmar citizens more prosperous through value-added services.



In the drugstore business, we are actively expanding the number of innovative stores with attached dispensaries. In response to the increase in home health-care needs in recent years, we are also enhancing our dispensing services.

Providing value to “communities”



The water infrastructure business in Brazil provides water and sewage and industrial water treatment services. In this way, we are able to give around 15 million people access to a safe and stable water supply, improve the water environment in the region and contribute to the development of the regional community.



In the offshore wind power generation business in Europe, we are using the know-how we have gained since we got our start in the industry by participating in a project in Belgium in 2014 to expand our initiatives in England and France, thus contributing to the goal of creating a carbon-neutral society.



In the overseas industrial park businesses, which we run mainly in Southeast Asia, we support the operation of over 500 tenant companies and the employment of approximately 200,000 workers, encouraging manufacturing and the economic development of the region.

Businesses foreseeing future

We strive to foresee the industries and regions of the future as consumers' trends and purchasing behavior evolve to create new value through future-oriented business creation.



In the mobility services business, due to the influence of technological innovation in the automotive industry and changes in the environment, we are taking steps to support the next generation of cars in society by adding new MaaS technology and services to our existing business platforms.

CASE 1 Mobility Service Business p. 51



We have the largest cable TV business in Japan, providing services to around 5.48 million households around the country. In addition to our existing services, we plan to expand our various lifestyle support services such as home IoT service.

CASE 2 Cable TV Business p. 53



We are developing a Smart City project in North Hanoi. On top of the real estate development, we will introduce new technologies for transportation and energy management to innovate the quality of life for the people living in our city and foster sustainable growth in the region.

CASE 3 Real Estate Business p. 55



Sumitomo Corporation runs a car-sharing service known as aimo in northern Europe. Customers can use an app from their smartphones to make reservations and payments.

CASE 1 Mobility Service Business

Providing additional value to the next-generation mobility society by flexibly responding to changes in the automotive industry

We have been expanding our business from exports to distribution, manufacturing, and financing. Now we are focusing on establishing a platform for a world of MaaS. We will contribute to the new automotive society based on our knowledge and experience through our business value chain.

Our beginnings

— 1950s

Started exporting vehicles from various Japanese automobile manufacturers

Our automotive business started by exporting buses and trucks made by Hino Motors to Myanmar as part of the post-WW2 reparations scheme. After that, we began to export vehicles from Toyota, Mazda and other Japanese manufacturers to Southeast Asia, the Middle East and then the U.S. and Europe, expanding to cover the whole world.



— 1960s

Expanded and upgraded our distribution business

As an extension of our vehicle export business, we began distribution businesses in various markets around the world, mainly of Japanese automotive brands. We also entered the retail dealership business. We accumulated skills and know-how about sales and marketing in various regions and evolved and expanded our business while upgrading our operations.

— 1970s

Established a parts and equipment export business towards vehicle manufacturing locations overseas

We strengthened our relationship with Ford Motor Company and established an export and equipment installation business for Ford's manufacturing locations overseas and also held vehicle parts exporting business. We expanded this business to Suzuki and other companies, which eventually led to other parts manufacturing businesses.

Development period

— 1980s

Established Sumisho Auto Leasing Corporation (currently Sumitomo Mitsui Auto Service Company)

We entered the auto leasing business as part of our efforts to expand the automotive business to the downstream of the value chain. We expanded our business by thinking from the customers' point of view and responding to all kinds of concerns. Now we own and manage around 1 million vehicles around the world and are the number one auto leasing business in the Japanese market.

— 1990s

Expanded our automobile financing business

In the downstream area, we expanded our business further from automotive sales and entered the vehicle sales financing business. We started a vehicle financing business in emerging nations in Asia with a special focus on Indonesia, where we established the OTO Group, which expanded to a network of over 200 branches, providing over a million clients with convenient financing services.

Sumitomo Corporation Group's automotive business began in 1954 with exports of buses made by Japanese vehicle manufacturers to Myanmar. At that time we were mainly involved in the trading business, exporting the vehicles made by Japanese manufacturers to various markets overseas. From the 1960s, the company itself entered local markets and expanded its automotive distribution and retail operations globally by setting up wholesale and retail sales companies.

At the same time, as car manufacturers increasingly expanded overseas, we provided factory equipment transportation and installation services, supported the overseas expansion of parts manufacturers and expanded our business to cover the establishment of supply chains among multiple countries. We also moved to the upstream of the vehicle value chain by investing in parts manufacturing businesses and participating in finished vehicle manufacturing businesses.

In the 1980s, we progressed to finance businesses such as auto leases and vehicle financing and also expanded into the downstream areas, appealing directly to clients. For example, Sumitomo Mitsui Auto Service Company owns about a million vehicles in Japan and abroad and interacts with clients through its auto lease business, making it one of our key platform businesses at the moment.

Since the mid-2010s, there have been new trends brought by MaaS and CASE. Perceptions of vehicles are changing from things people "own" to things they "use." Sumitomo Corporation is increasingly adopting the latest technology in light of these changes by investing in start-up companies and carrying out Digital Transformation (DX) activities. By applying such technologies to the businesses around the world that will form our foundation, we will provide high value-added services to create a new mobile society.

Over the past 65 years, the Sumitomo Corporation Group's automotive businesses have covered the full automotive value chain from manufacturing vehicles to exporting them overseas. For example, selling and distributing vehicles locally, providing financing and auto leases in Japan and abroad, and offering automotive industry-focused consulting where our Group is the only company offering the services in integrated trading companies in Japan. Sharing the expertise that we cultivated through our businesses and bringing new strengths is one of the key distinctions of our automotive businesses. The automotive industry is in a transition phase that is said to happen only once in a century. In the midst of this process, the Sumitomo Corporation Group will continue to challenge itself every day and bring new values to the next generation automotive society.

Preparing for the next generation

— 2000s

Entered the automotive part casting and processing business

In order to enter upstream areas, we bought and invested in automotive parts manufacturing businesses and supported Japanese parts companies as they entered markets overseas. Among these companies, Kiri Corporation, a wholly-owned subsidiary, is highly efficient at manufacturing



high-quality, high-precision parts such as brake disks and brake drums. The business has expanded greatly to four locations in Japan and nine overseas.

Expanded the finished vehicle manufacturing business

In the upstream area, we also moved into the production of finished vehicles. With Isuzu Motors Ltd., we invested in a truck and bus manufacturing company in India to manufacture and sell vehicles. We have also partnered with Mazda Motor Corporation in Mexico to establish the largest-scale finished vehicle manufacturing factory among our overseas



locations, which produces and exports finished vehicles aimed at North American and European markets.

— 2010s

Enhancing our value chain

Our value chain consists of manufacturing and distribution, and leasing and financing businesses. We are aiming to raise the quality of the operations of each business and create business structures that can respond flexibly to customer needs.

Creating value through platforms and new businesses and technologies

Using our existing businesses as a platform, we are creating new value by combining new businesses and technologies. Some of our ideas have already been turned into actual businesses. One example is KINTO, a joint vehicle subscription business with Toyota Motor Corporation. Another example is an electronic vehicle-sharing business we run in Sweden.



New initiatives for the coming of a MaaS society

By implementing initiatives that pave the way to the future such as by acquiring parking lot businesses in Northern Europe and establishing JV with Michelin, a North American tire company, investing in startups and consolidating knowledge and know-how from different in-house departments, and proactively trying various new initiatives, we are making steady and certain contributions to the creation of the next-generation mobile society.





CASE 2 Cable TV Business

J:COM strives to provide essential services that touch the hearts of customers

By providing premium quality entertainment and services that support daily life, we continuously provide our customers with unforgettable experiences and support their lives with safe, enjoyable, convenient and comfortable lifestyles.

Our beginnings

1980s

Participation in the City Cablevision Fuchu business

The companies of the Sumitomo Group jointly took over the management of Keio Cable System, a CATV operating company centered on Fuchu city in Tokyo, from Keio Teito Electric Railway and established it as City Cablevision Fuchu. It was the first CATV business case that we, Sumitomo Corporation, managed.



Expansion

1990s

Established Jupiter Telecommunications (J:COM)

Taking advantage of deregulation, which made it easier for foreign capital to enter the CATV business and for countrywide expansion, Sumitomo Corporation partnered with TINTA to establish Jupiter Telecommunications, a cable television multiple systems operator.



Established Jupiter Programming Network (JPC)

Splitting the investment 50:50 with TINTA, we established JPC, Japan's first-ever program supply multiple systems operator. Together with J:COM's cable television business, we focused on developing a program supply business with JPC.

Established Jupiter Shop Channel

We established Jupiter Shop Channel in collaboration with Home Shopping Network, a major TV shopping company in the U.S. We began broadcasting as a TV shopping channel and later progressed to live programming with real action that ran 24 hours a day, 365 days a year.



As cable TV (CATV) businesses grew in the U.S. in the 1970s, Sumitomo Corporation saw their growth potential in the Japanese market and entered the telecommunications industry in the 1980s. We focused extensively on CATV as our core business. Between 1988 and 1995, starting with the management of City Cablevision Fuchu Co., Ltd., we spread our network to the Kanto, Kansai and Kyushu regions widely, acquiring valuable business know-how along the way.

In 1995, we established Jupiter Telecommunications Co., Ltd. (J:COM) in a joint venture with Tele-Communications International (TINTA), the overseas business division of Tele-Communications, Inc., the then-largest multiple systems operator in the cable television business in the U.S. We gradually transferred management of the CATV companies we invested in at the time to J:COM. Through J:COM's multiple systems operation, we were able to increase efficiency by unifying our operations and business models and decrease our costs through centralized procurement and other methods. We also made upfront investments such as batch installations for multiple dwelling units, all of which helped us enlarge our business foundations. Furthermore, in addition to our paid multichannel services, we also started landline telephone and high-speed internet services, setting up the world's first triple-play service which is now a basic service from J:COM.

In 2000, J:COM merged with Titus Communications Corp, the second-largest communications company in the industry in Japan, becoming the top company in the CATV industry. In 2001, the number of households we served crossed the one million mark. The company recorded its first profits in 2003, eight years after it was founded.

In the 2000s, we targeted dynamic growth and expanded our business scale efficiently through many M&As while also integrating Jupiter TV, a multiple systems operator supplying television programs, in order to develop a comprehensive cable broadcasting business capable of functions from content production and supply to distribution.

Furthermore, under a medium-term management plan in 2012, we came up with the concept of "J:COM Everywhere." Based on this idea, in addition to the three basic services, we took advantage of our distinguishing mark of community-based media to announce an expansion of our service menu to cover affordable smartphones and electricity and gas retail, in keeping with the needs of the times. Since then, we have continued to boost the total strength of the J:COM Group as a whole by rolling out a variety of services, growing the number of subscribing households to 5.48 million, around 10% of all households in Japan as of the end of March 2019.

Currently, J:COM's greatest advantage is the diligent, community-based service provided by its service staff of over 10,000 employees. With this advantage, it aims to support the community lifestyles of its customers and to become indispensable. In the future, in response to a rapidly changing business environment and diversifying needs, we intend to both enhance our existing services and offer a wider range of lifestyle support services such as home IoT and healthcare and insurance services. Through this, we hope to increase customer satisfaction and to maximize profits while establishing a foundation for comfortable and enriching lifestyles.

Development period

— 2000s

Merged with Titus Communications

We merged with Titus Communications, No. 2 company in Japan's CATV industry (at the time) and became the top company in the industry, exceeding 1 million subscribing households in 2001.

Merged with Jupiter TV

J:COM took over Jupiter TV (formerly JPC), a program supply multiple systems operator, thus becoming a cable television broadcasting operator capable of covering functions from content production and supply to distribution. This made it possible for the company to produce and edit attractive programs and run a distribution business that reflected the needs of viewers.



— 2010s

Building a new alliance:merging with Japan Cablenet Limited

The company shifted to a joint management structure where KDDI Corporation and Sumitomo Corporation each held a 50% share, and merged with Japan Cablenet, a KDDI subsidiary that was the second largest in the industry at the time. This led to a further enlargement in scale and an improvement in services, which strengthened the company's competitiveness. This, coupled with an optimization of comprehensive synergy, enabled the company to sign up over 5 million households for its services.



Preparing for the next generation



Launching J:COM HOME, a home IoT service

We have worked on strengthening our customer relations by enhancing existing services while also launching lifestyle infrastructure services such as affordable smartphones and gas and electricity retailing. We are trying to create new services in preparation for the coming age of IoT and have started a home IoT service that links up with various types of home appliances. We will also take other related fields the Sumitomo Corporation Group is active in such as healthcare, finance and local 5G into account as we strive to create an even more convenient and enriching life for our customers.



Terrace Mall Shonan



Kioicho PREX



Classy Tower Yodoyabashi

CASE 3 Real Estate Business

Taking a hands-on approach from the start to build the foundation for enriching lives

As a company that was founded as a real estate business, Sumitomo Corporation embodies a spirit of craftsmanship as it seeks to develop businesses that satisfy all real estate needs. We use the expertise we have accumulated since our founding to expand our businesses into forms never seen before.

Our beginnings

1960s

Moved into the office building and condominium businesses

The rapid economic growth of Japan led to an increase in demand for housing and office buildings. Using the industry know-how we had cultivated since our founding as The Osaka North Harbour, a real estate company, we entered the office building and condominium businesses.



1970s

Entered the retail facility business

Encouraged by national demand for regional development following the formulation of the New Comprehensive National Development Plan in 1969, we entered the retail facility business, starting with participation in the construction of a shopping center in the Tokyo area.

1980s

Expanded our real estate business overseas

We acquired and developed office buildings in the United States, Indonesia and other countries.



1990s

Started large-scale complex development

Drawing on our accumulated expertise of real estate development, we began working on large-scale complex development projects such as the development of Harumi Island Triton Square as well as projects in the Yokohama Minato Mirai area and Tokyo Rinkai Fukutoshin/Daiba area.



2000s

Restructured our organization and businesses after the collapse of Japan's bubble economy

Although we started working on large-scale real estate development in the 1990s, we were left with a number of issues as a result, which required the restructuring of our businesses to overcome.

Sumitomo Corporation was founded in 1919 as The Osaka North Harbour, a construction and real estate development company that worked on properties around Osaka's harbor area. As Japanese society grew economically, the company expanded the scope of its businesses to cover office buildings, residential buildings and retail facilities.

Since its founding, our office building business has consisted of the development of rental multi-story buildings either alone or in joint ventures with other companies. As times change, office and labor environments change accordingly. Thus our goal is to provide offices that can adapt to these changes and be used for long periods, making it possible for tenants to work in comfort and satisfaction.

We were quick to enter the condominiums construction industry at the beginning of the 1960s. In 1964 we planned and sold the first private condominiums in the Kansai area. We then expanded into the Tokyo area in 1966. Right now we run the business under the "Classy House" brand name and focus on providing excellent housing that is a perfect blend of form and function.

Our retail facility business got its start in the 70s when we began developing shopping centers, spurred by government policies promoting regional development. Since then we have dedicated ourselves to building facilities rooted in the traditions, cultures and lifestyle of the regional community and endeavor to construct retail facilities that local residents can grow attached to.

The Kanda area in Chiyoda Ward, Tokyo, which can be considered the second birthplace of the company, is a place where we leverage experience we have gained from running these diverse businesses to carry out real estate development

and management from the perspective of "areas" and not "points." We completed the construction of "Terrace Square," large-scale office-retail complex development project in 2015. In spring 2020, under the urban development concept of "cities you love to visit, work and live in," we plan to complete work on large-scale buildings that will contain offices, retail facilities and multipurpose halls. We also have other businesses that are the fruit of the company's collective know-how such as real estate businesses that develop exclusive-use facilities to suit client needs, build-to-suit (BTS) and logistics facility business, and fund/REIT businesses generated from a combination of finance and real estate.

In our real estate business, we place heavy emphasis on a hands-on approach, participating in management by ourselves. This applies to our businesses overseas as well. Our overseas businesses, first in Asia and then in America, started from office building construction and later grew to encompass residential projects. No matter the business, we always seek to provide fresh value by taking a serious look at the needs of the country and the region. The Smart City development project we have started in North Hanoi, Vietnam, is an example of this approach. In this project, not only are we developing real estate but we are also providing fundamental IT infrastructure, setting up a framework for efficient energy management and introducing security features that make sure of leading-edge technology such as biometric authentication. We are realizing all this by gathering the strengths of the Sumitomo Corporation Group as a whole, all with the ambition of creating a city that will appeal to and fulfill the dreams of the people who visit, live and work in it.

Development period

— 2000s

Entered the BTS business

To satisfy increasingly diversified customer needs, we entered the BTS business, an order-made development business.

Entering the fund business

In addition to the conventional business model of continuing to own the real estate after its development, we also started a fund business that supports the diverse real estate investment needs of clients and also increases asset efficiency.

— 2010s

Entering the logistics facility business

We entered the logistics facility business with the aim of developing logistic facilities that connect people with society. The main focus of our business is providing facilities that increase the efficiency of logistics, show concern for the environment, have safety and durability features and offer a pleasant working environment for workers.



Preparing for the next generation

Setting up real estate funds overseas

Using the expertise gained from our fund business in Japan, and in response to investment needs in the U.S. market, we set up a real estate fund, increase opportunities to manage premium office buildings and expand our overseas real estate businesses.



Urban development in the Kanda area

Sumitomo Corporation considers the Kanda area of Chiyoda Ward in Tokyo to be its second birthplace. We are currently involved in urban development in the area aimed at creating cities that give enjoyment to the people who visit, live and work there. This involves the construction of large-scale complex facilities such as "Terrace Square," the medium-sized "PREX" office building and the "Classy House" brand of condominiums.



The Smart City concept

We are developing a 272-hectare Smart City in north Hanoi, Vietnam. We have gathered the corporate strength of the Sumitomo Corporation Group to carry out this urban development project which involves not only real estate but the provision of basic IT infrastructure and efficient energy management.



Special Feature An Interview with Business Leaders

How our value creation evolves with growing trust

The core businesses of the Tubular Products Division and Life Science Division are the Oil Country Tubular Goods (OCTG) business and the AgriScience business respectively. These businesses are the business foundation of the Sumitomo Corporation Group and at the same time, they also play an important role when it comes to ensuring the sustainability of international society through the stable supply of energy and food.

In this special feature, the general managers of both divisions look back on how the businesses developed and share their thoughts and passions on creating value through new initiatives and solving social issues in order to achieve sustainable growth for the next generation.



Masahiko Yokohama

Corporate Officer
General Manager, Tubular Products Division

Profile Masahiko Yokohama joined Sumitomo Corporation in 1987. After working in the Overseas Logistics Department and undergoing foreign language training in China, he moved to the Iron & Steel Import & Export Department No. 1. He then spent about 30 years working in the tubular products business. After being transferred to a joint venture in Baoji, China, and a joint venture seamless pipe mill in the USA, in 2011 he was appointed as the general manager of the Tubular Business Development Department. This was followed by an appointment as the general manager of the OCTG Business Department in 2014 before he assumed his current position in 2017.



Kotaro Tameda

Corporate Officer
General Manager, Life Science Division

Profile Kotaro Tameda joined Sumitomo Corporation in 1989. After undergoing foreign language training in Russia, he was assigned to SUMI AGRO France S.A.S., a local agrochemical sales company. He also worked for Summit Agro International Ltd. before being appointed as the general manager of the AgriScience Department in 2011. From 2016 he was the general manager of the Chemicals and Electronics Group at Sumitomo Corporation of Americas. He assumed his current position in 2018. He has spent 30 years since he joined the company working in agrochemicals businesses.

We overcame every crisis by changing our business flexibly. Our strengths and passions underpinned the expansion of our business areas.

Both businesses have been flexible about changing their operations responding to external factors such as trade friction, market crashes and the appreciation of the Japanese yen. When you encountered situations where you were forced to change, what were your thoughts as you evolved your business models?

Yokohama Our OCTG business originated from the export of OCTG produced in Japan. From the 70s onwards, we began to spread our export destinations to all the oil-producing nations (the Middle East, U.S., etc.). In the early 80s, however, there was a crash in the OCTG market in the U.S. Furthermore, since Japanese products had become a subject to an anti-dumping lawsuit in the 90s, we decided to expand our business by entering distribution within the U.S., establishing OCTG distributors and extending our distribution network. There are always ups and downs in the market and external factors such as geopolitical risks, so we have faced many crises in the OCTG business. Whenever we face a tough situation, we ask ourselves, "What value can we provide?" Based on that, we pursue the kinds of functions that our customers will need in energy development, and that is how we have arrived at our current position.

Tameda From the 60s onwards, the agrochemical business spread its sales destinations to over 100 countries worldwide leveraging the high quality of made-in-Japan products and taking advantage of the exchange rates at the time to stay competitive. However, the Plaza Accord of 1985 led to an appreciation of the yen, which lowered the competitiveness of Japanese products. Coupled with the collapse in the communist bloc following the fall of the Berlin Wall, it meant that we needed to find new business models. The result of facing these external factors was the Summit Agro agrochemical sales network. To borrow an analogy from the automotive industry, it would be as if we started by exporting finished vehicles and then later entered local dealerships.

Yokohama This style of starting from the customer's viewpoint and then expanding the supply chain and product lineup from there is one of the strengths of an integrated trading company. After the various crises of the OCTG business in the 80s, locations for oil development have spread all over the world. We responded by grasping the latent needs of our customers and strengthening our just-in-time delivery functions in West Africa, the North Sea and

other places. Since initial investment costs were high, we requested long-term contracts from customers, and on our part, we ensured that we added the features requested by customers. That is how our current supply chain management (SCM) business came to be.

Tameda We have the same experience of starting from the customer's needs. The reason why we stepped into new territory and began to sell agricultural materials directly to farmers in 2011 after expanding our agrochemical sales business all over the world is because we wanted to address various issues in agriculture. Agriculture is strongly influenced by the weather and the market price of grains, but in general, the industry works by hedging these risks towards farmers. In light of that, we wanted to support farmers and agriculture as a whole by achieving higher yields. Therefore, in addition to selling agrochemicals, we entered the business of direct sales of all agricultural supplies needed by farmers such as seed and fertilizer. As you said, the ability to shift focus that way is something trading companies are good at.

Yokohama The demand for OCTG worldwide is currently around 16 million tons and the market is worth around 3 trillion yen. However that is only around 5% of the total costs spent by oil companies on procuring equipment and services. Same as the agrochemical business, I believe the shortcut to increasing customer satisfaction lies in expanding the supplies and services we provide.

As you evolved your business models, what were the keys to success particularly for integrated trading companies and for Sumitomo Corporation?

Yokohama Well first, we must presuppose that the product itself is highly competitive. Once that is a given, whenever we face a crisis, we diligently seek answers to these questions. First, what kind of functions can we provide? And second, what kind of value can we deliver? In the course of this process, it is very important to have a network of people all across the world that can provide us the information we need to create new ideas.

Tameda One of the distinguishing features of the agrochemical business is that the final produces are consumed by people, so we need to receive the approval of the relevant local authorities. We need organizations in every country to cope with that requirement, which leads to a natural increase in our human resources. And that means

Special Feature An Interview with Business Leaders

How our value creation evolves with growing trust

that securing the best human resources is a very important key of success.

Yokohama It certainly is. In the OCTG business, we set up a dedicated company for the establishment of the SCM Project in Houston, the U.S. in 2002. We have accumulated the knowledge concerning regulatory compliance such as tax systems/approval processes and information about starting SCM projects through our experiences all over the



world and used that knowledge to nurture human resources. Then we dispatched them to the local area whenever we started a new project. Creating a professional group right from the start was one of the keys to our success. When we receive new requests from the major energy companies, we adopt parts from our successful cases from past projects to provide services and to start new projects in other areas, creating a virtuous cycle we could call a "spiral of trust."

Tameda We have a similar initiative establishing the dedicated company in our business as well. When we started the Summit Agro business, the top officers were dispatched from Japan, but as the business grew, we began to increasingly localize each business. Currently, almost all of the business companies are headed by local talent. To secure talented personnel, you need to provide them with a career plan. In Europe and South America, we established holding companies to bring the business companies together. The management of the holding companies is in the hands of local talent as well. Moreover, we are working on building a structure where professionals of those operations would participate in setting up a global strategy.

OCTG business

We provide the OCTG necessary for oil and gas drilling through global supply chains. We have long-term contracts with oil companies all over the world and established an SCM service system that supplies OCTG, accessories and related equipment necessary for drilling based on the just-in-time model. Our strength is the ability to provide a total support system not limited to traditional trade by, among other things, offering an oil and gas well design consulting service. Thanks to these efforts, we have long-term contracts with national oil companies in addition to major oil companies. As a leading company in OCTG supply, we are supporting the stable supply of oil and gas globally.



Business history

- 1970s** • The oil shock triggered crude oil development all over the world, and exports of Japanese OCTG increased.
- 1980s** • A drop in oil prices crashes the market in the U.S., exports of Japanese products to the U.S. are restricted.
• Established OCTG distributors in the U.S. and Canada.
- 1990s** • Japanese OCTG are shut out of the U.S. due to anti-dumping measures.
• Signed long-term contracts with major oil companies (BP, Shell) and Norwegian national oil company (currently Equinor), started OCTG SCM services.
- 2000s** • Jointly acquired a U.S. seamless pipe mill. Established SCGTS, an SCM service company.
• Purchased two U.S. OCTG distributors and obtained the top share in the U.S.
• Established a distributor in Alaska and acquired a machining company.
• Signed a long-term contract with Petronas, the national oil company in Malaysia.
• Acquired Howco Group, an well equipment processing distribution company, and expanded into the oilfield equipment segment.
- 2010s** • Purchased OMS, an Asian company for threading OCTG and accessories.
• Signed long-term contracts with national oil companies in the Middle East (ADNOC, KOC).
• Purchased two U.S. OCTG distributors, strengthening selling base.
• Invested in multiple venture companies in Europe with new technology together with oil companies.

Was there anything you struggled with? How did you overcome such challenges?

Tameda In the agrochemical business, we have been expanding the company's supply chain to downstream area, from trade to wholesaling to direct sales to farmers. It is natural that, the closer a business gets to the end user, the greater the number of customers and the more complicated operations become. For example, we have less than 10 companies as trading customers in Romania, but when we started the wholesale import business there, the number of our customers grew to 70–80 companies. Once we started selling directly to farmers, we had a customer base of a little under 5,000 farmers. When dealing with large numbers of customers, credit and bill collection was a huge challenge. Many of them are farmers with no reliable financial statements, so we are working on being able to identify trustworthy customers accurately by, for example, understanding their level of technology and then rigorously selecting farmers with high yields.

Yokohama Last year, thanks to shale oil development, the U.S. surpassed Saudi Arabia to become the top oil producer in the world. However there are many mid-small size independent companies with just one or two rigs working



in oil and gas drilling in America, so we need to create a broad distribution network that can provide products to meet the immediate demand from such customers. To make this possible, our company owns four OCTG distributors in the U.S. and we have established a structure that can accommodate mid-small size customers.

— AgriScience business

The world population is expected to approach 10 billion by 2050, which makes securing food supplies a global issue. Sumitomo Corporation uses its network as an integrated trading company to export agrochemicals made with world-renowned Japanese technology. We also have agrochemical import and wholesaling businesses in each of the countries we export chemicals to. In recent years, we have established business models that sell fertilizer, seed and other agricultural products directly to farmers in addition to agrochemicals. Using the Group's credibility, financial power and business operation expertise, we have a wide range of businesses in trade, wholesale and retail while being responsive to the needs of the farmers and the agricultural industry in each region.

Business history

- 1950s** • Started business selling and importing crop protection products into Japan.
- 1980s** • Promoted grant aid for increased food protection and malaria control projects in developing countries.
- 1990s** • Established Summit Agro, local subsidiaries (currently 30 companies) for importing and wholesaling in each country following the disorder in the Eastern European markets, our main sales destinations, after the end of the Cold War.
- 2010s** • Purchased agricultural input and service companies in Romania, Brazil and Ukraine and began an agricultural supply sales business that sells agrochemicals, seeds, fertilizer, equipment and other agriculture-related products to farmers directly.



Special Feature An Interview with Business Leaders

How our value creation evolves with growing trust

Achieving sustainable growth by solving energy and food issues

**Could you tell us about your plans for the future?
What changes and issues are you facing in your current
business environment and what moves are you making
against them?**

Tameda One thing we have definitely noticed is a change in our competitors. In the past, our competitors were other trading companies, but as each company refined its business model, and as we expanded our business all around the world, our competition changed to global chemical and agrochemical manufacturers. These companies are extremely fast when it comes to making decisions about entering or leaving markets, and they are able to invest giant amounts of capital including human resources, so we have to be fully aware of our strengths and compete resolutely with them.

Yokohama What we are most cautious of is that the barriers to entry, we have built to date, have become weak and unable to provide new value to customers, which will lead them to desert us once our business model becomes obsolete. In the past, we regarded trading companies and major pipe mills overseas who have their own distribution as our rivals, but right now, new entrants from completely different industries could become our competitors. Just as giants such as GAFA*, which are directly involved in the consumer goods market and new start-up companies, we are always on the alert because we never know where potential competitors could appear.

Tameda One of the growth areas in Sumitomo Corporation's Medium-Term Management Plan 2020 is Technology x Innovation, and we are already seeing changes by utilizing AI and IoT in the tubular products business.

Yokohama In the consumer goods market, people are starting to use data based on consumer behavior, so in that respect the oil and gas industry is fairly behind. However, the major oil companies possess a great amount of data through their decades-long operations. It would be wonderful if we could use the data from each company to build a platform to satisfy customer needs, and I believe Sumitomo Corporation is in the position to propose such methods for utilization.

Tameda The importance of utilizing data is the same in the agricultural business as well. One of the great issues in agriculture, which I regard as an opportunity for us, is the matter of varied yields among farmers. Even the most experienced farmers with years of experience have only

sown seed a few dozen times since the sowing season comes just once a year. As a result, there tend to be differences in yield between farmers even if they live in the same region with the same climate and soil conditions. Labor and productivity increases every year thanks to the introduction of fertilizer, agrochemicals and equipment, but little progress has been made when it comes to sharing best practices. This is despite the amount of information that is currently available, making agriculture an outlier among industries. To address this, if we can collect big data and use AI to predict matters such as when to sow, when to use fertilizers and agrochemicals, how much to use them, and when to harvest to maximize profits, farmers will be able to make long-term business investment plans, which will change their circumstances significantly.

**You have mentioned the potential ways in which your
business model could change due to technology. Please
explain your future vision and what specific activities
you are working on.**

Yokohama As I mentioned earlier, we are giving plenty of thought to new business creation and to building new platforms from the customer's point of view. Our greatest assets are the excellent customer assets including major oil companies and national oil companies. We want to build platforms for those customers and build an ecosystem that can offer value not only to oil and gas companies but also to all companies involved in energy development.

Furthermore, public opinion towards oil, gas, coal and



A product from Airborne Oil & Gas, a Dutch manufacturer of composite pipes in which Sumitomo Corporation invested in 2018.

*Google, Amazon.com, Facebook and Apple, the top four IT companies in the U.S.



Working on various initiatives with farmers to raise productivity

the energy industry has become increasingly negative recently, so a new platform should provide a great opportunity for us to resolve such social issues across the entire industry, as well as a great business chance for Sumitomo Corporation.

Tameda When we were talking about changing business models earlier, Mr. Yokohama mentioned that major energy companies possess huge amounts of data. In the agriculture business, we also have group companies like Alcedo S.R.L. and Agro Amazônia that sell agricultural supplies directly. They have thousands of farmer accounts. For farmers who were used to relying on their own experience and intuition, in the past there was no merit or incentive to share their know-how with others. However if we can create a structure where they can provide that information, we will be able to create an agricultural platform where information and goods can circulate, increasing the production efficiency of all farmers. Sumitomo Corporation has a lot of contact with farmers, so we are in the position to set this plan in motion. Our company also has a team that handles agricultural machinery, so we have user information in that regard. We plan to have all departments work together to utilize the information effectively so that they can make proposals that are ideal for the farmers.

Yokohama I hear you have started to propose the use of drones in agriculture.

Tameda Yes, we have. We call it “agritech” but we are not interested in simply selling drones. Instead, we are trying to build a subscription-based agricultural platform offering a combination of drones, water level sensors and autonomous agricultural machinery. The average age of a farmer in Japan is now 68, so not many of them would be willing to spend hundreds of thousands of yen on a drone.

Creating a subscription-based model allows us to support them both financially and in terms of IT literacy. An agricultural platform that can respond to such needs will become increasingly necessary not only in Japan but in other countries with aging populations worldwide. At the same time, such a business will also help alleviate food problems around the world.

In this world of today, people are looking for businesses that provide economic value and also benefit society and the environment at the same time. What kind of value do you think your respective businesses can offer?

Yokohama Sumitomo’s Business Philosophy has been passed down to us through 400 years of history and permeates everything we do. When we explain our Business Philosophy to our customers, it helps them understand the principles that make us seek long-term business partners. So this philosophy is a real treasure, because it clearly displays our mindset that states that “Increasing social and environmental value will definitely link to economic value.” This applies even more to those of us involved in energy supply, something human beings cannot live without, because fulfilling our responsibility to provide value to society and the environment and being aware of the Company’s Material Issues are both matters that are closely linked to our daily operation. To put it another way, in this day and age, we will not be qualified to stay in business if we do not face up to these responsibilities seriously.

Tameda I like to approach this from a slightly different perspective. I believe this business division owes a debt of gratitude to the Japanese agrochemical industry for its growth. We would not have been able to succeed overseas without the product appeal and the technological advantage of our suppliers. Now that we have access to sites all over the world, I would like to actively return the favor and give our suppliers information from these sites as feedback so that we can develop together with them as partners. At the same time, we all share the desire to solve the issues plaguing farmers and consumers. Our goal to use Digital Transformation (DX) to create packages of all the services they need and provide them through a platform is one of the future forms we are aiming for by leveraging our unique customer assets. Moreover, being able to contribute to eradicating poverty, resolving food problems and finding solutions to other social issues through this kind of business is one of our driving forces and this, together with the 400 years of trust we have built based on Sumitomo’s Business Philosophy, constitutes a major asset that helps us win the understanding of consumers overseas.

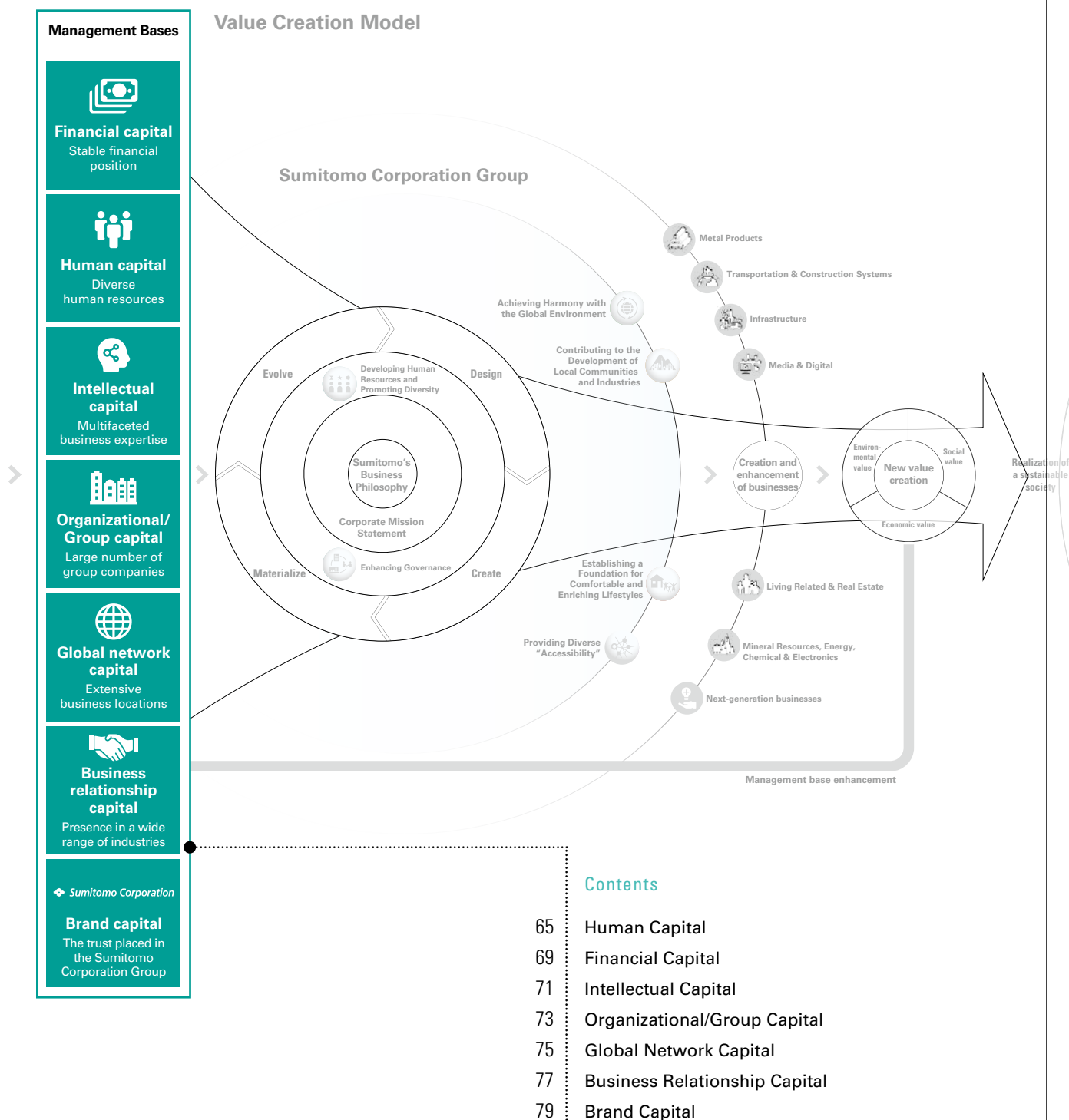
Part 3 Management Capital

Seven types of capital that support value creation

Capital is a vital management base that the Sumitomo Corporation Group has built to date. It is also the key source of generating new value. The financial and non-financial capital that support our sustainable growth are the driving forces behind our sustainability management. These kinds of capital are the strength for the Sumitomo Corporation Group, and we plan to enhance them even further to accelerate our future growth.



Management





Human Capital

Building the foundations of a new era for the Sumitomo Corporation Group
Practicing true Diversity & Inclusion

Message from the Chief Administration Officer

Practicing true Diversity & Inclusion to build the foundations of a new era for the Sumitomo Corporation Group

The diversification of the regions and fields of our business activities and business models has brought change from the business environment of the past. This has happened discontinuously and at a rapid pace. To survive in this changing world, I believe that our human resources (HR) strategy must include diverse values and ideas, and deploy them for new value creation. Medium-Term Management Plan 2020 identifies reinforcement of the HR strategy as one of the key measures to enhance our management base. Accordingly, we are pursuing diversity as a priority task of our strategy, with the basic concept of our HR strategy being “Diversity & Inclusion: Make diversity a source of competitiveness.”

Our diversity does not only refer to “visible” diversity such as gender, nationality, or age. We also focus on more personal aspects, such as individual perspectives, ways of thinking, ideas, values, abilities, skills, and experiences — the “invisible” side of diversity. From this basis, we aim to utilize the rich mix of “wisdom” of diverse human resources as a source of competitiveness. To that end, I believe that inclusion—“respecting and accepting individual differences,” “capitalizing on the strengths of individuals”—is an essential approach.

As our Group has various business models, the approach to diversity which is required for the implementation of our growth strategy and the required

actions will also vary depending on the specific character of the region and the business as well as the development stage of the business. For the Group to move forward with value creation, it needs to overcome various challenges: allocating the right person in the right place at the right time on a global basis, strategically deploying and developing talents, promoting organizational development, and ensuring the necessary corporate culture to support these initiatives. We need to focus persistently on tackling each of these tasks to further strengthen our HR base.

In response to the change in Japanese employment practices and environment, major change in our approach to HR management is vital. The key lies precisely in our human resources, which are the core of our competitiveness. Going forward, our policy will focus closer attention on how to develop talents into global assets and deploy them on the frontlines of business to generate value, how to attract and utilize diverse talents from outside the Group, and how to build an appealing organization as a platform for these activities.

For our Group, the growth of each individual is an engine for the growth of the organization. Reacting with agility to change, evolving through self-initiative to stay ahead in a changing world—that is the kind of self-motivating and independent approach that I believe will be increasingly required in the upcoming era from both individuals and organizations.

Basic concept of human resources strategy



Takayuki Seishima

Representative Director,
Managing Executive Officer,
Chief Administration Officer
and Chief Compliance Officer



Measures of Medium-Term Management Plan 2020

We present with concrete examples the human resources management measures that we are implementing under Medium-Term Management Plan 2020 to promote the basic concept of our human resources strategy, “Diversity & Inclusion: Make diversity a source of competitiveness.”

1. Strategic human resources management on a global basis

Key allocation of human resources to drive the growth strategy

Amid the Fourth Industrial Revolution, as innovation and Digital Transformation (DX) lead to constantly emerging new business models, the promotion of our growth strategy requires cross-organizational collaboration transcending the boundaries of industry and geographical location that are reflected in the divisional and regional structure of existing businesses.

To accelerate this movement, we are making key allocation of talents to organizations promoting businesses that transcend existing divisions and frameworks. Such organizations include our Corporate Planning & Coordination Department's Connect & Innovation Center (CIC), the DX Center responsible for promoting DX companywide, and departments responsible for business development both in Japan and overseas.

Allocation of talents with varied ranges of experience in promoting new value creation will drive powerfully both the Expansion of Business Support Functions and Management Base Enhancement to support the growth strategy of our Medium-Term Management Plan 2020.

Active use of interdivisional job rotation

In the current business environment, where increasing diversification and complexity leads to discontinuous change into a new dimension, we believe that talents equipped with diverse sets of experience is essential. As

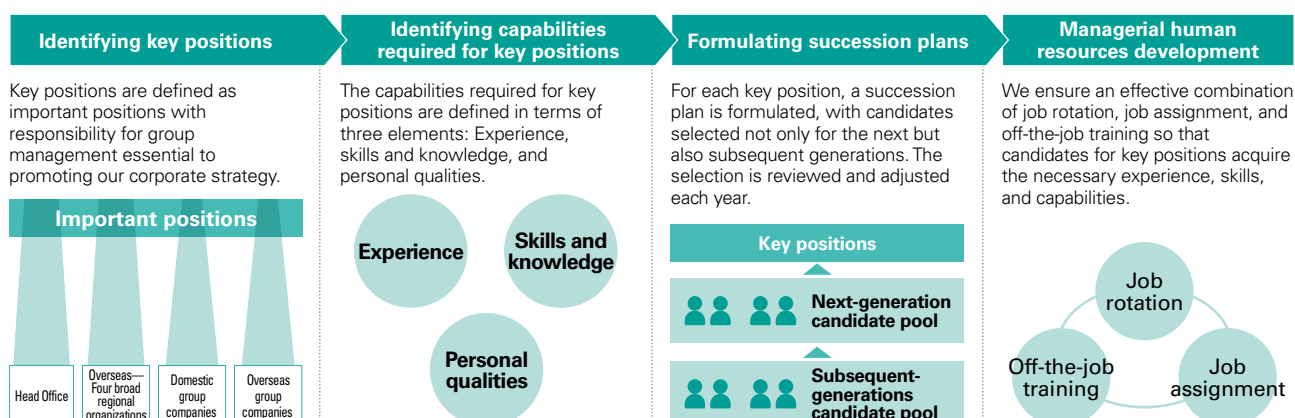
one of the HR strategies in the Medium-Term Management Plan 2020, we are promoting interdivisional job rotation with the aim of developing talents as future executive candidates.

Going forward, we will continue to implement interdivisional job rotation to develop talents with a wider range of experience and perspectives, and thereby expand the talent pool of management candidates for coming generations.

Succession plans/Enhancement of human resources database

To continuously realize strategic HR allocation on a global basis, HR development and appointment of managerial talents according to our business strategies, we undertake succession planning covering the next and subsequent generations for key positions (approximately 380 positions equivalent to the level of general manager in HQ and above) including overseas regional offices and group companies. To ensure that candidates for key positions are equipped with the necessary experience, skills, and other requirements, we develop their capabilities accordingly, so that we can enhance the talent pool both quantitatively and qualitatively. In addition, we are working to create a job grading system on a global basis and a HR database including overseas regional offices and group companies. We have also formulated the Global Mobility Policy as our groupwide rule stipulating allowances and benefits packages for international assignment. This will serve as a platform to promote deployment of talents across countries and regions.

Flowchart of managerial human resources development



Human Capital

2. Creating an environment in which diverse individuals can demonstrate their capabilities to the fullest

Creating a work environment to realize autonomous and flexible workstyles

At the Sumitomo Corporation Group, we seek to realize output-oriented workstyles to generate high added value by creating an environment that enables an autonomous and flexible workstyle. By promoting the mental and physical well-being of employees and allocating time for personal development, we aim to enable them to perform at their best.

In November 2018, Sumitomo Corporation adopted a teleworking system for 4,000 domestic employees that offers three options: working from home, working from a satellite office, and mobile working.

As a rule, employees can use the teleworking system for up to 14.5 hours (equivalent to two business days) a week. They are allowed to work from home or from satellite offices at more than 100 locations, which leads to expanded work location flexibility. There are no particular restrictions on use. This means that employees companywide, including those with particular personal situations such as child care or long-term care, are provided with the opportunity to work in a more autonomous and flexible manner.

We had previously introduced a flexible worktime system, but in November 2018 this was replaced by a super-flexible system that abolishes core time, originally set as from 11:00 a.m. to 3:00 p.m. Now, employees are free to start and end their work at any time within the flexible work hours of 5:00 a.m. to 10:00 p.m. Through flexible options that empower employees to design their own individual



Our teleworking system gives staff the option of working at a satellite office

workstyles and create an autonomous environment, we aim for further improvement of performance for both organizations and individuals.

Promotion of health and productivity management

Mental and physical well-being is the most important factor in enabling employees to perform at their best. Because we believe this is the foundation to achieve new value creation, in September 2018, we formulated a Declaration on Health and Productivity Management for the Sumitomo Corporation Group. This takes a proactive approach based on three main pillars: “improvement of health literacy” to allow employees to stay energized at work; “reassurance in emergencies” so that employees are confident of being

looked after if they do fall ill; and “global medical support” that reflects the business activities of a global company.

Overview of system for promoting health and productivity management

Concept

The Sumitomo Corporation Group: A company group where all employees work with energy, excitement, and good health, and take on challenges to create new value

1. Improvement of health literacy	<ul style="list-style-type: none"> Measures against obesity among younger people Wider selection of healthy options at employee canteens Evolution of workstyles (self-fulfillment, and allocation of time for maintenance and improvement of health) Holding of health seminars Smoking ban introduced on office floors of Head Office
2. Reassurance in emergencies	<ul style="list-style-type: none"> Preventing worsening of lifestyle-related diseases Measures to protect mental health Support for employees balancing medical treatment with work
3. Global medical support	<ul style="list-style-type: none"> Assistance with emergency medical treatment Expansion of consultation services including for family members System of self-checks for stress

Enhancement of human resources development measures

The Sumisho Business College (SBC) offers a total of 340 off-the-job training programs every year in a wide range of subjects open to all group employees including overseas staff.

In FY2018, we enhanced training related to Diversity & Inclusion and increased the frequency of the training program for overseas human resources as part of a strategy to drive forward human resources development on a global basis.

In addition, through a program in next-generation managerial human resources development, we conducted a field study in areas affected by the Great East Japan Earthquake. Through dialogue with people in affected areas, we are reaffirming our corporate mission of addressing social issues.



The training program for overseas human resources, where participants come together across regional and organizational divisions to participate in lively discussions

In Focus

Practicing Diversity & Inclusion as a driving force for strategic business on a global basis

We present two examples of how Diversity & Inclusion is being integrated into our HR strategy to harness the knowledge mix of diverse talents as a driver for our growth strategy.

Global power infrastructure business

Establishment of CoEs as a knowledge platform accumulating specialist expertise

In the global power infrastructure business which we operate in regions around the world, business development requires a high level of specialized expertise in such areas as project creation, partnering, contracts arrangement, financing, and project management.

To strengthen our business development and asset management functions, we have established Centers of Excellence (CoEs) at our business locations, where we have experienced and talented specialists working together as one team. For instance, one of our CoEs in the Middle East, SUMMIT GLOBAL POWER LTD. Abu Dhabi Branch, has pursued competitiveness in the bidding process, such as structuring project

including partnering and negotiating effectively with authorities. The company has been enhancing specialists to strengthen those functions through our human networks. It is our business strategy to establish and enhance our capabilities at optimal locations with specialists assembled from relevant fields. This will put in place a system that is able to



Az-Zour North 1 Independent Water Power Producer (IWPP) project, Kuwait

participate over the long-term on multiple projects, thus strengthening our presence in each regional market.

Joint operation of a telecommunications business with Myanmar state-owned enterprise

Establishment of SC-NEX as a platform for driving new business development

In 2014, we launched the joint operation of a telecommunications business in Myanmar with KDDI Corporation and the Myanmar state-owned operator Myanma Posts and Telecommunications (MPT). Previously, the telecommunications business in Myanmar was monopolized by MPT. However, MPT had to transform itself in several fields including technology, marketing, HR, legal affairs, and financial operations, because two new foreign-owned enterprises entered the Myanmar market and MPT had to adapt to this new competitive environment. We gathered 21 professionals from 15 countries with extensive experience across a variety of fields, and have been contributing to this project through their

input. In light of this success, we have established the new company SC-NEX Pte. Ltd. in Singapore. SC-NEX will assemble a larger pool of professional human resources capable of showing similar expertise going forward. In this way, SC-NEX will serve as a platform to support the development, start-up, and operation of new businesses not only in Myanmar but also in



A group of professionals with diverse experience and capabilities in Myanmar

other Asian countries through deployment of its professionals.

An important point of the above cases is the focus on “what is to be achieved” and “what value needs to be produced to achieve it.” In executing business, that means analyzing the value (role and functions) to be produced by each organization, considering the talents required, whether internal or external, for each function, carrying out organizational design, and allocating the relevant talents to each position. Diversity follows on as a result eventually. Organizational value is generated as a synergy with individual value, and to utilize diverse strengths requires the building of sustainable structures. This demands knowledge, experience, and human networks that are not limited to the individual level but are shared at the organizational level. In the above cases, Diversity & Inclusion is embraced, and the HR strategy is implemented with focus on diversity to drive the growth strategy, and this enables the project to create new value.



Financial Capital

Improving financial soundness to support the Sumitomo Corporation Group's sustainable growth

Changes in our business results and measures as viewed over a 20-year span

In the latter half of the 1990s, the Group's financial base was shaken to its core by a number of occurrences, including the Sumitomo illegal copper trading incident and the Asian financial crisis.

To correct this situation, in the autumn of 1998 the Group became the first in the industry to introduce the Risk-adjusted Return Ratio as a new management indicator to serve as a common benchmark for judging the profitability of projects based on the amount of returns generated compared with inherent risks. In this manner, we built a management base that generates stable results and maintains financial soundness even during challenging times, based on an approach of eliminating excessive risk taking by ensuring that Risk-weighted Assets, which represent the greatest possible amount of losses, remain less than shareholders' equity, a risk buffer.

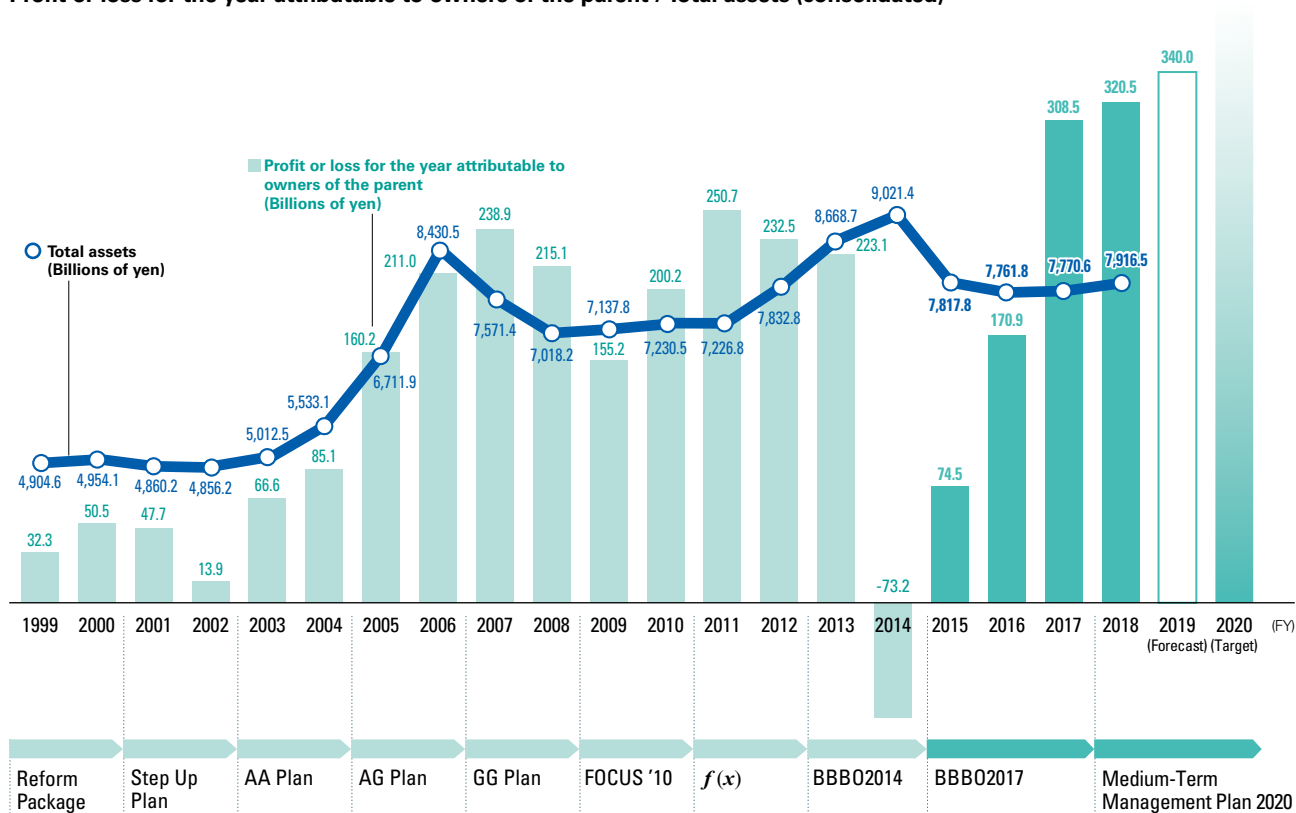
Following the Reform Package of 1999, Sumitomo Corporation formulated and implemented a series of two-year medium-term management plans—among them the Step Up Plan, AA Plan, AG Plan, GG Plan, FOCUS '10, and *f(x)*. The Group managed to recover to the upper ¥200 billion mark in consolidated net income and establish a

platform for stable growth, by strengthening its financial standing through the prioritization of businesses and the improvement of profitability, as well as by adding and enhancing the quality of prime assets.

However, in FY2014, the second year of the "Be the Best, Be the One 2014 (BBBO2014)" medium-term management plan, we posted an impairment loss of approximately ¥310 billion, mainly due to major projects in the upstream mineral resources and energy business, including our tight oil development project in the United States and iron ore project in Brazil. As a result, we reported our first loss since FY1998, the year after the Asian financial crisis.

Following this impairment loss, we established a special committee on management reforms in September 2014. This committee was comprised of seven internal executive officers as members while engaging outside consultants. As a body independent from the president, it carried out detailed investigation and analysis of each investment at the root of this impairment loss. Based on the results, the committee discussed various reform proposals with a broad perspective, ultimately recommending to the Board of Directors issues to be addressed for increasing corporate value.

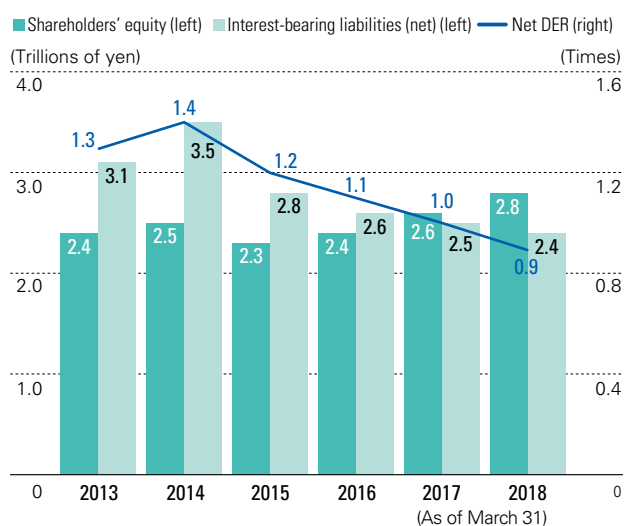
Profit or loss for the year attributable to owners of the parent / Total assets (consolidated)



- Strengthening risk management for upstream mineral resources & energy businesses
- Improving profitability of our existing businesses
- Achieving steady profitability after implementing business investments
- Exercising integrated corporate strength across our organization through cooperation between organizations
- Regaining the balance between Core Risk Buffer and Risk-weighted Assets and enhancing cash generation

To overcome these challenges, the Group initiated the medium-term management plan “Be the Best, Be the One 2017 (BBBO2017)” in FY2015. In FY2015, the first year of the plan, there was growing uncertainty in the external environment, including prolonged stagnation of mineral resource and energy prices, a growing sense of a slowdown in China’s economy, and emerging geopolitical risks. In addition, we booked an impairment loss in multiple businesses mainly on upstream mineral resource projects. Nevertheless, in non-mineral resource businesses, the Group saw steady growth in the businesses where it excels. In FY2016, consolidated net income rebounded to ¥170.9 billion. In FY2017, we posted record-high consolidated net income of ¥308.5 billion, marking a V-shaped recovery. In FY2018, the first year of Medium-Term Management Plan 2020, which started in April 2018, consolidated net income moved even higher, to ¥320.5 billion, marking the second consecutive year of a record high. In FY2019, we aim to reach ¥340 billion, which would result in three consecutive years of record-breaking profit.

Financial position

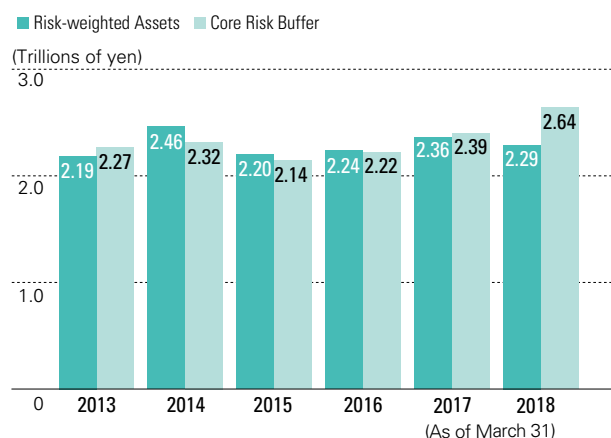


Securing and enhancing financial soundness

As of the end of FY2014, our net debt-equity ratio (DER) stood at 1.4 times, with approx. ¥3.5 trillion in interest-bearing liabilities. Also, Risk-weighted Assets surpassed our Core Risk Buffer by ¥140 billion. Given this situation, we realized that securing financial soundness had to be a top priority of management. As a result, we established and implemented a plan to not only gain earnings power but also speed up changes to our asset portfolio to generate cash and pay interest-bearing liabilities. Our goal was to establish a robust financial position that protects against external impacts when business conditions are severe, but that also enables management to seize opportunities for business base expansion when business conditions are favorable. Under BBBO2017, we reduced net interest-bearing liabilities by approx. ¥1 trillion and increased shareholders' equity by accumulating profits. As a result, our net DER declined to 1.0 times (see graph entitled “Financial position”). In addition, we reduced Risk-weighted Assets by making changes to our asset portfolio and restored the balance between the Core Risk Buffer and Risk-weighted Assets (see graph entitled “Balance between Core Risk Buffer and Risk-weighted Assets”).

In Medium-Term Management Plan 2020, we will further improve the soundness of our financial base, which will enable investments for sustainable growth and stable shareholder returns. This will be achieved by enhanced cash flow management, further reducing interest-bearing liabilities by ¥200 billion, and maintaining the balance between the Core Risk Buffer and Risk-weighted Assets.

Balance between the Core Risk Buffer and Risk-weighted Assets



Core RB – RA (Billions of yen)

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
80	(140)	(60)	(20)	30	350



Intellectual Capital

Promoting Enhancement of Group Governance by standardizing the Group's long-standing risk management know-how

Promoting Enhancement of Group Governance, a pillar of Medium-Term Management Plan 2020

The Sumitomo Corporation Group has accumulated a wealth of knowledge and expertise through the management of our various existing businesses over the years. Leveraging this knowledge, the Group has striven to enhance its corporate value.

Japan has experienced a string of corporate scandals in recent years likely caused by short-sighted management, including accounting fraud and quality misrepresentation. In addition, the world today faces a growing number of challenges in regard to social and global development as evidenced by the adoption of the Sustainable Development Goals (SDGs). Given this context, there has never been a more important time to promote businesses aimed at resolving social issues while maintaining compliance and sustainability.

As a corporate group consisting of 931 companies in a wide range of industries (626 consolidated subsidiaries and 305 associated companies under the equity method), addressing the needs of society is key to further increase in corporate value. With this vision in mind, we launched a project to enhance group governance as part of our Medium-Term Management Plan 2020. The goal is to implement more effectively our Corporate Mission Statement, Six Material Issues, Environmental Policy, and Group Compliance Policy at all of our group companies.

Implementing the Basic Elements to standardize our management expertise

Through our well-diversified portfolio, we have identified and standardized a wide range of knowledge and expertise regarding business operations and risk management. In an effort to better utilize this knowledge and expertise, we introduced the "Basic Elements," which serves as a guideline for all group companies to access.

Implementation of the Basic Elements

The Basic Elements represent a collection of our knowledge and expertise in business management acquired through past successes and failures, along with group policies. It comprises 76 minimum requirements related to business operation. We have compiled a number of materials, including a guidebook with detailed commentary on these 76 minimum requirements and an assessment report to help group companies identify risks and take appropriate measures if necessary.

Each group company utilizes the Basic Elements as a guide to visualize the status of internal control and operational processes, and interacts with the parent company. The series of processes outlined above was set up as a standard framework aimed at the Enhancement of Group Governance.

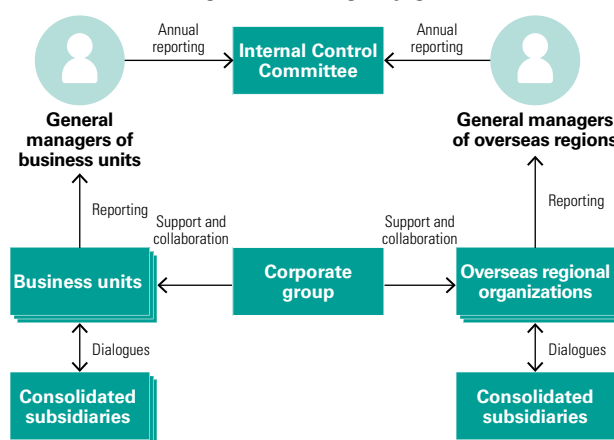
As a result, Sumitomo Corporation as the parent company is able to view the status of internal controls for the entire group and identify best practices for each sector and industry. Further improvements in operational quality are now possible by rolling out these best practices to group companies and having officials from each group company resolve challenges with a common awareness regarding risks, controls, and deficiencies.

Additionally, in situations where the parent company alone is unable to determine operational quality due to each country having specific laws, regulations, and circumstances, the local professionals of the overseas subsidiaries provide the needed support.

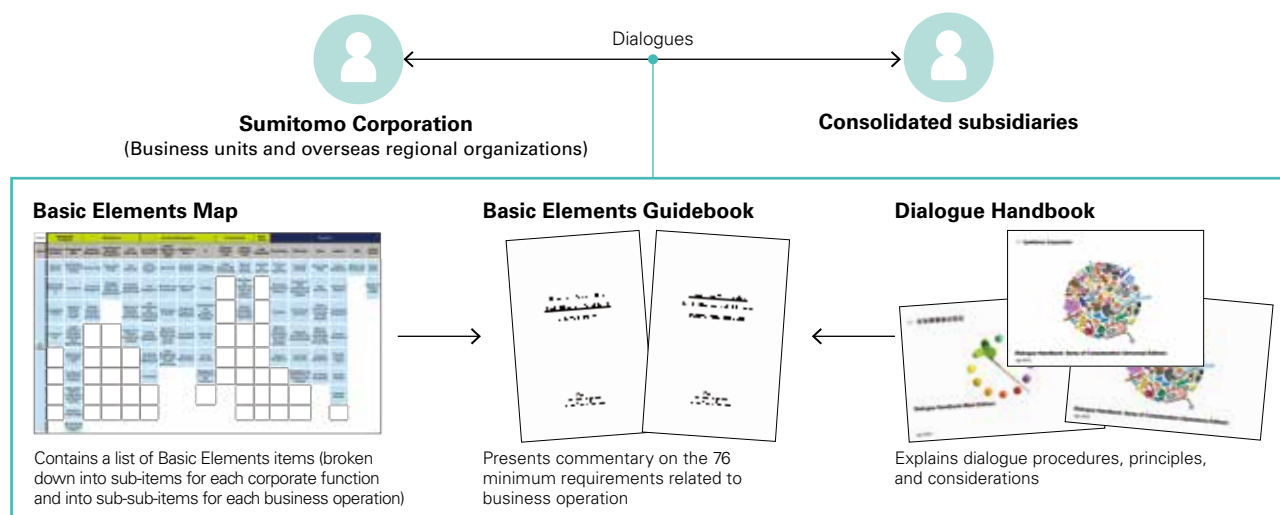
The Basic Elements also adheres to the Group's Supply Chain CSR Activity Guidelines as it encompasses "respect for human rights," "labor management, health, safety, and the environment" and "supplier management."

This ensures that group companies are not only aware of the importance of respecting rules on human rights and labor practices but also are able to formulate response policies based on their unique operations and geographic region. Sumitomo Corporation strives to fulfill its social responsibilities together with suppliers and business partners by regularly monitoring this response.

The role of each organization in group governance



Dialogue using various materials



In Focus

Implementing the Full Potential Plan to increase value of existing business

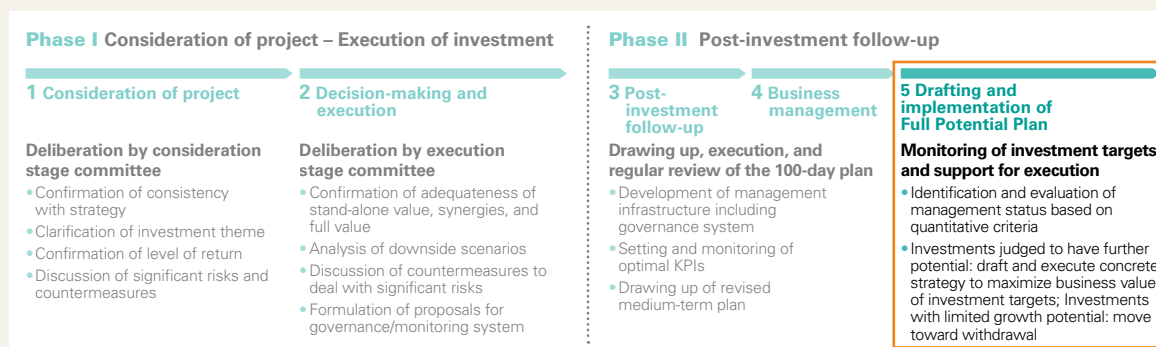
Investment risk management represents a key piece of expertise for an integrated trading company's business. The Group has built an Investment Risk Management Framework (→ [Risk management system for investments, p. 104](#)), under which it strives to carry out appropriate risk management.

In FY2018, we introduced a new monitoring system, Full Potential Plan, intended to improve the quality of the investment portfolio.

Under this system, portfolio companies are first evaluated using quantitative information, and then categorized as one of the following: sound

investments, investments with potential, and candidates for exit. After categorization and clarification of the positioning within the portfolio, portfolio companies are further reviewed to assess the business potential. Based on this, we provide a business plan that includes allocation of financial and non-financial resources aimed at maximizing the business value (full potential) of companies with growth potential. In contrast, we consider exiting from companies with limited growth. In this manner, we strive to enhance the quality of our investment portfolio.

Positioning of the Full Potential Plan in the Investment Risk Management Framework





Organizational/Group Capital

Building a profitable business portfolio by enhancing the value of our 931 group companies

The Sumitomo Corporation Group has 931 group companies in 79 countries and regions around the world. The business domains of these group companies span a broad range of industries and fields, with many at the top of their business segment.

The Group's group company management goes beyond a simple investment. In most cases, Sumitomo Corporation's human capital becomes deeply involved in the management of these individual group companies. For group companies with a profitable business foundation, we seek to further increase their value. For group companies with profitability issues, we identify these issues and take steps to rectify them, including strengthening governance.

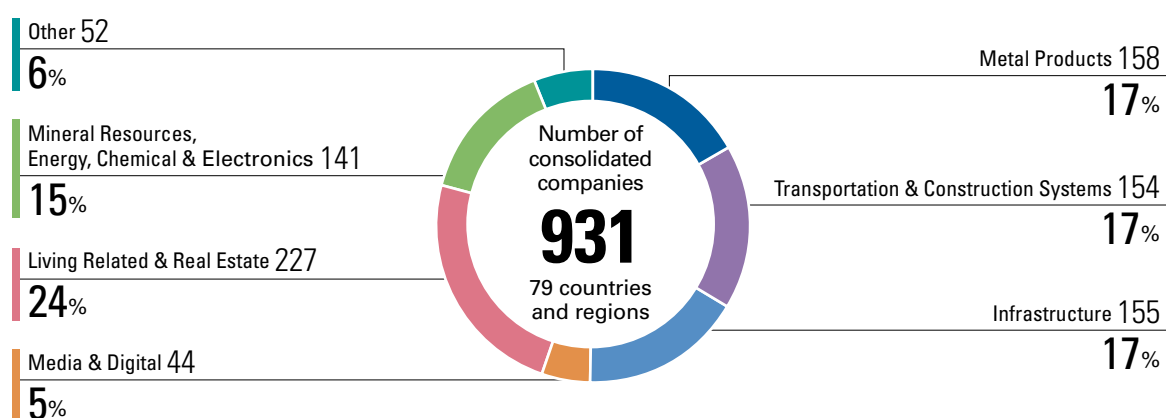
In Medium-Term Management Plan 2020, we are

expanding the four business support functions for the growth of group companies. In particular, we are supporting the Digital Transformation (DX) of group companies by having the DX Center established in 2018 spearhead efforts to identify the issues and needs of group companies and present hybrid solutions that incorporate digital technology. In addition, by horizontally expanding digitalization and sharing best practices in corporate management with our group companies, we are able to benefit from having a variety of companies in our Group.

Looking forward, we will further strengthen and evolve our business portfolio by reinforcing the management of group companies to grow them into the future pillars of our earnings.

Ratio of consolidated companies by segment

(As of March 31, 2019)



Main group companies and equity in earnings for FY2018 by segment

(Billions of yen)

Metal Products			Transportation & Construction Systems			Infrastructure		
• Sumitomo Corporation Global Metals Group	7.7		• Sumitomo Mitsui Finance and Leasing*	31.8		• Sumisho Global Logistics	2.6	
• Aluminum smelting business in Malaysia	3.1		• Automotive financing business in Indonesia	4.6		• Summit Southern Cross Power Holdings	0.9	
• Edgen Group	1.8		• Sumitomo Mitsui Auto Service	4.5				
Media & Digital			Living Related & Real Estate			Mineral Resources, Energy, Chemical & Electronics		
• Jupiter Telecommunications	33.8		• Summit	4.8		• Companies related to coal business in Australia	20.5	
• SCSK Corporation	13.6		• SC Foods	2.6		• Silver, zinc, and lead business companies in Bolivia	19.5	
• Jupiter Shop Channel*	8.0		• Tomod's	1.6		• Oresteel Investments	16.2	

* Indicates amount for all companies including share of other segments.

In Focus

Message from group companies with a strong presence in their respective markets

Alcedo S.R.L.

Romania's largest distributor for agricultural materials



Alcedo is one of the biggest distributors for agricultural inputs in Romania, established in 1990. We have provided farmers with agricultural materials such as plant protection products, seeds and fertilizers, as well as a wide range of services including technical service regarding cultivation technique and purchasing crops service. Our strength is our strong business relationship with customers



Alcedo's grain silos in Romania

consisting of more than 30% of farmers in Romania and a countrywide distribution network with highly trained specialists.

We joined Sumitomo Corporation Group in 2011, when fiscal restraint had prevented Romanian agriculture from increasing its productivity. The financial resources and business network of the Group gave us an opportunity to strengthen our function in financing service for agricultural input and machinery sales and build more silos to expand capacity to store crops purchased from farmers. Our sales have tripled since our participation in the Group. We will continue to meet need of customers with new products and services and steadily work to enrich Romanian agriculture and make it more competitive in the global market.

Vicentiu Cremeneanu
President, Alcedo S.R.L.

Sunstate Equipment Co., LLC

Sunstate's goal —to be the No. 1 service provider in the equipment rental industry



Since 1977, Arizona-based Sunstate Equipment has been a premier rental equipment provider throughout the southwest, with recent growth into the southeast and northwest of the U.S. Sunstate offers a fleet of over 800 types of construction equipment and tools, and our commitment to people has enabled us to develop strong relationships with over 20,000 companies throughout the U.S.

Sunstate's fundamental values of treating people with respect, along with their successful team-based approach, attracted the attention of Sumitomo and led to a successful capital bond in 2009.

With the valued partnership of Sumitomo, Sunstate experienced unprecedented growth and expansion, especially during recent years of favorable market trends. Sunstate realized rapid growth in rental asset size and national footprint, achieving a coast-to-coast branch network in 2018. Additionally, Sunstate's revenue, as of FY2018, has grown four times larger than that of the beginning of the partnership.

The construction industry is now experiencing a technological evolution that presents new challenges and diversification of customer demands. Together, Sunstate and Sumitomo are embracing these challenges while striving to achieve our shared goal of being the best service provider in the rental industry.

Chris Watts
President and CEO, Sunstate Equipment Co., LLC



Construction machinery of Sunstate Equipment in the United States



Global Network Capital

With a network extending to 133 locations worldwide, the Sumitomo Corporation Group builds relationships of trust with local communities through locally rooted business activities.

The Sumitomo Corporation Group operates a network of bases in Japan as well as globally, with overseas markets organized into four broad regions. Within each of these regions, we have strengthened the functions and foundations by improving our ability to initiate new businesses and to secure and develop human resources. By shifting management resources to growth markets, we are reinforcing global consolidated management. At the same time, by accelerating coordination with business units to present unified product and regional strategies, we create businesses that leverage our strengths and functions to increase our earning power at a global level.

66 countries and regions **133 locations**

East Asia

Responding swiftly and accurately to changes in a market full of potential and meeting social needs

The East Asia region represents a market rich in potential due to the business opportunities emerging in numerous fields on the back of economic growth and changes in society. Specifically, Chinese government policies such as opening up to overseas business, promoting innovation, protecting the environment, and creating a massive domestic market have brought rapid change to the business environment in East Asia.

The Sumitomo Corporation Group is working to increase the value of existing businesses to further expand business in the region. As well, we are seeking to create new businesses through concentrated investment of management resources in business fields responsive to changing social structures and social issues—mobility, urban transportation and development, healthcare and elderly care, and environmental protection—where our approach includes co-creation with Chinese venture businesses and deployment of next-generation technologies and services. In the key region of Shandong Province, China, we are building relationships with government bodies and strategic partners to create large-scale businesses.



Daisuke Mikogami
General Manager for
East Asia

Asia & Oceania

Building an organization filled with creativity to develop locally rooted businesses based on partnership

With countries at varying stages of growth and a young population, the Asia & Oceania region offers wide-ranging and expanding business opportunities. On the other hand, countries of this region differ greatly not only in economic situation, but also in culture, language, and ethnic makeup, which makes it important for us to adopt a local perspective in addition to the global perspective when seeking to create sustainable value. Given this fact, the Sumitomo Corporation Group targets locally rooted business development through collaboration with leading local enterprises and promotes the creation of new businesses that transcend the boundaries of existing business units.

To further promote Diversity & Inclusion, we are working to build an organization filled with creativity that will give more opportunities for advancement to locally recruited overseas employees. Initiatives such as these will enable us to contribute to meeting the disparate social needs of the different countries in the region and also to achieve further growth for the Sumitomo Corporation Group.



Keigo Shiomi
General Manager for
Asia & Oceania

Europe, Middle East, Africa & CIS

Tailoring business to local market characteristics and social needs through partnerships with leading regional enterprises

In Europe, Middle East, Africa & CIS, our regional strategy incorporates the differing market characteristics and growth stages of the region. This enable us to create and add value through a distinctive locally-oriented approach.

For instance, we are building a business platform in the energy-related field, which will help provide a stable energy supply and enable a low-carbon society. While in the mobility field, in conjunction with start-ups in certain cases, we are focusing on the creation of new businesses that anticipate changes in the industry's environment. Also, by constructing a platform to support digitalization in the agricultural field, we are increasing the value of existing businesses, as well as creating new ones.

We will expedite these initiatives using the synergy of cross-organizational collaboration, which will involve partnerships with start-ups, mainly in Europe and Israel, as well as leading regional private-sector enterprises, and network-building with governments and state-owned companies.



Masato Ishida

General Manager for
Europe, Middle East,
Africa & CIS

The Americas

Addressing social issues through new value creation, leveraging our strengths as we lead the Sumitomo Corporation Group in innovation

In the Americas, we are promoting business development across industries with a strong emphasis on cross-organizational collaboration, and undertaking joint projects with leading companies in North, Central, and South America. Through these initiatives, we are aiming to achieve sustainable growth by creating solutions to address social issues that support "Achieving Harmony with the Global Environment" and "Contributing to the Development of Local Communities and Industries."

Our projects include a water concession business in Brazil, renewable energy businesses in the United States, a project to export liquid natural gas from the United States, and the stable supply of wood pellets from Canada to Japan. Creating new value in this way, using the Group's unique abilities, makes ongoing contributions to society. Moreover, we actively adopt the wide-ranging innovations emerging from Silicon Valley to create new businesses. By adapting them for worldwide rollout, we will act as the leading driver of business innovation in the Sumitomo Corporation Group.



Masaki Nakajima

General Manager for
the Americas

Japan

Contributing to resolving local community issues and the further growth of the Japanese economy through a fusion of Japan's traditional strengths, its advantages in intangibles, and new technologies

Changes in the structure of industry accompanying the Fourth Industrial Revolution, coupled with a decline in the working-age population due to a falling birth rate and an aging population, are contributing to a major reshaping of Japan's social landscape. However, there would be innovations that can be achieved thanks to Japan's mature but resourceful market. There are developments working to boost growth in Japan, for instance major upcoming events—the Tokyo 2020 Olympic and Paralympic Games and the World Expo 2025 (Expo 2025 Osaka, Kansai)—growth of inbound tourism, and regional revitalization initiatives.

Supported by these movements, by fusing Japan's traditional strengths, its advantages in intangibles and new technologies, the Sumitomo Corporation Group will take on the challenge of new business development in fields including Smart City initiatives, healthcare, environment and energy, manufacturing, and food and agriculture, working together with stakeholders in each region to develop rooted businesses which would contribute to local society.



Keiji Tanaka

General Manager for
Japan Region



Business Relationship Capital

Establishing an ecosystem for creating new value based on our trust-based relationships with more than 100,000 business partners

The Sumitomo Corporation Group was established 100 years ago as The Osaka North Harbour Company. Since then, we have expanded our business domains outward from real estate. Over the past century, the Group has evolved its business model and its products and services in order to respond to the changing needs of customers.

The Group has established a strong presence in many industries and sectors. During our history, we have built up strong relationships with various companies and organizations around the world. By harnessing our organizing capabilities as an integrated trading company, we have established an ecosystem for providing new value. The more than 100,000 business partners we have worked with, over

this time, represent very important capital for the Group.

For initiatives that cannot be realized by the Group alone, we integrate the strengths of each business partner, including technology, business know-how, and industry presence, with the Group's various forms of capital to create new businesses through various synergies. In today's digitalized and globalized world, swift collaboration and actions with business partners will become even more crucial for business growth.

The Group will continue to aim for its goal of sustainable growth by cultivating relationships with trustworthy business partners.

Players building the Sumitomo Corporation Group's ecosystem

Governmental institutions

Through partnerships with governmental institutions that are realized by capitalizing on our network all over the world, we strive to identify local needs in each region, and to reflect these needs in our business activities.

Universities and research institutes

We endeavor to be the first to deploy cutting-edge technology and business models in industry by working closely with universities and research institutions around the world.

Financial institutions

Through our long-standing and strong relationships with financial institutions, we explore the right financing methods for each business and region, and strive to address social issues through our business.

Business partners

We work to resolve the diverse business challenges of today by correctly understanding the changing needs of clients and integrating the technical strengths and know-how of the Group and each business partner.

NPOs

Harnessing our network with various non-profit organizations (NPOs), we discuss and collaborate on solutions to social issues.

Start-ups

We seek out mutual growth and strive to provide value to society by partnering with innovative start-ups and keeping close watch on evolving technology and business models.





Aiming to be a reliable partner providing new value together in the changing automotive industry

Yves Chapot
Partner of the Michelin Group

Our relationship with Sumitomo Corporation started when we examined potential synergies between our respective distribution operations in North America. We were both present in this region for decades and after extensive discussions, we decided to merge our two companies early 2018.

Beyond the business stake, we are sharing with Sumitomo Corporation the same values and a long-term vision of the business. Michelin's purpose is to offer everyone a better way forward. We are striving to find the right balance between financial interests, environmental and social stakes and the human dimension of our activities.

Dealing with several Sumitomo Corporation executives and managers, I have found an equal attachment to the human relationships and to people development, while not compromising on the results we are expecting from our common subsidiary. Together we have been able to translate these common values and vision in the governance of our

joint venture, TBC Corporation (TBC) through the Board of Directors and its sub-committees.

Beyond our common business venture in North America, Sumitomo Corporation has a long lasting and large international presence in multiple industries. In a digitalized world, boundaries between business sectors are blurred and we found in Sumitomo Corporation a long-term partner with whom we can consider other ventures in the future. We are sharing a common view that the mobility industries have entered into a period of huge transformations: digitization, new energy technologies and new consumer behaviors are changing the way people are considering their mobility. Vehicles ownership and usages are changing particularly in the great metropolitan areas, consumers are looking for safer, cleaner and more efficient transportation tools. We believe that partnering with Sumitomo Corporation will be key to face the challenges we are going to encounter on our way.

Joint venture company with Michelin: TBC

Operating the wholesale, retail, and franchise operations of automotive tire replacement and vehicle maintenance business in North America



TBC operates automotive replacing tire business to wholesale, retail and franchise particularly in the United States.

In 2005, Sumitomo Corporation acquired 100% of the TBC shares. In 2018 Sumitomo Corporation of Americas and Michelin North America Inc. combined their respective North American replacement tire distribution and related service operations in a 50–50 joint venture.

TBC became the second-largest player in the wholesale tire market in the United States. With this partnership, this JV came to be able to offer greater scale in wholesale delivery for deliveries of smaller quantities. Additionally, in the retail business,

Michelin's successful experiences in mobility services added value to TBC in the distribution arena. The JV also enabled the two companies to enhance service quality, capacity and speed for customers.



Franchise store of Midas, which is owned by TBC



Brand Capital

Brand trust developed over 100 years of history based on Sumitomo's Business Philosophy

Founder's precepts, *Monjuin Shiigaki*, —The essence of Sumitomo's Business Philosophy

Throughout over 100 years of history, the Sumitomo Corporation Group has cultivated its brand trust in society. Sumitomo's Business Philosophy forms the core of the Group's brand capital. The origin of Sumitomo's Business Philosophy can be traced back some 350 years to the founders precepts, *Monjuin Shiigaki*, established by Masatomo Sumitomo (1585–1652), the founder of the house of Sumitomo.

In his later years, Masatomo lived a half-reclusive life like a monk in a hut and taught his family members and followers about the conduct of merchants and approaches to life using letters and other means. Composed of five articles, the founder's precepts explicitly sets out rules that merchants should adopt while conducting business, having been passed down as the Sumitomo family precepts.

It begins with the recommendation "Do your best prudently and meticulously, not only in business, but in every aspect of your life," a statement of the right approach in all situations. His management philosophy of "Place prime importance on integrity and sound management without pursuing easy gains" continues to be passed down to the Sumitomo Group today as the very essence of Sumitomo's Business Philosophy.

The precepts demand hard work and honesty over a family code intended for the everlasting prosperity of a family or family business. They also encourage the fostering of human character. Masatomo's teachings, through these precepts, continue to be passed down today as the origin of Sumitomo's Business Philosophy.

As an integrated trading company of the Sumitomo Group—The intangible asset known as "trust"

The Rules Governing the House of Sumitomo compiled in 1891 represent the early beginnings of Sumitomo's

Business Philosophy passed down by Masatomo Sumitomo, the founder of the house of Sumitomo. The Business Principles form the very heart of these precepts. Article 1 emphasizes the utmost importance of integrity, while Article 2 advocates the importance of having an enterprising spirit to generate profits while quickly and faithfully adapting to a changing society, and renovating business operations while avoiding the pursuit of easy gains or acting carelessly. Sumitomo's Business Philosophy, which has been passed on since the Founder's Precepts was written, still serves as the timeless principles Sumitomo Group companies follow in their activities.

Sumitomo Corporation Group's Management Principles are a contemporary translation of Sumitomo's Business Philosophy, using simplified language and a clear structure, and rewritten from a more modern and global perspective given the nature of our business as an integrated trading company. Additionally, the Activity Guidelines were established to provide guidance on how each company as well as their executives and employees should behave as they conduct daily business activities to realize the Management Principles. By sharing the values presented in the Management Principles and the Activity Guidelines across the Group to materialize them in global business activities, we have constantly stayed a step ahead of change, created new value, and contributed broadly to society. The trust placed in the Sumitomo Corporation Group today can be found in our high brand visibility and strong presence, resulting from our well-regarded track record in the international community built up over the years. The brand as an integrated trading company of the Sumitomo Group represents the intangible asset known as trust and the Group's foundation as a globally diversified group of companies.



Masatomo Sumitomo (1585–1652), the founder of the house of Sumitomo



Saihei Hirose, Sumitomo's first Director-General



Business Principles

In Focus

Besshi Copper Mines—Origin of the Sumitomo Group's business

Birthplace for passing down Sumitomo's traditional business philosophy to the current and future generations

Pursuing the eternity of business with an eye on 100 years in the future

The origins of today's Sumitomo Group companies' businesses can be traced back to the Besshi Copper Mines.

The Besshi Copper Mines in Niihama City, Ehime Prefecture, were operated exclusively by Sumitomo for some 280 years from its opening in 1691 to its closure in 1973. There can be few other mines in the world that have been operated by the same company for roughly 280 years.

Copper mine management requires a long-term perspective and careful planning. The Besshi Copper Mines are located in the mountains at an elevation of 1,200 meters, and its development was marked by challenging battles with nature. Nevertheless, Sumitomo persevered in development under the belief that a copper mine will blossom not in one generation, but over two and three, pursuing the eternity of business with an eye on 100 years in the future.

This massive project truly embodied Sumitomo's Business Philosophy, which focuses on an eternal philosophy instead of short-term gains.

Besshi represented the roots of the Sumitomo Group's businesses

The copper from Besshi had a major impact on the world economy during the Edo period through East Asian trade, but it nearly went bankrupt due to poor management efficiencies during the Meiji Restoration, started in 1868. Saihei Hirose, the general manager of

the Besshi mines at the time, defended them against confiscation by the Meiji government and asserted Sumitomo's right to operate them, saying that "Besshi represents the very roots of our business." Later, Sumitomo modernized the copper mine by introducing the latest technologies from the West, lowering production costs all the way to international standards. Moreover, by engaging in new businesses with an enterprising spirit unbound by conventional practices, the Company contributed greatly to the modernization and prosperity of Japan's industry, and also strove to select and foster the human resources who would drive the country's industry.

Amid concerns of vein depletion in the early Showa period, with an eye toward the future, Sumitomo attracted chemical and machinery plants to the area and invested in social capital such as power infrastructure to foster co-prosperity and give back to the local community of Besshi. As a result, Niihama transformed into an industry city and focal point of the Setouchi industrial belt.

The remains of the vast mine from Niihama City to the village of Besshi-yama are now gradually returning to nature. In recent years, these remains have received attention as a symbol of heritage marking Japan's industrial modernization. Furthermore, the Besshi Copper Mines Memorial Museum, opened in 1975, conveys this history through educational exhibits. Sumitomo Corporation Group companies today conduct training at the mine as the birthplace for passing down Sumitomo's Business Philosophy to the current and future generations.

Besshi
Copper Mines



Besshi Copper Mines (part of a woodblock print commemorating the mine's 200th anniversary)

Source: Sumitomo Historical Archives



Part 4 Governance

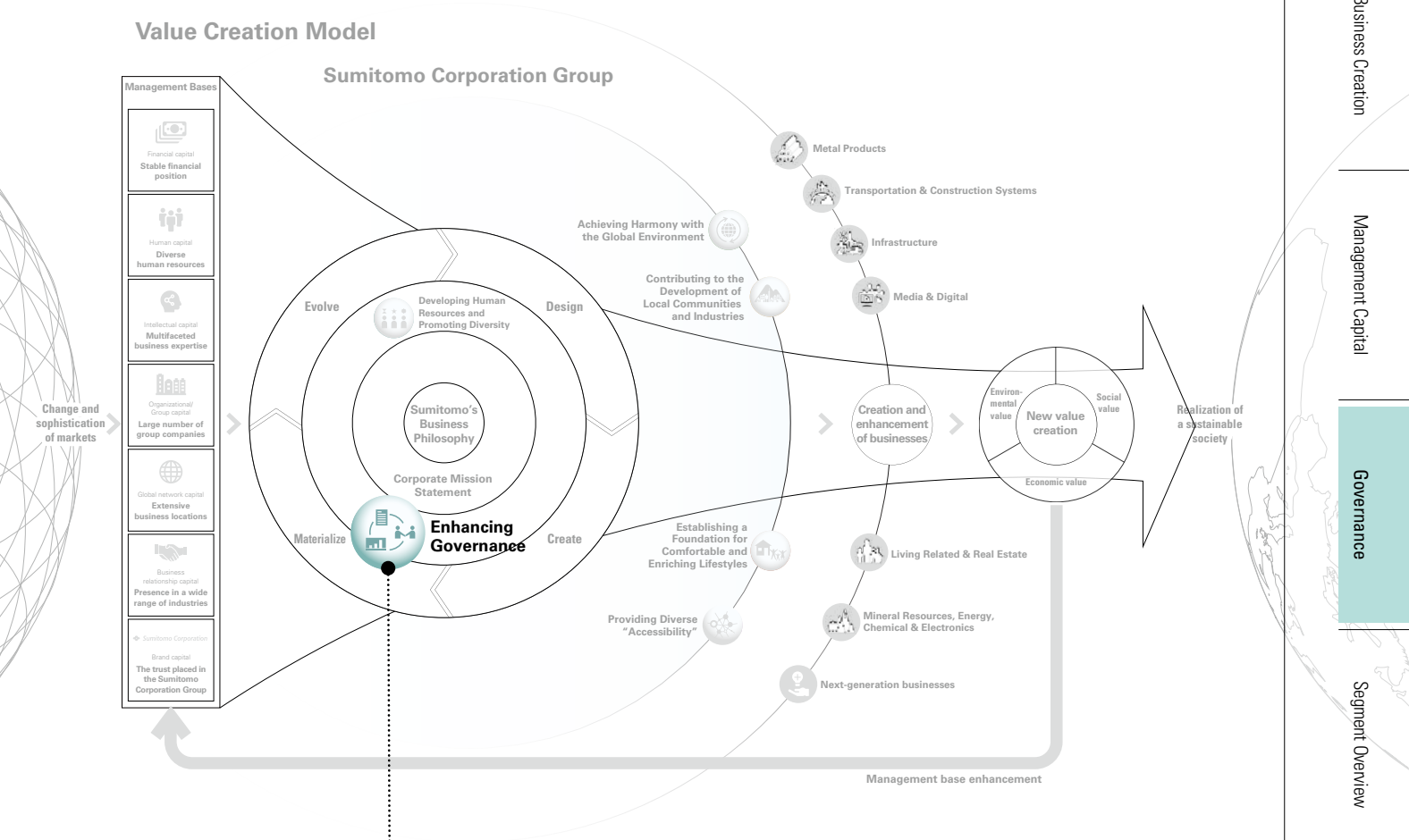
Corporate governance as the foundation of value creation

In order to grow continuously as a corporation through sustainable value creation, it is essential for us to build a solid corporate governance structure to serve as our foundation.

The Sumitomo Corporation Group has continually evolved its corporate governance as part of its efforts to strengthen its management base.

In the Medium-Term Management Plan 2020, we have set “enhancement of governance” as a strategic initiative and are focusing on making further progress on corporate governance.

Gover



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Finance

Special Feature A Panel Discussion with Independent Directors at Investor Day 2019

Realizing sustainable growth through corporate governance

In May 2019, we invited our shareholders and investors to join us for Investor Day 2019. During the event, we held a panel discussion with Nobuyoshi Ehara and Kimie Iwata, two of Sumitomo Corporation's independent directors, on the topic of the Company's corporate governance.



Yoshiko Sato
Facilitator

Japan Investor Relations
Association (JIRA)
Executive Managing
Director



Nobuyoshi Ehara

Independent Director

Profile Nobuyoshi Ehara joined the Morgan Guaranty Trust Company in 1978 then joined Goldman Sachs & Co. LLC in 1980, where he later became a limited partner. In 1999, he became the representative director of Unison Capital, Inc. He has been Sumitomo's independent director since 2016. Mr. Ehara has a wealth of experience and extensive knowledge on finance and business management.



Kimie Iwata

Independent Director

Profile Kimie Iwata joined the Ministry of Labour (currently the Ministry of Health, Labour and Welfare) in 1971. She was assigned to important positions over the course of her career, such as being appointed as the Director-General of the Equal Employment, Children and Families Bureau. In 2004 she joined Shiseido Company, Limited and, in 2008, assumed the position of representative director and executive vice president. After her career at Shiseido, she has served as an independent director for a number of listed companies and has been Sumitomo's independent director since 2018. She has a wealth of experience and extensive knowledge on business management, corporate governance, corporate social responsibility and diversity.

Theme 1 The role of independent directors

Sato This panel discussion will be based on questions that shareholders and investors submitted prior to today's event. To start with, could you both tell us what you think Sumitomo Corporation expected when they invited you to be independent directors and how you are utilizing your individual specialties and career experiences?

Ehara For my part, I think I was invited because Sumitomo Corporation had great expectations of my experiences with corporations through private equity investments as well as my history in business, financial management and investment decision-making.

For the past few years, the Company has placed great importance on strengthening its corporate governance, which matches up completely with what I aim to achieve. I'm always holding discussions on how the management and the Board of Directors of a corporation should be able to strengthen and discuss corporate governance, and more specifically how they can improve the effectiveness of Board of Directors meetings. I think Sumitomo Corporation is expecting a lot from me in those aspects as well.

Iwata After working for the Ministry of Labour for about 30 years as a government official, I spent around 10 years gaining business management experience by working with Shiseido. I then served as the independent director for a number of companies and also helped manage some universities.

I can think of two main reasons why Sumitomo invited me to be an independent director. Firstly, because I have different experiences than those of the existing corporate executives or the other independent directors, they expect that I'll be able to look at management with my own set of knowledge and values. The second reason, to put it bluntly, is because I am a woman. I think they expect to hear the thoughts of someone who has spent her family, corporate and social life from a different perspective from that of men.

As a member of the Board of Directors, I try to do two things. The first is to use my experience to identify what the discussion points are for the major topics the Board deliberates, and then ask questions or give opinions that help deepen the discussions. Our independent directors are always outspoken in a good way, and I do my best to make sure my thoughts are delivered as well.

The second thing is something that rarely happens, but, if I sense that something is somewhat wrong or a little lacking through my knowledge and values, I have no hesitations about airing different views or championing minority opinions. I believe that this is the role of an

independent director, and I would like to fulfill my responsibilities in this role.

Theme 2 The effectiveness of the Board of Directors

Sato Next, I'd like to talk about the effectiveness of the Board of Directors. Could you tell us how you're making the Sumitomo Corporation Board of Directors more effective and share some concrete examples if possible?

Ehara Well first, I would like to touch on how the setup of the Board of Directors has changed. When I was appointed as an independent director three years ago, the Board of Directors had 18 members. Right now there are 11.* This was done intentionally to promote more active discussions by reducing the number of people in the Board of Directors. The recent composition is that we have six inside directors and five outside,* making it easier for the outside directors to speak up. I have made a lot of comments and offered plenty of advice on this issue since I joined.

To make the Board of Directors even more effective, I believe Sumitomo Corporation needs one more factor: agenda shaping. In other words, what the Board should focus on and discuss is fairly important. A good example is discussions on investments. Two years ago, we spent a considerable amount of time talking about potential investments and discussed about 80 cases a year. That has been reduced to 40–50 per year recently. We did this because we thought that we should spend more time discussing each case in depth and also reconsider our time allocation for discussing other matters.

As the number of investment discussions were reduced, discussions of other matters went up. For example, we have been spending more time discussing the business portfolio of our company and debating which businesses to strengthen and expand and which ones to reduce in some cases. We are also deliberating over what the company's corporate strategy should be from the standpoint of its business portfolio. And these discussions are on a completely different level compared to that of three years ago.

I think there is another important viewpoint to be held while attending Board of Directors meetings. I believe that representing the opinions of the shareholders is one of my most important roles. What would a shareholder say if they were sitting with us? What kind of questions would they

* This was the number of members in May 2019 when this panel discussion was held. After the Ordinary General Meeting of Shareholders held on June 21, 2019, the number of members became 10 (six inside and four outside directors).

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ask? I keep that in mind whenever I'm giving my thoughts, and I encourage the executives to constantly be aware of these viewpoints as well.

Iwata Sumitomo Corporation evaluates the Board of Directors once a year, and I'd like to share the results briefly with you. We hired a specialized vendor to handle the evaluation this year. They based their analysis on interviews and surveys given to each member of the board. The good thing about using a specialist is that it lets us compare ourselves to other companies. For most of the evaluation points, we were equal to or far better than other companies. The only point where we fell short was in "How easy materials are to understand." Sumitomo Corporation has broad business domains, with many backgrounds and technical terms for each business. This makes it very difficult for our independent directors to read the materials. However, the executives have been making various efforts, for example, recently introducing an executive summary and preparing a glossary for technical terms.

For the agenda of discussion, as Mr. Ehara mentioned, there are a lot of investment topics on the agenda. They are all major projects, and we discuss them almost every month. At the same time, we also discuss a lot of non-business matters. Although we spend less time on each case compared to investment issues, we do discuss roughly the same number of cases, so I would say that giving proper attention to ESG-related matters is one of Sumitomo Corporation's distinctive characteristics.

When it comes to strengthening the monitoring functions of the Board of Directors, we have started an initiative this year where each of the six business units makes reports on the situation behind the numbers every six months. We have also started deliberating topics where discussions are still at the halfway stage. It's one of the new things we are trying these days, and the point of such

deliberations isn't to decide anything but rather to have a free and easy exchange of ideas. It's more like an off-site meeting where we brainstorm ideas on the best direction to take.

One situation where I think I made a major contribution was when there was an item on the agenda last year about withdrawing from a particular project. I agreed we should withdraw, but I asked everyone to spend some time looking back at what was the true cause of this withdrawal and finding out if there might be some positive side effects to the process. And I added that once the whole case was settled, it would be important to summarize the situation and use it as a valuable lesson not only for the department in charge but for the entire company. As a result, the Board of Directors received a comprehensive summary of the case two or three months later.

Sato Can you give us specific details about what the Board of Directors discusses when it comes to large-scale investments, such as M&As?

Ehara Basically, we as independent directors, are allowed to share our opinions without being constrained by internal dynamics. That is both the responsibility and the mission of an independent director. I'd say we are getting paid as independent directors because we say something extraordinary or unique within the company.

One example of this is the Ambatovy Project. It's something that can happen in any company, but in large organizations in particular, there's a tendency to avoid talking about unpleasant things. Or for departments to simply look the other way when they should be checking each other. That's where independent directors like us have to prod the Board of Directors with some questions. Like, "What kind of timetable do we need to have for this issue?" "What kind of milestones should we set and how should we monitor them?" I believe that similar discussions are held in the Management Council, but I am sure that we are able to provide monitoring from a different perspective.

I'll give another example: discussions about coal-fired power generation projects. As you know, Sumitomo Corporation has been very strong in this field historically and has provided a lot of technology and services not only in Japan but also in many other countries around the world. It is not exaggerating to say Sumitomo Corporation has made a significant contribution to the world in that regard. We can be proud of that. On the other hand, there is a growing amount of pressure concerning coal-related business lately due to concerns about climate change issues.

It's difficult for an organization to make the decision to suppress one of its strengths. However, we as independent directors, are able to give advice from a different point of



view from the internal members of the company. Of course, the final decision is made by the executives, but we have been creating a forum for discussion by saying things like “We need to discuss this point more thoroughly,” and making suggestions such as, “Let’s have a few more people take part in this Board of Directors meeting so we can discuss this more deeply.” We have been discussing the issue of coal-fired power generation for a while, and I personally think we just needed another push. I believe the time is ripe for that, and I have suggested as much.

Theme 3 The role of the Nomination and Remuneration Advisory Committee

Sato Our third topic is the Nomination and Remuneration Advisory Committee. You’ve been the chairman of the committee since 2016, Mr. Ehara. What can you tell us about the process for appointing a new president in 2018?

Ehara It was the first time for the committee to appoint a president. Although Mr. Hyodo was selected in the end, a tremendous amount of thought went into the entire process. The most important thing was to determine how to make the right decision through a fair process that many people could be satisfied with. What surprised me the most was that president at that time, Mr. Nakamura, never asked me to do things in a particular way.

The advisory committee consists of five members, three of whom are independent directors. That was how it was before I joined, and it was Sumitomo Corporation’s decision to organize it that way. It took us about 14 months to arrive at the decision to appoint Mr. Hyodo. The five of us spent the first four months discussing what kind of qualifications were required for the new company president. Out of the four qualifications we agreed on, the most important was this: the president should be someone who embodies Sumitomo’s Business Philosophy. We spent the remaining 10 months narrowing the list of candidates down to a few of people. We then observed them objectively, exchanged opinions with them and found various opportunities to interact with each candidate.

When the deadline was up, I asked each member of the committee, in my position as chairman, to choose one candidate. The results were unanimous. Overall, I thought it was a very good process as far as fairness was concerned.



Theme 4 Sumitomo Corporation’s strengths and challenges

Sato Lastly I’d like to ask what you think the strengths and challenges of Sumitomo Corporation as it aims to increase its corporate value.

Iwata I believe that material issue management is one of Sumitomo Corporation’s strengths. Even before anyone suggested anything to me about becoming an independent director for this company, I was interested in Sumitomo Corporation as it was one of the leading companies in the industry when it comes to pursuing the United Nations Sustainable Development Goals (SDGs). The Company decided on Six Material Issues after asking themselves, “What can we do to help solve social issues through our business activities?” and incorporating the views of external experts as well.

As I mentioned earlier, the Board of Directors is spending a considerable amount of time on investment projects, and the relationship with Material Issues is clearly explained for individual investment projects. Every single case comes with an explanation of how it is related to a Material Issue and how it will help in solving a problem. I can feel the company’s seriousness from this step.

Sumitomo Corporation is an advanced company that is highly dedicated to addressing social issues, but it also has challenges that need to be overcome. One is that even though they attempt to tie every single project to the Material Issues, there is still the sense that they’re tacking the issues onto the projects. I believe that ideally, they need to identify the Material Issues first, and then search for new businesses or opportunities in order to fully integrate the businesses and the Material Issues together. I think they

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still have some way to go before they get to that point.

The other challenge I have identified is that some of the Six Material Issues overlap while others conflict with each other, which is something the company needs to overcome. For example, it's easy to see the conflict between "Achieving Harmony with the Global Environment" and "Contributing to the Development of Local Communities and Industries." To resolve such conflicts, the company will need to spend more time either debating prioritization or considering how to find ways or mindsets that can overcome those contradictions.

Ehara I often feel that when I talk about "what is management?," I agree with the view that says management is about finding a balance between making decisions with an emphasis on short-term objectives and decisions from a long-term perspective. It's common to hear people say that long-term perspectives are important, but I doubt they really understand the trade-offs that exist there. When you analyze the situation closely, you often realize they're actually focusing on short-term results. So when it comes

to Material Issues, I believe that projects with potentially large returns in the long-term are worth pursuing.

One of the other challenges for Sumitomo Corporation is attracting the attention of shareholders and investors. There is a wide variety of trading companies in Japan, so shareholders and investors have their pick of companies to support. So for those people who take time out of their busy schedules to gather for company events, the company should give messages and communications. And an attitude that makes them feel that they absolutely can't miss one of Sumitomo Corporation's briefing sessions. I feel that the company hasn't achieved that yet. What they need is to show everyone the self-confidence of a leader. I'd like to see them position themselves in such a way that they make everyone feel that you'll see what a trading company is really supposed to be like when you come to Sumitomo Corporation.

Sato Mr. Ehara, Ms. Iwata, thank you both very much for today.

Question and answer session

After the panel discussion, the two directors answered questions posed by shareholders and investors at the venue.

Q

What do you prioritize when you review executives' remuneration system?

Ehara When we reviewed the executive remuneration structure last year, we discussed what would be the weight for qualitative or quantitative targets in our appraisal, and we leaned towards the qualitative perspective. The reason why I am keen on increasing the qualitative aspect was because I believe the kind of management that follows only numbers is not always right in the long-term.

Later, we also reviewed the absolute amount. I believe there are two factors behind this. One is that it is underpinned by good business performance. The other is because we believe that the executives should be

appropriately rewarded during the time they are running the company. This was based on a belief that we should make a clean break with the structure in many Japanese companies where workers are compensated when they become company chairpersons or advisors in future.

We also structured the system so that the total remuneration amount is reduced if performance deteriorates, which increases the link with the interests of shareholders. It is impossible to change remuneration standards completely in one year, so we are planning to change the system in the next three to five years.

Q

Mr. Ehara, have you noticed any changes in the management or course of direction of the Board of Directors since you were appointed?

Ehara According to members who were there before I became an independent director, discussions have become much more active than before, and I've seen a clear improvement over the past three years as well. To be honest, it's really difficult for a single independent director

to give their frank opinions, but if there were two or more it would be easier for them to speak. Things that would be impossible for one or two independent directors become possible when the number increases, and there's more room for making changes.

Q

How deeply rooted do you think Environment, Social and Governance (ESG) initiatives are?

Iwata I feel they are already deeply rooted in the executives' approach to management. However, I am not fully aware of how far awareness has spread to managers, young employees and the entire corporation. Sumitomo Corporation also has a lot of group companies in Japan and overseas, so I think there are still some areas where efforts are needed to ensure that the philosophy on ESG has been

cascaded down to each organization.

However, as I mentioned earlier, even though some areas still need to be improved, I can strongly feel the seriousness Sumitomo Corporation attaches to the issue at the Board of Directors level and at the Management Council level.

Corporate Governance

Corporate governance principles and system

Corporate governance principles

Sumitomo Corporation established the Sumitomo Corporation Corporate Governance Principles while keeping in mind that the backbone of our corporate ethics is in Sumitomo's Business Philosophy and Management Principles. The Sumitomo Corporation Corporate Governance Principles were established 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. Following the Sumitomo Corporation Corporate Governance Principles, we are always seeking to establish the most appropriate managerial system for the Company and are strengthening our corporate governance to realize management that serves the interests of shareholders and all other stakeholders.

System and features of corporate governance

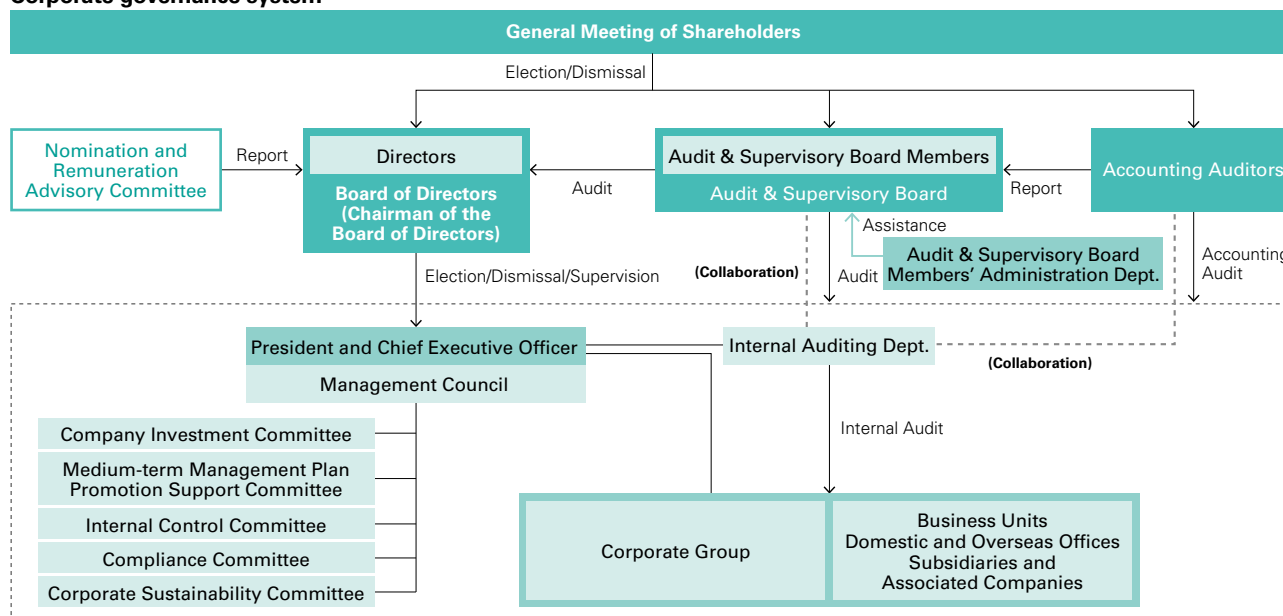
We have adopted an Audit & Supervisory Board system

based on the view that strengthening and enhancing audit and supervisory structures is the most effective means of improving the effectiveness of corporate governance. The majority of the Audit & Supervisory Board Members are outside members who are either legal experts or accounting specialists, thereby ensuring that the audit system incorporates diverse perspectives. In addition, two or more Outside Directors with differing areas of experience and expertise are appointed with the aim of promoting appropriate decision-making by the Board of Directors based on a varied range of perspectives and further reinforcing supervisory functions. By strengthening the management audit and supervisory functions of independent Outside Directors and Outside Audit & Supervisory Board Members, we believe that we can realize even more effectively the corporate governance aims of improving management efficiency, maintaining sound management, and ensuring management transparency.

Overview of corporate governance system (As of June 21, 2019)

Form of organizational structure	Company with Audit & Supervisory Board
Number of directors	10 (4 of whom are Outside Directors); 1-year term
Term of Chairman of the Board of Directors, President and Chief Executive Officer, and Outside Directors	No more than 6 years, in principle
Number of Audit & Supervisory Board members	5 (3 of whom are Outside Audit & Supervisory Board Members); 4-year term
Executive officers	Executive officer system adopted
Voluntarily established bodies as advisory bodies to the Board of Directors	Nomination and Remuneration Advisory Committee
Detailed information on corporate governance (website)	Home > About Us > Corporate Governance > Corporate Governance
Accounting auditors	KPMG AZSA LLC

Corporate governance system



Directors and the Board of Directors

Composition of the Board of Directors

The composition of the Board of Directors ensures diversity in experience, knowledge, expertise, gender, and so on.

Of the 10 Directors, four are Outside Directors. Increasing the proportion of Outside Directors is designed to strengthen supervisory functions over management execution.

Improvement of deliberation and enhancement of monitoring function at the Board of Directors

We carefully select agenda items requiring discussion by the Board of Directors so that the members can concentrate on the deliberation of important matters regarding companywide management, such as the management policy and management plan. At the same time, to strengthen its monitoring functions we have increased the number of matters to be reported to the Board of Directors, enabling the Board to focus more strongly on supervising the execution of business. We have also established opportunities for free exchange of opinion before decisions on important matters.

Qualifications of Outside Directors and implementing regular meetings for exchanges of opinions

Our four Outside Directors satisfy the standards on independence set by Tokyo Stock Exchange, Inc. (TSE), and other financial instruments exchanges on which the Company is listed, as well as our in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members. Leveraging a different type of experience and expertise, each Outside Director contributes to our corporate governance by providing a variety of independent viewpoints.

In addition, Outside Directors hold discussions and exchanges of opinions with the Chairman of the Board of Directors, the President and Chief Executive Officer, Internal Audit & Supervisory Board Members, and Outside Audit & Supervisory Board Members once a month, in principle.

Reasons for appointing Outside Directors

We deemed the respective Outside Directors to be qualified for appointment because of the experience stated below, which will contribute to appropriate decision-making at meetings of the Board of Directors and further strengthen supervision.

Reasons for appointing Outside Directors Additional item

Name	Reason for appointment	Term of office as Director	Member of the Nomination and Remuneration Advisory Committee	Expertise and experience				
				Business management	Investment	Finance	Legal affairs	Government body
Nobuyoshi Ehara	Wide-ranging knowledge and a wealth of experience in finance and business management accumulated during many years of engagement in a major U.S. financial institution and the management of a private-equity firm.	3 years	●	●	●	●	—	—
Koji Ishida	Wide-ranging knowledge and a wealth of experience in finance and business management accumulated during many years of engagement in a major financial institution and past position as a member of the Policy Board at the Bank of Japan.	2 years	●	●	—	●	—	●
Kimie Iwata	Wide-ranging knowledge and a wealth of experience in business management, corporate governance, corporate social responsibility, and diversity accumulated in managerial and Outside Director positions for private companies, before which she served in a succession of key positions in the Ministry of Labour (currently the Ministry of Health, Labour and Welfare) over the course of many years.	1 year	●	●	—	—	—	●
Hisashi Yamazaki	Highly specialized knowledge and a wealth of experience in law accumulated over the course of many years as a judge and an attorney at law.	1 year	—	—	—	—	●	●

Corporate Governance

Establishment of the Nomination and Remuneration Advisory Committee System review

The Nomination and Remuneration Advisory Committee, of which a majority of members are Outside Directors, and which is also chaired by an Outside Director, has been established as an advisory body to the Board of Directors.

In FY2018, the Committee reviewed the formulation of the respective policies and procedures for the appointment and dismissal of the President and Chief Executive Officer and the Chairman of the Board of Directors. The Committee also reviewed the items to be deliberated. Among the other matters discussed were the nomination of candidates for Director and Audit & Supervisory Board Member, the appointment of Management Council members, and the structure and level of remuneration and bonuses for

Composition of the Nomination and Remuneration Advisory Committee

Total Members	Internal Directors	Outside Directors	Committee Chairman
5 persons	2 persons (President and Chief Executive Officer, Chairman of the Board of Directors)	3 persons	Outside Director

Directors and Executive Officers. The outcome of these discussions was reported to the Board of Directors.

Training and information provision for Directors and Audit & Supervisory Board Members Additional item

On taking office, Outside Directors and Outside Audit & Supervisory Board Members have the opportunity to receive a briefing on areas including the Sumitomo Corporation Group's Management Principles, management policy, business activities, finances, organization, medium-term management plan, and risk management system. To enable Directors and Audit & Supervisory Board Members to acquire the necessary knowledge and update it as appropriate, we additionally supply books and other materials and provide access to other resources including seminars and e-learning facilities.

To deepen their understanding of Sumitomo's Business Philosophy, Outside Directors and Outside Audit & Supervisory Board Members, in principle, visit a Sumitomo-related facility during the first fiscal year of their term of office. Outside Directors are also given the opportunity to make an on-site observation visit to a facility in Japan and to

Evaluation of the effectiveness of the Board of Directors

To maintain and heighten the effectiveness of the Board of Directors, each year Directors and Audit & Supervisory Board Members analyze and evaluate its effectiveness through the use of self-evaluations and other means. We disclosed a summary of the results.

The evaluation of effectiveness of the Board of Directors and its results for FY2018 is summarized below:

Evaluation method

Those covered	All members of the Board of Directors (11 persons) and Audit & Supervisory Board Members (5 persons)
Implementation method	Anonymous questionnaire and interviews carried out in December 2018 and January 2019 Note: A third party (external consultant) was used in the conduct of the evaluation.
Items evaluated	1. Composition of the Board of Directors 2. Administration of the Board of Directors 3. Improvement of deliberation and enhancement of monitoring function at the Board of Directors 4. System for information provision and other support to outside officers 5. Individual efforts of Directors and Audit & Supervisory Board Members 6. Evaluation of improvement measures, etc.
Evaluation process	Questionnaire and interview responses collated by the third party (external consultant) were analyzed and the results reported to the Board of Directors.

an overseas facility at least once a year. In FY2018, visits were organized twice each to facilities in Japan and overseas facilities.

Prior to every meeting of the Board of Directors, we give a briefing to Outside Directors and Outside Audit & Supervisory Board Members on the agenda items due for discussion. For the purpose of timely and accurate

monitoring by the Board of Directors of the status of business execution companywide, the Board of Directors receives periodic reports on the medium-term management plan, including its state of progress, as well as reports from each business unit on its strategies and concrete initiatives and their state of progress.

Management Council

Highest executive-level decision-making body

In July 2015, the Management Council was reorganized to become the highest executive level decision-making body, with the aim of enabling decisions that take into account diverse opinions and multifaceted discussions in regard to specific key matters related to management, within the scope of the mandate conferred by the Board of Directors.

The Management Council, which meets in principle once a week, consists of the President and Chief Executive Officer, all chief officers of the Corporate Group, and the

general manager of each of the business units. In addition, in regard to specific issues that are extremely important from a companywide perspective, the Company has established, as advisory bodies to the President and Chief Executive Officer and to the Management Council, committees such as the Company Investment Committee, the Medium-term Management Plan Promotion Support Committee, the Internal Control Committee, the Compliance Committee, and the Corporate Sustainability Committee.

Overview of the evaluation results

The overall evaluation concluded that the Board of Directors has generally been functioning effectively. At the same time, with regard to the addition of an executive summary compiling key points of the agenda and the creation of a glossary, which were implemented as measures to improve materials distributed at Board meetings, generally positive results were received; however, the need to improve the content of the main body of the materials was pointed out. With regard to the regular reporting by business units on strategy, specific initiatives, and their progress, which was conducted as a measure to strengthen timely and appropriate monitoring of the situation pertaining to business execution across the Company, a comment was made that the way of reporting and the duration of the discussions should be reviewed. There were also a wide variety of opinions and recommendations for improving the effectiveness of the Board of Directors.

Main initiatives in response to issues raised by FY2018 evaluation

With regard to the abovementioned recommendations at the FY2018 Board of Directors evaluation, we will carry out the following improvement measures in FY2019 to further improve the effectiveness of the Board of Directors:

- (i) Materials distributed at Board meetings are required to explain technical terms in the main body with footnotes, etc. and clarify key points of discussions;
- (ii) Recognizing that management strategy, the management plan, and the business portfolio are matters to be focused on in discussions, regular reporting by business units on strategy, specific initiatives, and their progress are required to provide an explanation with a focus on issues in promoting the Medium-term Management Plan 2020, and solutions and policies to address the issues; and
- (iii) In Board meetings, discussions are required to be limited to important points on the agenda in order to secure more time for discussing agenda that are to be focused on and to enhance discussions.

Corporate Governance

Audit & Supervisory Board Members and the Audit & Supervisory Board

Enhancement of auditing capabilities

In order to reinforce the audit function from an external perspective, three of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members. Of these, two are legal experts, and one is a specialist in accounting, such that the audit system incorporates diverse perspectives. Moreover, our three Outside Audit & Supervisory Board Members satisfy standards on independence stipulated by TSE and other financial instruments exchanges on which the Company is listed and our in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members.

Collaboration between the Internal Auditing Department and accounting auditors

To ensure audit efficiency, Audit & Supervisory Board Members interact closely with the Internal Auditing Department, receiving reports on internal audit plans and their results in a timely manner. In addition, Audit & Supervisory Board Members 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 Audit & Supervisory Board Members constantly work to improve audit efficiency and quality. Furthermore, Audit & Supervisory Board Members 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 requiring their cooperation on audits.

Ensuring audit effectiveness

Audit & Supervisory Board Members attend meetings of the Board of Directors and all other important internal meetings, to obtain the information necessary for proper auditing. Audit & Supervisory Board Members also meet with the Chairman of the Board of Directors, the President and Chief Executive Officer and the Outside Directors, in principle once a month, to exchange opinions on Material Issues regarding management policy and auditing. Moreover, the Audit & Supervisory Board Members' Administration Department is assigned to assist Audit & Supervisory Board Members, so that the auditing system functions effectively and without hindrance.

Initiatives to ensure transparency of business management

Establishment of disclosure policy

To ensure that all stakeholders correctly understand its business management policy and business activities, the Company not only discloses statutorily required information but also actively discloses information on a voluntary basis. Moreover, the Company established the Corporate Disclosure Policy in July 2016.

Measures relating to 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 operated by Investor Communication Japan, Inc. (ICJ) a body established by TSE and other parties. The new platform allows institutional investors sufficient time to thoroughly examine the propositions to be resolved at the meeting. In addition, we stream video of the General Meeting of Shareholders on our website for a period of one year after the close of the meeting.

For details on the Corporate Disclosure Policy, please visit the following website.
<https://www.sumitomocorp.com/en/-/media/Files/hq/about/governance/detail/disclosurepolicy160701.pdf>



Senior Advisors, Honorary Advisors System review

The Nomination and Remuneration Advisory Committee is chaired by an Outside Director and is composed, in the majority, of Outside Directors. In May 2019, the senior advisor and honorary advisor system was amended by resolution of the Board of Directors based on the results of deliberation by the Nomination and Remuneration Advisory

Committee. Henceforth, former President and Chief Executive Officers and Chairmen of the Board of Directors shall be appointed as special advisors with a fixed term instead of senior advisors or honorary advisors. Special advisors shall receive compensation commensurate with their duties.

Remuneration of Directors and Audit & Supervisory Board Members

The details of the structure and level of remuneration and bonuses for Directors, as well as the limits for remuneration of Audit & Supervisory Board Members, are evaluated by the Nomination and Remuneration Advisory Committee, an advisory body to the Board of Directors of which a majority of members are Outside Directors, and which is chaired by an Outside Director. The Committee reports the results of its deliberations to the Board of Directors.

In this way we strive to further improve the transparency and objectivity of remuneration.

Based on these reports, the specific composition and decision methods related to remuneration have been established as follows.

Director remuneration (excluding that of the chairman of the Board of Directors and Outside Directors)

The Company has formulated an executive remuneration system according to the following basic policy to realize a plan with the aim of reinforcing our Group's governance and increasing our corporate value over the medium- to long-term, and promoting the Company's sustainable growth in line with our management strategy.

Basic policy

- By setting an appropriate ratio of fixed compensation (monthly remuneration) to variable compensation (performance-linked bonuses reflecting short-term results,

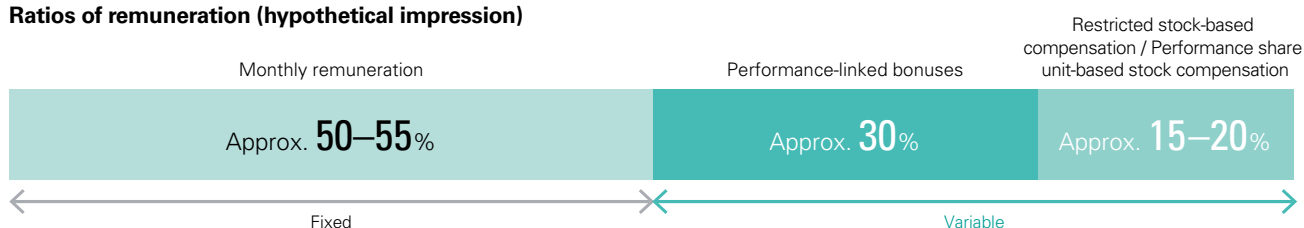
and stock compensation keyed to medium- to long-term results and shareholder value), the remuneration system provides a sound incentive toward sustainable growth.

- Through strengthening the relationship between performance-linked bonuses and the management strategies of the Sumitomo Corporation Group, we encourage the execution of duties compatible with management strategies and generate strong motivation to achieve specific management goals.
- By further reinforcing the relationship with shareholder value, the stock remuneration plan is intended to promote efforts to improve our corporate value over the medium- to long-term and to reinforce management with a shareholder perspective.

Remuneration ratios and levels

- In order to strengthen incentives for corporate performance based on management strategies, and improved corporate value over the medium- to long-term, the ratio of fixed compensation to variable compensation is set to an appropriate level.
- Referring to objective market survey data on remuneration provided by external specialist institutions, appropriate remuneration levels are set after considering the management environment of the Company.

Ratios of remuneration (hypothetical impression)



This chart is a hypothetical impression computed on the basis of a prescribed corporate performance and the share prices of the Company's stock, with the aforementioned ratios subject to fluctuation pursuant to changes in corporate performance and the Company's share price.

Corporate Governance

Overall picture of the executive remuneration system

●, ○ and ◎ show the respective recipients of the remuneration, etc.

Type of remuneration		Details of remuneration, etc.	Recipient			
			Directors / Executive Officers (Note 1)	Chairman of the Board of Directors	Outside Directors	Audit & Supervisory Board Members
Fixed	Monthly remuneration (Note 2)	A fixed amount paid monthly in accordance with position	●	●	●	○
Variable	Performance-linked bonuses (Note 3)	From the perspective of strengthening the relationship between the management strategies of the Sumitomo Corporation Group and performance-linked bonuses, an amount equivalent to a certain ratio of the “basic profit cash flow” and “consolidated net income” performance management indicators that are emphasized in the medium-term management plan is deemed to be the total amount payable, and is allocated in accordance with positions and individual evaluations.	◎	—	—	—
	Restricted stock-based compensation (Restricted stock) (Notes 2 and 4)	Restricted-transfer common shares of the Company are allocated every year, in principle. In order to accomplish the sharing of values with shareholders over the medium- to long-term, which is one of the purposes of implementing the system, the period of transfer restrictions is deemed to hold from the date on which the stock is allocated to the date on which the individual retires or resigns from any of the posts of Director, Executive Officer, or some other positions prescribed by the Board of Directors.	●	●	—	—
	Performance share unit-based stock compensation (Performance share unit) (Notes 2 and 4)	Every year (in principle), a number of common shares of the Company decided according to the growth rate of the Company's shares (calculated during the three-year evaluation period by dividing the Company's total shareholder return (TSR) by the growth rate of Tokyo Stock Exchange Stock Price Index (TOPIX)) shall be allocated at the end of the evaluation period.	●	●	—	—

Notes:

1. Excluding the Chairman of the Board of Directors and Outside Directors.
2. Regarding the total value of Directors' remuneration (excluding bonuses), it was resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013, to set a yearly limit of ¥1.2 billion (of which, ¥60 million for Outside Directors). For Outside Directors' remuneration, it was resolved at the 150th Ordinary General Meeting of Shareholders held on June 22, 2018, to amend the yearly limit from ¥60 million to ¥100 million. Moreover, at the 150th Ordinary General Meeting of Shareholders, it was resolved to grant to Directors (excluding Outside Directors), within the limits of the relevant remuneration range, monetary remuneration receivables for the allocation of restricted stock-based compensation or performance share unit-based stock compensation in lieu of stock options (new share acquisition rights in the form of stock options and new share acquisition rights in the form of stock options for a stock compensation plan), with the yearly upper limit set at ¥130 million for restricted stock-based compensation and ¥430 million for performance share unit-based stock compensation (giving a combined yearly limit of ¥560 million). In other words, the yearly upper limit of monthly remuneration, restricted stock-based compensation, and performance share unit-based stock compensation for Directors (marked above with ●) is set at ¥1.2 billion (of which,

¥100 million for Outside Directors). The amount payable to each Director is determined on this basis by resolution of the Board of Directors. In addition, in relation to the monthly remuneration for Audit & Supervisory Board Members (marked above with ○), it was resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013, that the maximum amount is ¥180 million, based on which the amount of remuneration for individual Audit & Supervisory Board Members is resolved by discussions of the Audit & Supervisory Board.

3. With regard to performance-linked bonuses for Directors (marked above with ◎), because the linkage to performance is strong, it shall be paid every year after a resolution of the General Meeting of Shareholders. Moreover, the Chairman of the Board of Directors and Outside Directors shall not receive performance-linked bonuses.

4. The total value of monetary remuneration receivables in order to allocate stock compensation, and the upper limit to the total number of common shares of the Company issued or disposed of, are as follows. In addition, the first occasion on which common shares of the Company will be allocated as performance share unit-based stock compensation will be at the end of the first evaluation period (around August 2021).

Type of remuneration	Directors (excluding Outside Directors) and Executive Officers		Directors (excluding Outside Directors) among those indicated on the left	
	Total value of monetary remuneration receivables	Total number of common shares of the Company	Total value of monetary remuneration receivables	Total number of common shares of the Company
Restricted stock-based compensation	Up to ¥520 million per year	Up to 490,000 shares per year	Up to ¥130 million per year	Up to 120,000 shares per year
Performance share unit-based stock compensation	Up to ¥1,700 million per year	Up to 730,000 shares per year	Up to ¥430 million per year	Up to 180,000 shares per year
Total	Up to ¥2,220 million per year	Up to 1,220,000 shares per year	Up to ¥560 million per year	Up to 300,000 shares per year

Note: In setting the total value of monetary remuneration receivables and the total number of common shares of the Company (upper limit) referred to above with reference to the performance share unit-based stock compensation, the growth rate of the Company's shares during the three-year evaluation period, among other factors, is taken into account and it is assumed that the total number of common shares of the Company allocated (and the total value of monetary remuneration receivables paid in that regard) shall be the maximum possible.

Details of executive remuneration for FY2018

Classification	Directors (of which Outside Directors)	Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)
Number of recipients	14 (5)	6 (3)
Total amount of remuneration pertaining to FY2018 (millions of yen)	1,026(67)	125(38)
Breakdown of remuneration, etc. (millions of yen)	Monthly remuneration	547(67)
	Directors' bonuses	327 (-)
	Stock options	14 (-)
	Restricted stock-based compensation (restricted stock)	73 (-)
	Performance share unit-based stock compensation (performance share unit)	66 (-)

Notes:

- As of the end of March 2019, there were 11 Directors and five Audit & Supervisory Board Members (including five Outside Directors and three Outside Audit & Supervisory Board Members).
- No Director of the Company is concurrently an employee of the Company.
- The amounts in "Directors' bonuses" above are the upper limit of the total amounts payable to five Directors as of the end of the fiscal year and approved at the 151st Ordinary General Meeting of Shareholders held on June 21, 2019.
- The above stock options are the total amounts recorded in the fiscal year as expenses for granting the Twelfth New Share Acquisition Rights (stock-linked compensation) issued on July 31, 2017. Note that, following the introduction of restricted stock-based compensation and performance share unit-based stock compensation based on the resolution of the 150th Ordinary General Meeting of Shareholders held on June 22, 2018, it was decided, starting from FY2018, to undertake no new issue of stock options (new share acquisition rights in the form of stock options and new share acquisition rights in the form of stock options for a stock compensation plan).
- The amounts of restricted stock-based compensation above represent the expense recorded in the relevant fiscal year for the restricted stock-based compensation allocated in accordance with the resolution of the 150th Ordinary General Meeting of Shareholders held on June 22, 2018.
- The amounts of performance share unit-based stock compensation above represent the expense to be recorded in the relevant fiscal year based on a calculation of the expected amount of monetary remuneration receivables payable in line with the number of shares expected to be awarded in

2021 in accordance with the resolution of the 150th Ordinary General Meeting of Shareholders held on June 22, 2018.

- Regarding the total value of Directors' remuneration (excluding bonuses), it was resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013, to set a yearly limit of ¥1.2 billion (of which, ¥60 million for Outside Directors). For Outside Directors' remuneration, it was resolved at the 150th Ordinary General Meeting of Shareholders held on June 22, 2018, to amend the yearly limit from ¥60 million to ¥100 million. Moreover, at the 150th Ordinary General Meeting of Shareholders, it was resolved to grant to Directors (excluding Outside Directors), within the limits of the relevant remuneration range, monetary remuneration receivables for the allocation of restricted stock-based compensation or performance share unit-based stock compensation in lieu of stock options (new share acquisition rights in the form of stock options and new share acquisition rights in the form of stock options for a stock compensation plan), with the yearly upper limit set at ¥130 million for restricted stock-based compensation and ¥430 million for performance share unit-based stock compensation (giving a combined yearly limit of ¥560 million).
- The maximum amount of monthly remuneration to Audit & Supervisory Board Members is ¥180 million per year, as resolved at the 145th Ordinary General Meeting of Shareholders held on June 21, 2013.
- In the value given in the "Breakdown" for Directors, amounts below ¥1 million are rounded off, as a result of which the total for these figures and the total value of remuneration for Directors do not match.

Cross-shareholdings Policy review

The Company takes various considerations into account when making decisions about whether to hold shares in other listed companies for purposes other than pure investment. It fully considers issues such as whether the shareholding will lead to medium- to long-term growth in profits as a result of maintaining and strengthening the business relationship with the investee company, from the perspective of investment profit, such as a comparison with the capital cost of individual stocks. Based on the above, the Company reviews the significance of its shareholdings and reports the results thereof to the Board of Directors each year. Where the significance of its shareholdings cannot be confirmed, the Company has a policy of reducing the holding.

The Company also takes various considerations into account under the internal guidelines when making decisions in exercising its voting rights. Having fully considered issues from both quantitative and qualitative standpoints, it adequately exercises voting rights for each agenda based on whether exercising voting rights will lead to enhanced medium- to long-term corporate value at the investee company and the Company and to enhanced value for its own shareholders.

When a company holding the Company's stock for purposes other than pure investment indicates to dispose of its holdings, the Company respects the decision in principle and ensures that their business relationship will not be influenced.

Benefit pension plans

The Company deploys personnel with financial market and investment experience as investment managers and monitors the operations of pension assets. When selecting an external asset manager, the Company makes appropriate checks on its investment performance and management structure including governance and continues to periodically monitor these during the investment management operations.

Furthermore, the Pension Management Committee, which is chaired by the Chief Administration Officer and composed of managers in charge of human resources, finance and accounting organizations, verifies the investment performance and the financial position of pension assets, makes reports to the Management Council and also discloses them to the pension holders.

Directors, Audit & Supervisory Board Members, and Executive Officers

(As of June 21, 2019, Executive Officers: As of July 1, 2019)

■ Shares owned in the Company (As of March 31, 2019) ■ Attendance at Meetings of the Board of Directors in FY2018

Directors

Kuniharu Nakamura

Chairman

■ 124,200 shares
■ 20/20



Apr. 1974 Entered the Company
Jun. 2012 Representative Director, President and CEO
Jun. 2017 Representative Director, President and Chief Executive Officer
Jun. 2018 Chairman of the Board of Directors

Masayuki Hyodo

Representative Director

■ 39,800 shares
■ 16/16



Apr. 1984 Entered the Company
Jun. 2018 Representative Director, President and Chief Executive Officer

Koichi Takahata

Representative Director

■ 47,100 shares
■ 20/20



Apr. 1978 Entered the Company
Apr. 2019 Representative Director, Executive Vice President, Chief Financial Officer

Hideki Yamano

Representative Director

■ 14,252 shares
■ 16/16



Apr. 1983 Entered the Company
Jun. 2018 Representative Director, Managing Executive Officer, Chief Strategy Officer and Chief Information Officer

Toshikazu Nambu

Representative Director

■ 46,400 shares
■ —



Apr. 1982 Entered the Company
Jun. 2019 Representative Director, Senior Managing Executive Officer, General Manager, Media & Digital Business Unit, Chief Digital Officer

Takayuki Seishima

Representative Director

■ 16,000 shares
■ —



Apr. 1984 Entered the Company
Jun. 2019 Representative Director, Managing Executive Officer, Chief Administration Officer and Chief Compliance Officer

Outside Directors

<p>Nobuyoshi Ehara Outside Director Independent</p> <p>0 shares 20/20</p> 	<p>Sep. 1978 Entered Morgan Guaranty Trust Company Oct. 1980 Entered Goldman Sachs & Co. Oct. 1988 Partner, Goldman Sachs & Co. Nov. 1996 Limited Partner, Goldman Sachs & Co.</p>	<p>Jan. 1999 Representative Director, Unison Capital, Inc. (present position) Jun. 2016 Outside Director, Sumitomo Corporation (present position)</p>
<p>Koji Ishida Outside Director Independent</p> <p>0 shares 20/20</p> 	<p>May 1970 Entered The Sumitomo Bank, Limited Jun. 1997 Director, The Sumitomo Bank, Limited Jun. 1999 Executive Officer, The Sumitomo Bank, Limited Jan. 2001 Managing Executive Officer, General Manager of Corporate Planning Dept., The Sumitomo Bank, Limited Apr. 2001 Managing Executive Officer, General Manager of Corporate Planning Dept., Sumitomo Mitsui Banking Corporation (SMBC) Jun. 2002 Managing Executive Officer, Head of Tokyo Corporate Banking Division I, SMBC Jun. 2003 Representative Director, Managing Director, Sumitomo Mitsui Financial Group, Inc. (SMFG) Apr. 2004 Representative Director, Senior Managing Director, SMFG Jun. 2005 Standing Corporate Auditor, SMFG (retired in June 2006) Corporate Auditor, SMBC (retired in June 2006)</p>	<p>Jun. 2006 President & CEO, SMBC Leasing Co., Ltd. Oct. 2007 President, Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL; retired in June 2011) *1 Jun. 2011 Member of the Policy Board, the Bank of Japan (retired in June 2016) Jul. 2016 Member of the Management Advisory Committee, KPMG AZSA LLC Jun. 2017 Outside Director, Sumitomo Corporation (present position) Jul. 2017 Member of the Public Interest Oversight Committee, KPMG AZSA LLC (present position)</p> <p>*1 In October 2007, SMBC Leasing Co., Ltd. merged with Sumisho Lease Co., Ltd. to become SMFL. Mr. Ishida continued in office as president of SMFL, retiring in June 2011.</p>
<p>Kimie Iwata Outside Director Independent</p> <p>0 shares 16/16</p> 	<p>Apr. 1971 Entered the Ministry of Labour (currently Ministry of Health, Labour and Welfare) Jul. 1996 Deputy Director-General, Human Resource Development Bureau, Ministry of Labor Oct. 1998 Assistant Minister of Labor for International Affairs Jan. 2001 Director-General of Equal Employment, Children and Families Bureau (retired in August 2003) Jun. 2004 Director, Corporate Officer, Shiseido Company, Limited Jan. 2007 Member, Council for Gender Equality, the Cabinet Office Apr. 2007 Director, Corporate Executive Officer, Shiseido Company, Limited Apr. 2008 Director and Vice President, Shiseido Company, Limited Jun. 2008 Representative Director, Executive Vice President, Shiseido Company, Limited Mar. 2012 Outside Audit & Supervisory Board Member, Kirin Holdings Company, Limited</p>	<p>Apr. 2012 Director, Shiseido Company, Limited Jun. 2012 Adviser, Shiseido Company, Limited (retired in June 2016) Jul. 2012 Outside Director, Japan Airlines Co., Ltd. (retired in June 2018) President, Japan Institute for Women's Empowerment & Diversity Management (retired in June 2018) Sep. 2013 Commissioner, the Consumer Commission, the Cabinet Office Oct. 2015 Audit and Inspection Commissioner, the Tokyo Metropolitan Government (present position) Mar. 2016 Outside Director, Kirin Holdings Company, Limited (retired in March 2019) Apr. 2016 Outside Director, Stripe International Inc. (retired in April 2019) Jun. 2018 Outside Director, Sumitomo Corporation (present position) Jun. 2019 Outside Director, Resona Holdings, Inc. (present position)</p>
<p>Hisashi Yamazaki Outside Director Independent</p> <p>0 shares 16/16</p> 	<p>Apr. 1974 Assistant Judge Apr. 1995 Presiding Judge, Tokyo District Court Dec. 2000 Chief, Training and Research Institute for Family Court Probation Officers Dec. 2002 Chief, Family Bureau, General Secretariat, Supreme Court Dec. 2005 Chief Judge, Maebashi District Court Feb. 2007 Chief Judge, Yokohama Family Court Dec. 2008 Presiding Judge, Tokyo High Court Aug. 2009 President, Tokyo Family Court Feb. 2011 President, Sapporo High Court (retired in March 2013)</p>	<p>Mar. 2013 Commissioner, Japan Fair Trade Commission (retired in December 2015) Aug. 2016 Attorney at Law (present position) Jul. 2017 Supervisory Board Member, National Federation of Agricultural Cooperative Associations (present position) Jun. 2018 Outside Director, Sumitomo Corporation (present position) Outside Director, Tokyo Commodity Exchange, Inc. (present position)</p>

Directors, Audit & Supervisory Board Members, and Executive Officers

■ Shares owned in the Company (As of March 31, 2019) ■ Attendance at Meetings of the Board of Directors in FY2018
○ Attendance at Meetings of Audit & Supervisory Board in FY2018

Audit & Supervisory Board Members

<p>Michihiko Hosono Senior Audit & Supervisory Board Member (Full-time)</p> <p>■ 38,500 shares ■ — ○ —</p> 	<p>Apr. 1981 Entered the Company, A staff of Legal Dept. May 1994 Assistant to General Manager for Europe Region (London) Jun. 1999 Assistant to General Manager, Legal Dept. Nov. 2007 Assistant to General Manager, Legal Dept. Assistant to General Manager, Corporate Legal & General Affairs Dept. Aug. 2008 General Manager, Corporate Legal & General Affairs Dept. Apr. 2011 Corporate Officer, General Manager, Corporate Legal & General Affairs Dept.</p>	<p>Apr. 2013 Executive Officer, General Manager, Legal Dept. Apr. 2015 Executive Officer, Assistant CAO, General Affairs & Legal, General Manager, Legal Dept. Aug. 2015 Executive Officer, Assistant CAO, General Affairs & Legal Apr. 2016 Managing Executive Officer, Assistant CAO, General Affairs & Legal Apr. 2019 Adviser Jun. 2019 Senior Audit & Supervisory Board Member (present position)</p>
<p>Toshiaki Murai Audit & Supervisory Board Member (Full-time)</p> <p>■ 7,400 shares ■ 16/16 ○ 12/12</p> 	<p>Apr. 1980 Entered the Company, A staff of Planning & Development Dept. Fuel & Carbon Division Jul. 1985 A staff of Carbon Dept. Sep. 1994 Sumitomo Corporation (U.K.) PLC. Sep. 2000 Assistant Manager, Carbon Dept. Apr. 2002 Team Leader, Carbon Products, Carbon Dept. May. 2005 Deputy General Manager, Carbon Dept. Oct. 2006 General Manager, Carbon Dept. Apr. 2010 General Manager, Mineral Resources & Energy Group (Pittsburgh) Sumitomo Corporation North America General Manager, Pittsburgh Office</p>	<p>Apr. 2012 General Manager, Mineral Resources & Energy Group (New York) Sumitomo Corporation North America, New York Head Office & General Manager, Pittsburgh Office Aug. 2013 Senior Vice President General Manager, Mineral Resources & Energy Group (New York) Sumitomo Corporation North America, New York Head Office Apr. 2014 Corporate Officer, General Manager, Mineral Resources Division No.1 Apr. 2016 Executive Officer, General Manager, Mineral Resources Division No.1 Apr. 2018 Adviser Jun. 2018 Audit & Supervisory Board Member (present position)</p>
<p>Haruo Kasama Outside Audit & Supervisory Board Member (Lawyer) Independent</p> <p>■ 13,600 shares ■ 19/20 ○ 17/17</p> 	<p>Apr. 1974 Public Prosecutor Jun. 2001 Chief Public Prosecutor of the Kofu Public Prosecutor's Office Oct. 2002 Deputy Public Prosecutor of the Tokyo District Public Prosecutor's Office Jun. 2005 Deputy Public Prosecutor of the Tokyo High Public Prosecutors Office Jun. 2006 Director of Criminal Division in Supreme Public Prosecutors Office Oct. 2007 Deputy Prosecutor-General Jan. 2009 Superintendent Public Prosecutor of the Hiroshima High Public Prosecutors Office Jun. 2010 Superintendent Public Prosecutor of the Tokyo High Public Prosecutors Office</p>	<p>Dec. 2010 Prosecutor-General (retired in July 2012) Oct. 2012 Attorney at Law (present position) Jun. 2013 Outside Audit & Supervisory Board Member, Sumitomo Corporation (present position) Outside Director, JAPAN POST HOLDINGS Co., Ltd. (retired in June 2016) Outside Audit & Supervisory Board Member, Sampo Holdings, Inc. (retired in June 2017) Feb. 2014 Outside Corporate Auditor, Kewpie Corporation (retired in February 2018) Jun. 2018 Outside Audit & Supervisory Board Member, Toppan Printing Co., Ltd. (present position)</p>
<p>Toshio Nagai Outside Audit & Supervisory Board Member (Lawyer) Independent</p> <p>■ 0 shares ■ 20/20 ○ 17/17</p> 	<p>Apr. 1974 Assistant Judge Apr. 1986 Judicial Research Official, Supreme Court Apr. 1997 Presiding Judge, Tokyo District Court Sep. 2001 Senior Judicial Research Official, Supreme Court Dec. 2006 Chief Judge, Kofu District/Family Court Dec. 2007 Presiding Judge, Tokyo High Court Nov. 2008 Chief Judicial Research Official, Supreme Court Mar. 2012 President, Hiroshima High Court</p>	<p>Mar. 2013 President, Osaka High Court (retired in July 2014) Sep. 2014 Attorney at Law (present position) Jun. 2015 Outside Corporate Auditor, Toray Industries, Inc. (present position) Jun. 2016 Outside Audit & Supervisory Board Member, Sumitomo Corporation (present position)</p>
<p>Yoshitaka Kato Outside Audit & Supervisory Board Member (Certified Public Accountant) Independent</p> <p>■ 0 shares ■ 20/20 ○ 17/17</p> 	<p>Nov. 1974 Entered Tetsuzo Ota & Co.*2 Sep. 1978 Certified Public Accountant (present position) May 1998 Representative Associate, Showa Ota & Co.*2 Jun. 2006 Executive Director, Ernst & Young ShinNihon *2 Aug. 2008 CEO, Ernst & Young ShinNihon LLC*2 (retired from Ernst & Young ShinNihon LLC in June 2014)</p>	<p>Jun. 2015 Outside Corporate Auditor, Sumitomo Chemical Company, Limited (present position) Outside Corporate Auditor, Mitsui Fudosan Co., Ltd. (present position) Auditor, the General Insurance Rating Organization of Japan (present position) Jun. 2016 Outside Audit & Supervisory Board Member, Sumitomo Corporation (present position)</p>

*2 The name was changed to "Ernst & Young ShinNihon LLC" on July 1, 2018.

Executive Officers

President and Chief Executive Officer

Masayuki Hyodo

Executive Vice President

Koichi Takahata
Chief Financial Officer

Senior Managing Executive Officers

Masato Sugimori
Director, Executive Vice President,
Jupiter Telecommunications
Co., Ltd.

Toshikazu Nambu
General Manager,
Media & Digital Business Unit,
Chief Digital Officer

Fumihiko Koba
General Manager, Metal Products
Business Unit

Shingo Ueno
General Manager, Mineral
Resources, Energy, Chemical &
Electronics Business Unit

Shoichiro Oka
General Manager, Transportation &
Construction Systems Business Unit

Managing Executive Officers

Kiyoshi Sunobe
President and CEO, Sumitomo
Corporation Global Research
Co., Ltd.

Hideo Ogawa
General Manager, Internal
Auditing Dept.

Daisuke Mikogami
General Manager for East Asia;
CEO of Sumitomo Corporation
China Group;
General Manager, Sumitomo
Corporation (China)
Holding Ltd.

Tsutomu Akimoto
General Manager, Infrastructure
Business Unit

Masato Ishida
General Manager for Europe,
Middle East, Africa & CIS;
Chairman of Sumitomo
Corporation Europe Holding
Limited

Nobuki Ando
General Manager, Living Related &
Real Estate Business Unit

Hideki Yamano
Chief Strategy Officer and Chief
Information Officer

Keiji Tanaka
General Manager for Japan
Region; General Manager,
Kansai Office

Takayuki Seishima
Chief Administration Officer and
Chief Compliance Officer

Masaki Nakajima
General Manager for the
Americas; President and CEO of
Sumitomo Corporation of
Americas Group; Director and
President of Sumitomo
Corporation of Americas

Keigo Shiomi
General Manager for Asia &
Oceania; CEO of Sumitomo
Corporation Asia & Oceania
Group; President and CEO,
Sumitomo Corporation Asia &
Oceania Pte. Ltd.

Koji Tamefusa
Assistant CFO, Risk Management

Executive Officers

Reiji Morooka
Representative Director,
Senior Managing Executive Officer,
Sumitomo Mitsui Finance and
Leasing Co., Ltd.

Toyoaki Funakoshi
General Manager, Planning &
Coordination Dept., Infrastructure
Business Unit

Yasushi Fukuda
General Manager, Logistics
Infrastructure Business Division

Yoshiyuki Sakamoto
General Manager, Planning &
Coordination Dept., Mineral Resources,
Energy, Chemical & Electronics
Business Unit

Kei Sato
General Manager, Lifestyle & Retail
Business Division

Norihiko Nonaka
General Manager, Global Power
Infrastructure Business Division

Masaru Shiomi
Assistant CFO, Finance

Iehisa Nakamura
General Manager, Media Division

Bin Haga
General Manager, Corporate
Planning & Coordination Dept.

Kenji Shinmori
President and CEO,
Jupiter Shop Channel Co., Ltd.

Shinji Nakano
Assistant General Manager for
Asia & Oceania;
President and CEO, Sumitomo
Corporation Thailand, Ltd.;
President and CEO, Sumi-Thai
International Limited;
General Manager, Vientiane office,
Sumitomo Corporation
Asia & Oceania Pte. Ltd.

Mitsuhiro Takeda
Assistant General Manager for the
Americas; Executive Vice President and
CFO of Sumitomo Corporation of
Americas Group; Executive Vice
President and CFO of Sumitomo
Corporation of Americas

Shinichi Kato

General Manager, Automobility
Business Division;
General Manager, Mobility
Service Business Dept.2

Hirokazu Higashino

General Manager, Planning &
Coordination Dept., Living Related
& Real Estate Business Unit

Haruo Matsuzaki

Assistant General Manager for
the Americas; General Manager
for South America; President of
Sumitomo Corporation do
Brasil S.A.

Katsuya Inubushi

Assistant General Manager for
Japan Region; General Manager,
Chubu Office

Yoshinori Mukaida

General Manager, Finance Dept.

Hiroyuki Sugai

Assistant CFO, Accounting;
General Manager, Accounting
Controlling Dept.

Haruhiko Aritomo

General Manager, Mineral
Resources Division No.2

Eiji Ishida

General Manager, Lease, Ship &
Aerospace Business Division

Nobuhiro Yoshida

General Manager, Planning &
Coordination Dept., Transportation
& Construction Systems
Business Unit

Hiroyuki Koike

General Manager, Planning &
Coordination Dept., Media &
Digital Business Unit

Tomonori Wada

Assistant General Manager,
Living Related & Real Estate
Business Unit

Internal Control

Basic principles and system

Basic principles of internal control system (definitions/purpose)

The Sumitomo Corporation Group comprises six business units as well as regional organizations in Japan and overseas. Business units, organizations, and group companies collectively work together in a broad range of business fields. In order to realize sustainable growth and development for the Sumitomo Corporation Group, as well as enhance the operational quality of each of the group companies, we stipulate basic regulations for internal control, and practice the construction, management, evaluation, and revision of appropriate internal control systems. To rationally ensure compliance with laws and regulations throughout the entire Group in relation to business activities, safeguarding assets against loss, effectiveness and efficiency of operations, and reliability of financial reporting, initiatives are being taken to improve group governance.

Internal control system



Compliance

Basic policy and system

Basic policy

The basis for the Sumitomo Corporation Group's compliance is to win the trust of society by practicing the Activity Guideline that states "to comply with laws and regulations while maintaining the highest ethical standards."

Accordingly, we follow our principles of "Compliance as Top Priority," which means compliance takes priority over all activities of the Group and that we must never violate compliance as a result of giving priority to the pursuit of profit, and "Immediate Report," which means, in the event of a compliance problem, employees must report the situation without delay to their line manager and to the relevant department of the Corporate Group.

Establishment of the Sumitomo Corporation Group Compliance Policy

In March 2019, to send a clear message to the entire Group regarding the basic compliance policy outlined above, we established the Sumitomo Corporation Group Compliance Policy, which is based on and replaces the Compliance Guiding Principles of Sumitomo Corporation, as a policy to be applied to the entire Group. We are now engaged in a program of seminars and other ongoing educational activities to ensure that the policy is embedded and fully implemented across the Group.

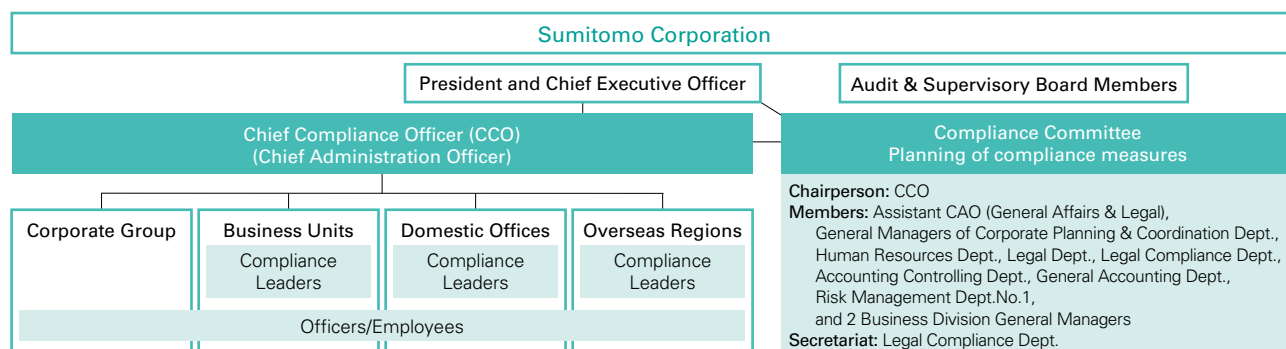
Compliance management system

Sumitomo Corporation appoints a Chief Compliance Officer (CCO), who has ultimate responsibility for compliance. Further, the Compliance Committee, which plans compliance measures, includes the general managers not only of the Corporate Group but also of the business divisions. This system enables measures to be examined in a multifaceted way that takes into account the entire Group.

The Sumitomo Corporation Group Compliance Policy can be viewed on our corporate website with translation into multiple languages.
<https://www.sumitomocorp.com/en/jp/about/governance/compliance/policy>



Compliance management system



Speak-Up System

Continuous improvement of the Speak-Up System

In the event of a compliance problem, we operate a Speak-Up System that provides a hotline to the CCO in addition to the regular organizational reporting lines.

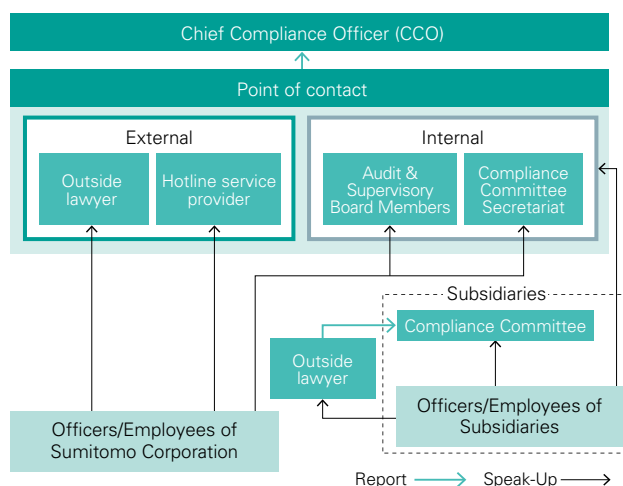
Under this system, the fact and details of the report are maintained in the strictest confidence, and it is ensured that the whistle-blower is not subject to disadvantageous treatment for making the report.

We have additionally established a set of internal rules to define in greater detail the system's operation and appointed an external hotline service as an additional whistleblowing hotline. We issue employees with a Speak-Up Card presenting an outline of the system and contact details, hold in-house seminars, and implement other measures to further encourage the use of the system.

Launch of SC Global Speak-Up System

We have also launched a groupwide Speak-Up System that enables employees of all group companies to report concerns, whether in Japan or overseas.

Structure of the Speak-Up System



Initiatives to ensure compliance

Appropriate responses to compliance violations and preventive measures

In the event of a compliance problem, the Legal Dept. and Legal Compliance Dept. take the lead role in working to promptly establish the facts and clarify the causes, appointing external advisors if necessary and liaising with relevant departments in Japan and overseas. Based on the outcome, we take corrective measures, disciplinary action, and preventive measures.

The Compliance Committee Secretariat records and analyzes data on compliance violations within the Group, including the number of cases and measures taken to prevent recurrence, and factors this data into the planning of future compliance measures. The results are deliberated at meetings of the Compliance Committee, and reports are made periodically to the Management Council and the Board of Directors. Through this process of repeatedly improving and enhancing such measures, we strive to further encourage thorough compliance throughout the Group.

Continuous education program initiatives

Issues particularly important from a compliance perspective, such as antitrust, security trade control, and anti-bribery/ corruption, are explained in the Compliance Manual issued to all officers and employees of Sumitomo Corporation.

Furthermore, both in Japan and overseas, we implement various education programs for each class of employee, such as newcomers, newly appointed general managers, and newly appointed corporate officers, as well as provide e-learning programs for all employees. In addition to these regular activities, we hold seminars and training sessions on an ongoing basis as required.

Internal Control

Anti-bribery/corruption initiatives

The Sumitomo Corporation Group implements strict measures to prevent bribery, inappropriate payments, and all other forms of corruption. Specifically, we have established the Rules for Prevention of Bribery to Public Officials, which regulates the provision to public officials in Japan and overseas of entertainment, gifts, invitations and donations, and the selection of agents. In addition, taking into account revisions to the laws and regulations of each country, and advice from various external specialists, we continuously review our internal rules and guidelines. Further, we extend

these rules and guidelines to overseas offices and group companies, and we also offer ongoing employee education and work constantly to prevent bribery and corruption.

In 2017, we announced the Sumitomo Corporation Group Anti-Corruption Policy, which summarizes the Group's principles and policies in this regard.

This document sets out the principles of the Group's approach to preventing corruption, explains its system and initiatives to prevent bribery, and requests the understanding and cooperation of its business partners and other stakeholders.

Risk management

Basic policy and framework

We define "risk" as "the possibility of losses due to the occurrence of anticipated or unanticipated situations," and also as "the possibility of not achieving the expected return on business activities." We have set the following three items as the goals of our risk management activities.

1. Stabilize performance
2. Strengthen financial base
3. Maintain corporate reputation

We categorize our business activities into investments and commercial transactions and manage risk after

identifying both common and category specific risk factors. We, by studying advanced methods and processes, have created an effective risk management framework that anticipates changes in the external environment.

Our goal is to implement the best practice in risk management while maintaining the flexibility to adapt to changes in the business environment. The business environment is continually altering, and new business models that we could never have imagined are emerging on a daily basis. To respond to such situations in a timely and effective manner, we continue to evolve our risk management activities under the leadership of senior management.

Definition of risk

- The possibility of losses due to the occurrence of anticipated or unanticipated situations
- The possibility of not achieving the expected return on business activities

Goals of our risk management

Stabilize performance

Minimize discrepancies between the plan and actual results and secure stable profits

Strengthen financial base

Maintain Risk-weighted Assets within the buffer (shareholders' equity)

Maintain corporate reputation

Fulfill CSR requirements and preserve corporate reputation

Risks in investment activities

Investment risks

Profit fluctuation

Risks in commercial transactions

Credit risks

Market risks

Fluctuations in commodity prices, interest rates and foreign exchange rates

Country risks, environmental risks, risks relating to security trade control, tax risks, IT risks, labor risks, disaster risks, etc.

Concentration risks

- Controlling exposure to each country and region based on country risk management system
- Controlling exposure to mineral resources and energy upstream projects
- Controlling exposure to key market-sensitive products

Risk management system for investments

Decision-making process for investments

Once an investment has been made the decision to withdraw becomes difficult, and in the event of withdrawal, losses tend to be larger. Therefore, we have adopted a unified framework that covers everything from the entry into the investment to the exit and that takes into account changes in the portfolio as a whole, as well as the nature of the risks involved in each individual investment opportunity, while reviewing the process for assessing and following up on investment projects as appropriate.

When assessing investment projects, the investment theme is clarified at the initial stage of the process, and is verified as a key point of due diligence. In addition, by applying a discount rate appropriate to each business risk, we are able to calculate an "appropriate price" for the investment, and evaluate the opportunity from both quantitative and qualitative aspects.

With regard to the decision-making process for investments, the Business Unit Investment Committee or the Company Investment Committee meets at each stage of consideration and implementation, depending on the scale and importance of the project.

From an early stage, these committees conduct in-depth discussions regarding the strategic positioning of the project, the background to and the reasoning behind the selection of the project, and the various factors that may affect the success of the investment.

Execution support and monitoring of investments

With regard to post-investment execution support, issues are clarified before the decision to invest is made, and a system has been established to work on resolving smoothly any issues that emerge after the investment has been made. For especially important projects, in addition to the "100-day plan*" execution support system, which provides integrated support functions, a "Focused Follow Up System" has been established that consists of plans to improve performance, and following up of project execution, provided by the Company Investment Committee.

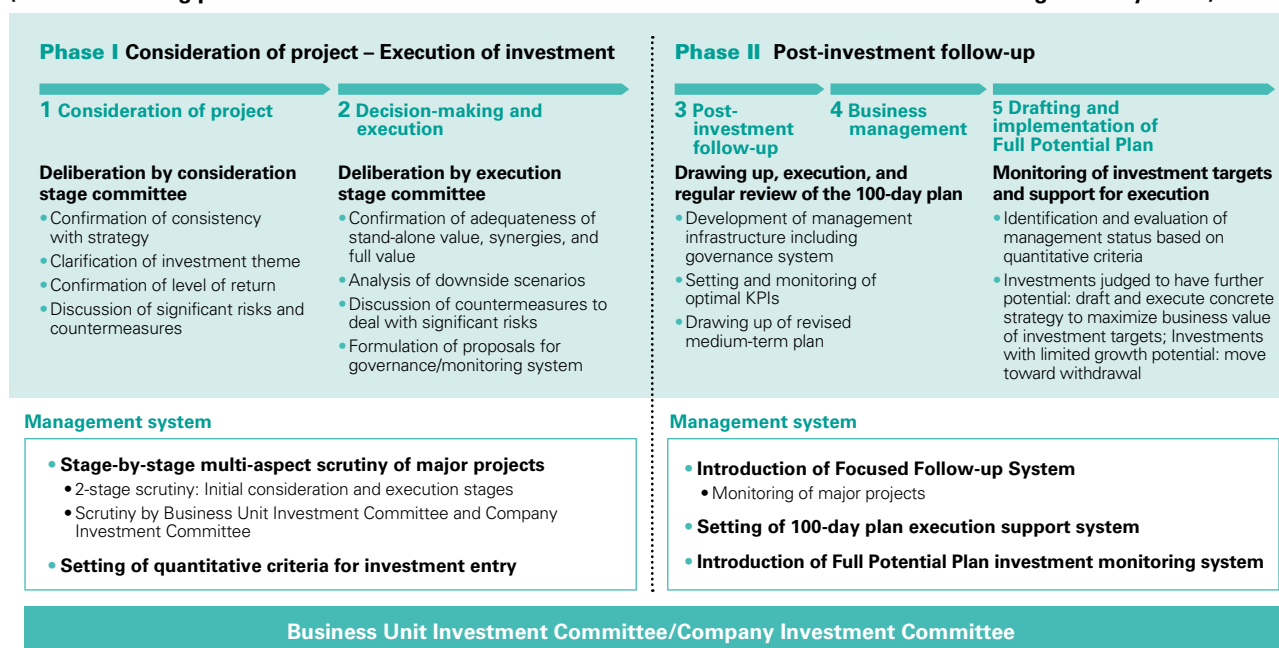
In FY2018, we introduced a new "Full Potential Plan" investment monitoring system that is intended to improve the quality of the investment portfolio. Investment targets are evaluated mainly using quantitative indicators, and categorized into "satisfactory," "not satisfactory," and "not good."

After confirming the positioning within the investment portfolio, a further strengths and weaknesses review of business potential is performed. Depending on the outcome of the review, specific measures may be taken to maximize the value of the business in accordance with the growth strategy to Increase Value of Existing Business, but withdrawal will be encouraged for businesses with limited room for growth.

* Activities, performed mainly in the first 100 days immediately after the investment has been executed, to construct and develop management infrastructure aimed at drawing up a medium-term plan that seeks to maximize business value, including management of the investment, and which management and financial indicators should be used as targets

Investment risk management framework

(Decision-making process for investments / investment evaluation method & execution and management systems)



Internal Control

Financial reporting

The Sumitomo Corporation Group creates financial reports in accordance with the Accounting Policy Manual that lays out the Group's internal policies for accounting, and discloses information in a timely and appropriate manner and in compliance with relevant laws, regulations, and accounting standards.

For its financial reporting internal control system, the Company acts in accordance with the Internal Control Reporting System stipulated in the Financial Instruments and Exchange Act, by promoting internal control activities as required by the act, and evaluating and improving its business processes.

Information security

Basic policy and system

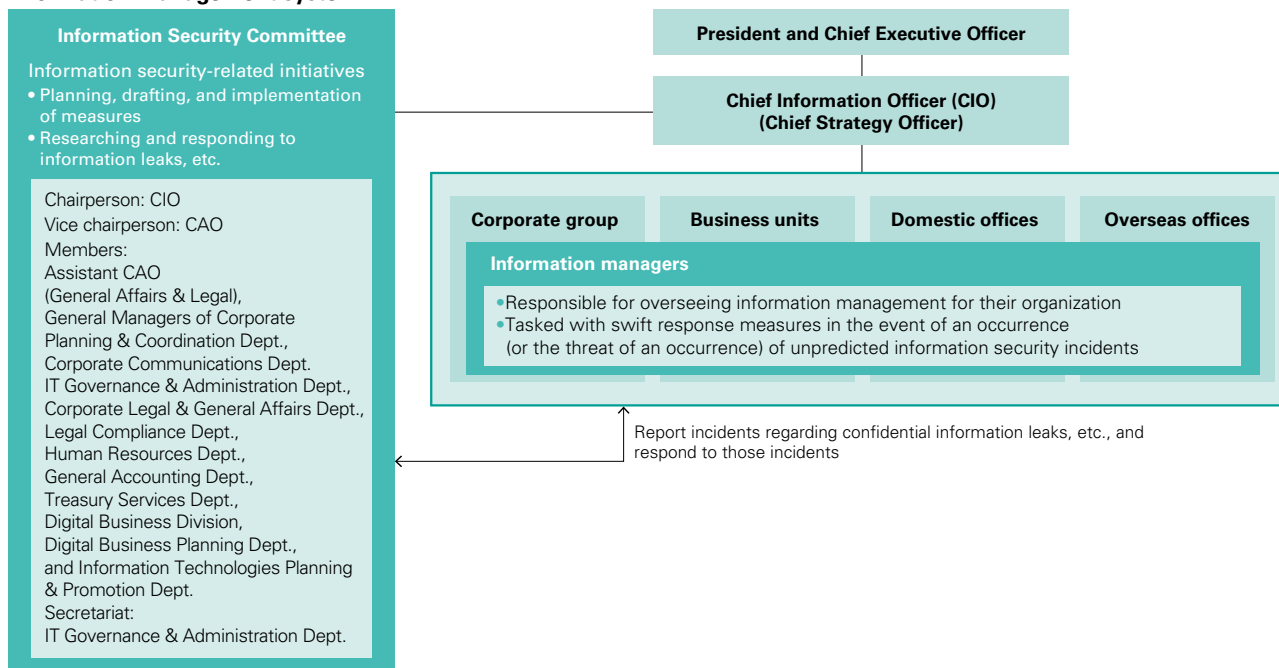
The Company acknowledges the importance of ensuring information security, and maintains appropriate measures including, but not limited to, the establishment and maintenance of relevant rules, primarily through the Information Security Committee, which is chaired by the Chief Information Officer (CIO). In October 2017, a new Information Security Policy was established.

The information managers in each organization categorize information assets based on their importance, give instructions for procedures and methods in order to handle these assets adequately, and work to ensure information security, efficient information-related administrative procedures, and information sharing. For

personal information, in addition to establishing a Privacy Policy to protect this as appropriate, we have put in place relevant rules and organizational structures.

We also work on initiatives to minimize risk related to unexpected situations involving information security, such as external attacks aimed at theft or destruction of corporate information. As well as using system-based safeguards, we conduct ongoing training and drills for employees while establishing and monitoring systems at major subsidiaries and other group entities. The Company also coordinates with specialized third-party organizations to stay up-to-date on relevant information and to enable swift and appropriate responses.

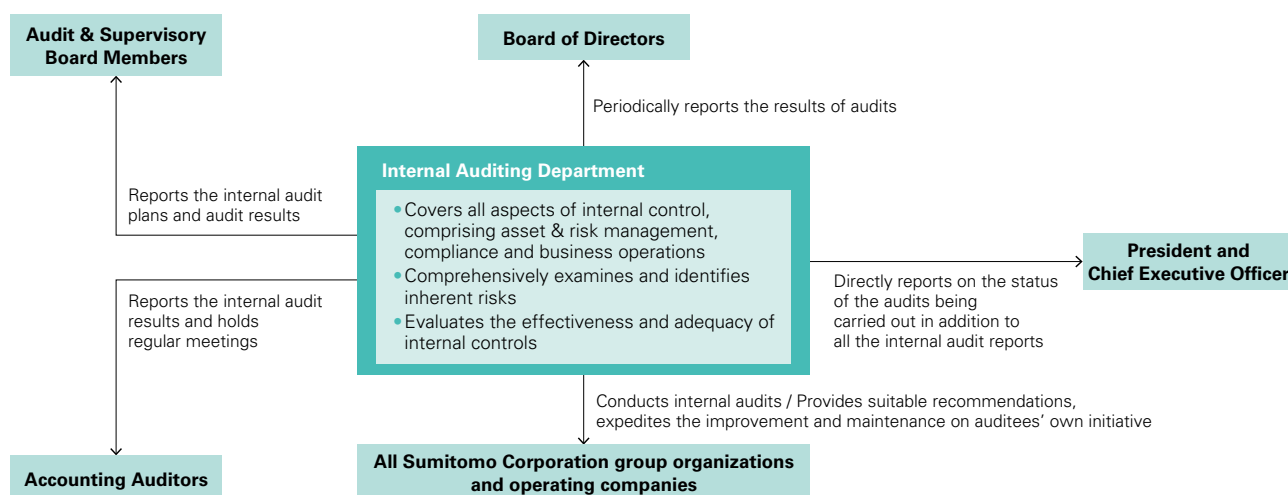
Information management system



Internal audits

The Internal Auditing Department, which reports directly to the President and Chief Executive Officer, is an independent organization that monitors the operations of the entire Sumitomo Corporation Group, and audits all organizations and operating companies of the Group. As well as reporting the outcome of all internal audits directly to the President and Chief Executive Officer, periodic reports are also made to the Board of Directors. The department conducts audits

on all aspects of internal control, comprising asset & risk management, compliance and business operations. Also, by comprehensively examining and identifying the risks inherent in the organization being audited, it provides suitable recommendations based on an evaluation of the effectiveness and adequacy of the internal controls of the organization, thus expedites improvement and maintenance on auditees' own initiative.



Group governance

Project to enhance group governance

Medium-Term Management Plan 2020 includes initiatives to enhance governance further as part of its drive to reinforce management bases. The Company considers the internal control system to be the foundation for promoting growth strategies, and in terms of specific measures to enhance governance it has begun working on a project that aims to enhance corporate value and operational quality through the use of the internal control system. This project

will identify the basic risks that should be controlled as part of the operation of the business. With regard to the significance of the risks and their countermeasures, while maintaining dialogues with group companies, the Company will create an autonomous cycle of PDCA for the improvement of internal control. The Group will standardize this process, and actively promote the use of PDCA cycles in workplaces to enhance operational quality for the Group as a whole.

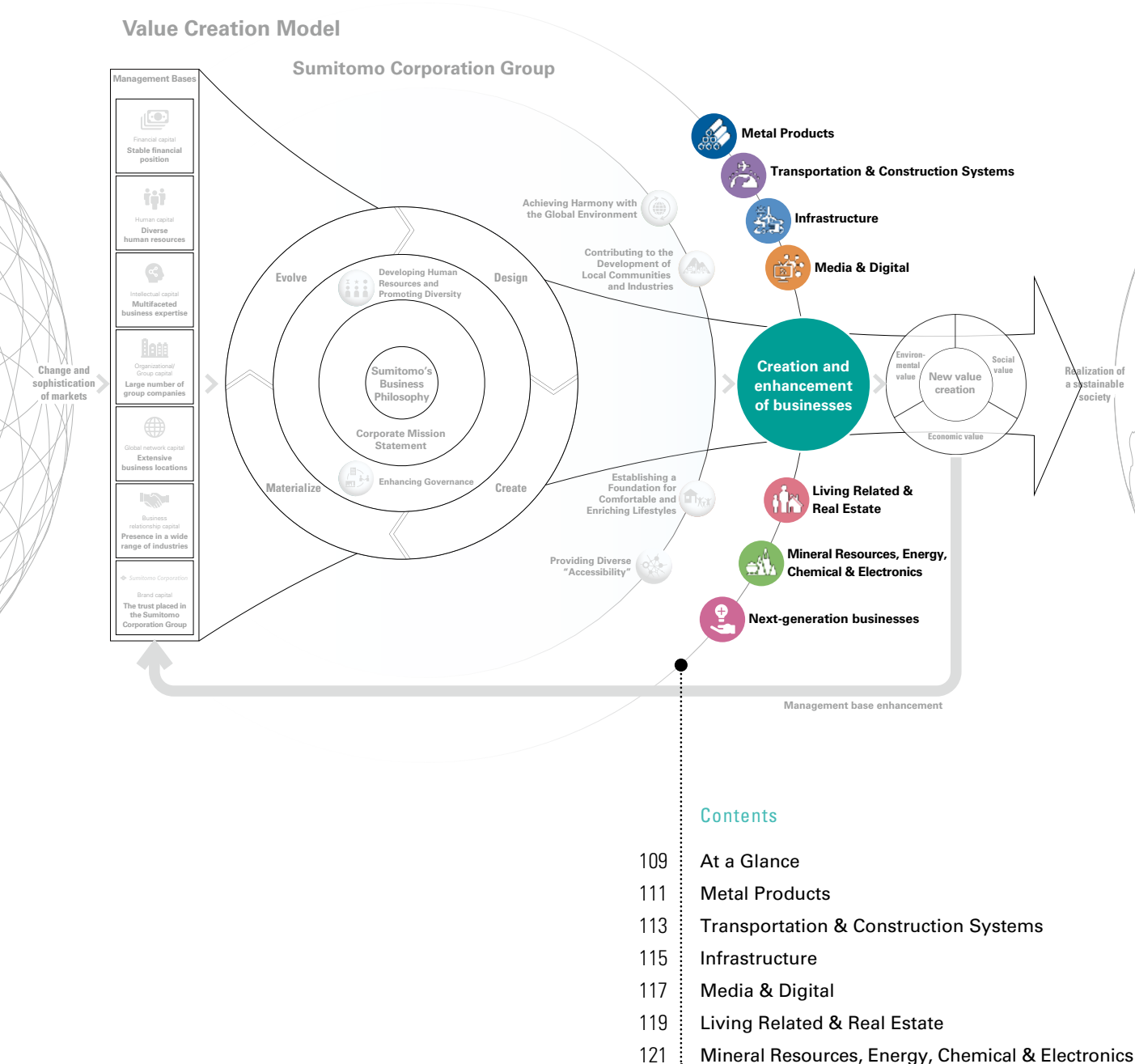


Part 5 Segment Overview

Creating value through a variety of businesses

The Sumitomo Corporation Group has six business units running a wide variety of businesses: Metal Products, Transportation & Construction Systems, Infrastructure, Media & Digital, Living Related & Real Estate, and Mineral Resources, Energy, Chemical & Electronics. The six business units are focusing on taking maximum advantage of their presence in their industries while maximizing the three types of value: economic, environmental and social, which they generate through their individual businesses. We are always looking for opportunities to upgrade our businesses to the next generation through innovation and are committed to creating new business models while evolving each business.

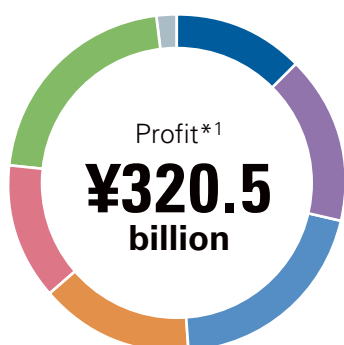
Segment Overview



Overview

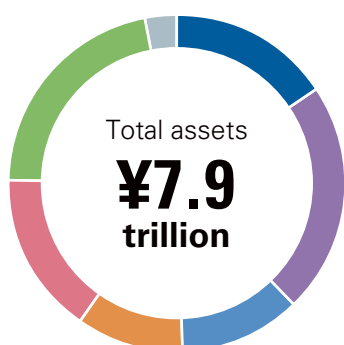
At a Glance

FY2018 Ratio by Segment



Metal Products	12.6%
Transportation & Construction Systems	16.2%
Infrastructure	20.1%
Media & Digital	14.8%
Living Related & Real Estate	13.1%
Mineral Resources, Energy, Chemical & Electronics	21.4%
Corporate and Eliminations	1.8%

*1 Attributable to owners of the parent



Metal Products	15.7%
Transportation & Construction Systems	22.1%
Infrastructure	11.7%
Media & Digital	10.3%
Living Related & Real Estate	15.7%
Mineral Resources, Energy, Chemical & Electronics	21.5%
Corporate and Eliminations	3.0%

Business Segment

Profit*1 (billions of yen)

Total Assets (billions of yen)

Metal Products 	35.4 40.5 2017 2018	1,169.8 1,245.2 2017 2018
Transportation & Construction Systems 	70.8 52.0 2017 2018	1,914.0 1,752.5 2017 2018
Infrastructure 	35.7 64.4 2017 2018	878.0 923.1 2017 2018
Media & Digital 	59.0 47.5 2017 2018	841.5 813.2 2017 2018
Living Related & Real Estate 	34.5 42.1 2017 2018	1,139.4 1,243.3 2017 2018
Mineral Resources, Energy, Chemical & Electronics 	78.5 68.5 2017 2018	1,614.1 1,701.0 2017 2018

Performance Overview

FY2018 Summary

The Metal Products Business Unit posted profit of ¥40.5 billion, an increase of ¥5.0 billion from the previous fiscal year, primarily owing to the recovery in earnings from tubular products business in North America in spite of absence of one-off profit due to the U.S. tax reform in the previous fiscal year.

In the steel sheet segment, to enable greater flexibility in the deployment of its diverse human resources, we transferred parts of the business to Sumitomo Corporation Global Metals Co., Ltd. and Sumisho Metalex Corporation, respectively. In the tubular segment, we agreed with Metal One Corporation to integrate our tubular products businesses in Japan with the aim of responding more accurately to the domestic operating environment and achieving sustainable growth. We also invested in a Norwegian venture company that develops innovative oil and gas well equipment systems which will enable us to enhance oil and gas well productivity and provide solutions for safer and more stable operations. In the light metals segment, we invested in an aluminum materials refining business in Australia to stabilize and strengthen the profitability of the aluminum smelting business.

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In the Transportation & Construction Systems Business Unit, the construction equipment sales and rental businesses performed well. However, due to the absence of the previous year's one-off profit, profit attributable to owners of the parent decreased by ¥18.8 billion year-on-year to ¥52.0 billion.

In the lease, ship & aerospace segment, we completed capital restructuring of the lease business operated jointly with Sumitomo Mitsui Financial Group, Inc. In addition, we entered into an alliance with Bell Textron, a leading U.S. company in the air mobility-based transportation industry. In the automotive segment, Sumitomo Mitsui Auto Service Company, Limited (SMAS), participated in a financing and leasing business for commercial vehicles to meet diverse customer needs and issues, and also established a new company offering a service whereby customers can switch to a new car for a fixed fee. In the construction & mining equipment segment, we not only expanded our existing sales and rental business but also participated in a business that contributes to improving efficiency and productivity in customers' operation and management of vehicles and machinery.

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In the Infrastructure Business Unit, progress with construction works in major engineering, procurement, and construction (EPC) projects and solid performance of the power generation business were among the factors driving an increase of ¥28.7 billion year-on-year in profit attributable to owners of the parent, to ¥64.4 billion.

We contribute to the development of local communities and industries, achieving harmony with the global environment by developing and enhancing infrastructure that meets the needs of each country's society and industries. In developed countries, we progressed with renewable energy power generation businesses, participating in offshore wind power generation projects in Belgium and France and completing construction of a biomass power plant in Yamagata Prefecture in Japan. As well, we undertook an initiative to respond to growing infrastructure demand in emerging countries including the completion of a gas-fired combined cycle power generation plant in Mozambique. Regarding initiatives in new fields, we participated in a distributed energy resources project in Sub-Saharan Africa and a port terminal operating business in Myanmar.

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The Media & Digital Business Unit saw positive results, notably from its main domestic group companies and the Myanmar telecommunication business. However, due to the absence of valuation gains by IPO and capital gains on the stock sales of QUO CARD Co. Ltd. in the previous fiscal year, profit attributable to owners of the parent decreased ¥11.5 billion, to ¥47.5 billion.

As well as working to strengthen existing businesses such as Jupiter Telecommunications Co., Ltd. (J:COM), and SCSK Corporation, we also pursued a wide range of new business initiatives. In the media business segment, we established a new company whose activities include training of video content creators, and creation and distribution of video-based advertising. In the digital business segment, we set up an organization to promote companywide Digital Transformation (DX) as a means to increase the value of existing businesses and create new businesses by utilizing digital technologies. In the smart communications platform business segment, we entered into an alliance with one of Southeast Asia's largest telecommunications carriers and made an equity participation in one of its group companies, which operates a digital advertising business.

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The Living Related & Real Estate Business Unit saw a slowdown in the fresh produce production and wholesale business in North America and Europe. This was balanced, however, by increased profit due to strong performance in the real estate business and a commodity price recovery in the Asian banana market. These contributed to a ¥7.6 billion increase year-on-year in profit attributable to owners of the parent, to ¥42.1 billion.

In the lifestyle & retail segment, in addition to working to increase the value of existing businesses such as Summit, Inc., and Tomod's Inc., we invested in a managed care service company*² in Malaysia as an initiative in the healthcare business, where growth is forecast going forward. Meanwhile, Summit and SC Foods Co., Ltd., jointly established a meat-processing center. In the real estate segment, we rolled out the medium-sized office building brand "PREX" and additionally progressed with the development of the urban logistics facilities "SOSiLA" and the development of commercial facilities tailored to customer needs. Overseas, we formed and began operation of a second private investment fund targeting U.S. real estate.

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In the Mineral Resources, Energy, Chemical & Electronics Business Unit, although a rise of mineral resource prices brought increased profits in the Australian coal-mining business, the recording of an impairment loss in the Madagascar nickel business led to a ¥10.1 billion decrease in profit attributable to owners of the parent, to ¥68.5 billion.

Through a stable supply of mineral resources, energy, and chemical products, we contributed to an enriched society while protecting the global environment. In the mineral resources & energy segment, in addition to participating in the gold and copper mining business in Peru and the copper mining business in Chile, we began commercial operation of a liquid natural gas (LNG) project in the United States. In the basic chemicals & electronics field, we participated in a business manufacturing high-value-added petrochemical products in Thailand as part of initiatives to strengthen our manufacturing sector. In the life science field, we invested in an agricultural input and service business in Ukraine, while in Japan we pursued initiatives to create agricultural businesses using artificial intelligence (AI), drones, and other technologies.

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*² A company providing medical care-related services that works with private-sector health insurance companies and medical treatment facilities to put in place systems designed to promote medical treatment of higher quality at lower cost and improved personal health management.

Metal Products

- Steel Sheet Products Division
- Automotive Metal Products & Specialty Tubes Division
- Light Metals & Metal Products for Transportation Division
- Tubular Products Division

Working to deliver new value through metal product-related businesses

The Metal Products Business Unit deals primarily with metal products, which are the key materials for a variety of industries. We work to support societies and industries by delivering high-quality and high-performance products manufactured by steelmakers all over the world, and by undertaking business activities rooted in local communities with our global partners. We will not only provide solutions to society or customer needs, but also take on the challenge of creating innovation in the supply chain by upgrading business models through Digital Transformation (DX).

Our goal is to create new demand for metal products so as to realize growth with society.



Fumihiko Koba
General Manager

Overview and Analysis of Each Field

Field	Steel Sheet & Other Steel Products	Tubular Products	Non-Ferrous Products & Metals
Overview	We provide high-value-added services mainly to customers in the automobile, home appliance, and railway industries, through a broad range of business from material supplying to parts manufacturing.	Through our unique supply chain management (SCM) system, we have built a strong customer network and act as a total service provider to oil and gas companies.	Our participation in the overseas aluminum smelting and rolling business as well as in trading of ingots and rolled products highlights our integrated capabilities in the aluminum business.
Strengths	<ul style="list-style-type: none"> • Leading market shares in unique segments such as rails, wheels, and axles for railway • Expertise, solution capabilities, and a strong customer network in automobile related steel products 	<ul style="list-style-type: none"> • Our position as one of the world's largest handlers of oil country tubular goods (OCTG), and our expanded value chain • Strategic partnerships with energy majors, and service provision/development capabilities realized through our global network 	<ul style="list-style-type: none"> • Sharing our global growth strategy with leading partners in the upstream and midstream of aluminum value chain
Challenges	<ul style="list-style-type: none"> • Upgrading existing business models using information and expertise accumulated through steel products trading • Creating new business models from the client's perspective 	<ul style="list-style-type: none"> • Responding to the Fourth Industrial Revolution, and digitization • Responding to shift to low-carbon societies • Dealing with localization requirements in oil-producing countries 	<ul style="list-style-type: none"> • Further strengthening of the aluminum smelting operations, securing stable supplies of bauxite and alumina, and enhancing the added value of aluminum products
Opportunities	<ul style="list-style-type: none"> • Modal shifts in developed countries and railway infrastructure development in emerging countries • Global steady growth of automotive production • Growing demand for steel products driven by urbanization in emerging countries and infrastructure upgrades in developed countries 	<ul style="list-style-type: none"> • Cultivating metal products, equipment, and services used in the energy sector that are closely related to the OCTG business, expanding our share in OCTG market, and extending our business foundations by capitalizing on the Edgen Group network • Expanding the business into peripheral metal products and equipment, including new materials 	<ul style="list-style-type: none"> • Weight reductions in transportation equipment in preparation for low-carbon/recycling-oriented societies, shift to renewable energy, demands to recycle resources
Risks	<ul style="list-style-type: none"> • Market volatility due to steel oversupply and trade issues in various countries • Obsolescence of existing products due to the automotive industry's global environmental measures or dramatic change in business conditions due to the emergence of alternative materials 	<ul style="list-style-type: none"> • The emergence of protectionism • Structural change in the industry due to realignments in related industries 	<ul style="list-style-type: none"> • Intensifying competition with aluminum products from emerging countries, trade restrictions and market volatility caused by cross-border trading and political issues



OCTG stockyard (Oman)



Steel Service Center (Osaka)



Long rail transport vessel

Medium-Term Management Plan 2020 (Growth Strategies)

	Steel Sheet & Other Steel Products	Tubular Products	Non-Ferrous Products & Metals
Increase Value of Existing Business	<ul style="list-style-type: none"> Capture demand for steel products arising from urbanization in emerging countries and infrastructure upgrades in developed countries Expand the revenue base by participating upstream manufacturing process in specialty steel business Expand the revenue base by providing unique/integrated services in North American railway products and equipment businesses 	<ul style="list-style-type: none"> Strengthen the revenue base by implementing DX to upgrade OCTG SCM services and by taking initiatives in peripheral businesses 	<ul style="list-style-type: none"> Strengthen the revenue base by expanding the aluminum value chain, centered around aluminum smelting businesses in Malaysia
Create Next-generation Business	<ul style="list-style-type: none"> Promote next-generation manufacturing and machining processes at companies, such as steel service centers, by utilizing the Internet of Things (IoT), artificial intelligence (AI), and robotics 	<ul style="list-style-type: none"> Create new businesses by exploring and commercializing innovative maintenance/repair technologies that enable longer lives for oil and gas wells 	<ul style="list-style-type: none"> Promote next-generation operations by utilizing such technologies as IoT, AI, and robotics
Leverage Business Platforms	<ul style="list-style-type: none"> Create new value in automotive manufacturing-related businesses by utilizing the global materials procurement platform of the Metal Products Business Unit and the automotive value chain of the Transportation & Construction Systems Business Unit 	<ul style="list-style-type: none"> Create new value by leveraging our solid OCTG customer base, that enable us to accelerate the abovementioned DX and new technologies commercialization together with customers 	<ul style="list-style-type: none"> Create new value by leveraging business foundations, centered around aluminum smelting businesses in Malaysia together with our unique trading capabilities

Our Action on Sustainability

Supporting industries and people's lives in the future by helping to realize a stable aluminum supply

Aluminum is a material with distinctive properties, such as the highest levels of processability and heat conductivity of any metal. In recent years it has attracted particular interest as a material that can help reduce resource consumption and promote the circular economy due to its light weight and easy recyclability. For instance, the use of aluminum to reduce automobile weight promises to improve fuel efficiency. Moreover, used aluminum can be recycled repeatedly, as illustrated by beverage cans.

In a joint venture with Press Metal Aluminium Holdings Berhad, Malaysia's largest aluminum manufacturer, the Company operates Southeast Asia's largest aluminum smelting business, which delivers alloy for aluminum wheels and other products to Asia and other world markets. In the United States, meanwhile, together with Japanese company UACJ Corporation and other partners, we have an equity stake in rolled aluminum manufacturer Tri-Arrows Aluminum Inc. By making effective use of recycled materials, Tri-Arrows Aluminum delivers a stable supply of aluminum coil, the material used for beverage cans.

The Company will continue to contribute to a stable supply of materials to support industries and people's lives in the future.



Aerial view of the Press Metal Aluminium Holdings plant (Malaysia)

Transportation & Construction Systems

- Lease, Ship & Aerospace Business Division
- Automotive Manufacturing Business Division
- Automotive Sales & Marketing Business Division
- Automobility Business Division
- Construction & Mining Systems Division

Creating new value in the midst of the Fourth Industrial Revolution

We target sustainable growth in each of our business domains through flexible initiatives to expand, integrate, and evolve. These are based on our strength in the leasing and financing business, the global reach of our value chains in the automotive, construction and mining equipment, and ship businesses, and our advanced expertise in the aerospace-related business. Among specific strategies to create new value, we will leverage our upgraded leasing and financing business to pursue companywide synergies, invest in new business sectors that anticipate the next-generation mobility society, and combine start-ups with new and existing business platforms.



Shoichiro Oka
General Manager

Overview and Analysis of Each Field

Field	Lease, Ship & Aerospace	Automotive	Construction & Mining Equipment
Overview	While expanding and developing our ship, aerospace, aircraft leasing, and aircraft engine leasing businesses, we will blend our integrated business functions with those of the general leasing and financing company to realize further value creation.	While expanding and developing the core business of manufacturing, sales and marketing, financial services and mobility services, we aim to build new business and new value to respond to the next-generation mobility society.	We will promote global development of construction and mining equipment sales and marketing business and rental business, while further expanding our No. 1 position in the trading companies.
Strengths	<ul style="list-style-type: none"> • Japan's leading general leasing and financing business • World-top-class aircraft leasing business • Ship business that combines shipbuilding, owning, and charter functions 	<ul style="list-style-type: none"> • A value chain and business portfolio that covers upstream through downstream business fields on a global basis 	<ul style="list-style-type: none"> • Strong business management capabilities developed through many years of hands-on management • Talented local management teams in each region
Challenges	<ul style="list-style-type: none"> • Expanding business foundations of general leasing and financing, aircraft leasing, and aircraft engine leasing businesses while developing new businesses in peripheral areas • Upgrading of the defense/aerospace business by strengthening sales, financing, manufacturing and aftermarket functions 	<ul style="list-style-type: none"> • Innovating business and creating new business models to reflect next-generation mobility 	<ul style="list-style-type: none"> • Strengthening and expansion of business foundations in emerging markets • Creation of next-generation businesses utilizing advanced technologies
Opportunities	<ul style="list-style-type: none"> • Increase in demand for aircraft in emerging countries • Establishing and commercializing new functions in aircraft aftermarket 	<ul style="list-style-type: none"> • Response to the next-generation mobility society by leveraging existing business platforms • Collaboration with start-ups 	<ul style="list-style-type: none"> • Increase in construction demand due to population growth and urbanization in emerging countries • New business opportunities resulting from the spread of ICT machines and advanced technologies in construction industry
Risks	<ul style="list-style-type: none"> • Decrease in demand for leasing, shipping cargo movements, and aircraft accompanying the softening of growth in the global economy • Intensifying competition with newly emerging players in the areas of shipbuilding and aircraft leasing 	<ul style="list-style-type: none"> • Geopolitical market risks 	<ul style="list-style-type: none"> • Cyclical markets



Bulk carrier built by Oshima Shipbuilding Co., Ltd.



Stockholm's first electric car share.

EV car-sharing in Sweden



Hydraulic excavator and dump truck operating at customer's construction site (United States)

Medium-Term Management Plan 2020 (Growth Strategies)

	Lease, Ship & Aerospace	Automotive	Construction & Mining Equipment
Increase Value of Existing Business	<ul style="list-style-type: none"> Strengthening general leasing and financing, aircraft leasing and engine leasing businesses through capital restructuring and asset accumulation Strengthening ship owning business by diversifying the business model Developing the value chain in aircraft business field 	<ul style="list-style-type: none"> Strengthening the business foundations and developing into new areas through integrated initiatives in the areas of manufacturing, sales and marketing and mobility service including leasing and financing 	<ul style="list-style-type: none"> Building the resilient business infrastructure with its geographical expansion through enhancing asset efficiency, strengthening after-sales service system and improving operation quality
Create Next-generation Business	<ul style="list-style-type: none"> Creating new business models gained from access to advanced technologies in the defense, aerospace and their peripheral fields 	<ul style="list-style-type: none"> Creating new business models through investments into start-ups related to CASE, MaaS (Mobility as a Service) and through social proving test of new technologies and services 	<ul style="list-style-type: none"> Creating new business models in the area of ICT construction and precision agriculture by utilizing autonomous and connected technologies, AI and other advanced technologies
Leverage Business Platforms	<ul style="list-style-type: none"> Creating new value by combining the domestic general leasing and financing business with the Sumitomo Corporation Group's expertise, networks and businesses 	<ul style="list-style-type: none"> Creating new value by combining new technologies and services with our existing business platform, such as auto leasing in Japan, automotive financing in Indonesia and tire distribution in the United States 	<ul style="list-style-type: none"> Promoting geographical business expansion and creating new business models in peripheral area by utilizing the globally developed foundation of sales and marketing business and rental business

Our Action on Sustainability

Launch of project to maximize potential of EVs and batteries

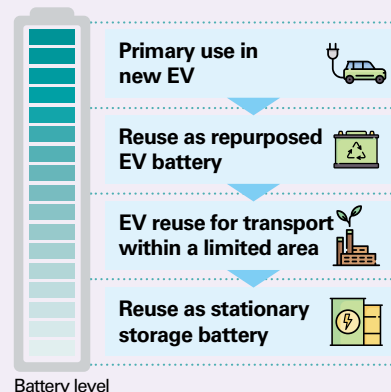
Sumitomo Corporation has launched a "cascade reuse project" in collaboration with Nissan Motor Co., Ltd., our group member Sumitomo Mitsui Auto Service Company, Limited, and the battery recycling business operator 4R Energy Corporation*.

Recently, the use of electric vehicles (EVs) has been expanding worldwide. However, as EV batteries deteriorate with age, its driving range becomes restricted, making it increasingly difficult to function adequately as a passenger vehicle. In response, our project proposes second- and third-hand uses for EVs and their batteries according to the change in their performance. The aim is to put in place an eco-friendly system by fully utilizing the value of EVs and batteries at the different stages of their life cycle.

For example, a battery with a short driving range for its primary use is still sufficient for use in a vehicle for internal transport within a large industrial site. Later, when the battery capacity has further declined, it can be removed and installed in a retail store, where it can still serve as an emergency power source. By combining multiple operations in this way, the project will maximize the potential of EVs and batteries.

* Capital provided by Nissan Motor and Sumitomo Corporation

EV cascade reuse model



Battery level

Maximizes EV and battery value and contributes to creating an eco-friendly, recycling-oriented society



Infrastructure

- Social Infrastructure Business Division
- Global Power Infrastructure Business Division
- Logistics Infrastructure Business Division

Stay ahead, Shape the future

By staying a step ahead in dealing with change and creating new value in response to the needs of each client and local community, we aim to make a wide-ranging contribution to society by adding our own value to it. To help resolve social issues, we contribute to the development of local communities and industries, achieving harmony with the global environment by developing and enhancing infrastructure that meets the needs of each country's society and industries. In developed countries, we emphasize environment-friendly infrastructure development such as power generation from renewable sources. In emerging countries, we work to resolve shortages in power and water, taking steps to develop transportation infrastructure and logistics networks to support development of local communities and building foundations of people's lives.



Tsutomu Akimoto
General Manager

Overview and Analysis of Each Field

Field	Social Infrastructure	Global Power Infrastructure	Logistics Infrastructure
Overview	We are engaged in electricity retail businesses in Japan, industrial infrastructure businesses such as industrial facilities, water infrastructure businesses, businesses related to transportation infrastructure, and airport and Smart City development.	We are engaged in power generation businesses including renewable energy as well as power plant EPC businesses, both in Japan and overseas.	In addition to logistics services such as shipping, customs clearance, and delivery, we also arrange various insurance contracts, and develop and operate overseas industrial parks.
Strengths	<ul style="list-style-type: none"> • Project management capabilities backed by an extensive engineering, procurement, and construction (EPC) track record • A wealth of knowledge and expertise, stretching from business development to project management • Wide-ranging industry network maintained and developed by specialists stationed worldwide • Market presence with communication channel and capabilities developed through decades of business 		<ul style="list-style-type: none"> • Knowledge and track record in the global distribution of a variety of products • Insurance risk management capabilities • Extensive experience in developing and operating industrial parks, and support capabilities for tenant companies
Challenges	<ul style="list-style-type: none"> • Aiming to optimize utilization and deployment of personnel on a global basis to develop businesses globally, cultivate markets and capture demand, and secure cost competitiveness • Increasing the value of existing businesses and seeking to create new businesses through the active use of new technologies such as AI and IoT 		
Opportunities	<ul style="list-style-type: none"> • Increase in demand for eco-friendly infrastructure due to growing environmental awareness and economic development of emerging countries, and the increase in business opportunities resulting from the opening up of public infrastructure to the private sector 		<ul style="list-style-type: none"> • Rising demand for logistics and insurance brought about by changes in the trade environment • The increased need for logistics insurance services and overseas industrial parks as a result of the global business expansion of Japanese companies
Risks	<ul style="list-style-type: none"> • Drastic changes in industries, such as M&A activities among major manufacturers in power generation industry in Japan, the United States and Europe, and the emergence of China • Changes in conditions or regulatory strengthening for coal-fired power plants and changes to respective countries' incentive schemes for renewable energy power generation businesses 		



Artist's rendering of completed Smart City project (North Hanoi)

Kinyerezi gas-fired power plant (Tanzania)

Thang Long Industrial Park (Vietnam)

Medium-Term Management Plan 2020 (Growth Strategies)

	Social Infrastructure	Global Power Infrastructure	Logistics Infrastructure
Increase Value of Existing Business	<ul style="list-style-type: none"> Expand the electricity retail business in Japan and the machinery and electric trades making use of the Group's network Further accumulate assets in water infrastructure businesses Scrutinize the focus markets for railway EPC and take on the best projects after thorough deliberation 	<ul style="list-style-type: none"> Further accumulate high-quality power generation assets Shift emphasis in the power generation asset portfolio to gas and renewable energy <p>Net ownership capacity: 7,699MW (including 1,396MW in renewable energy) as of March 31, 2019</p>	<ul style="list-style-type: none"> Promote global development and expand logistics and insurance functions to contribute to increases in groupwide corporate value Extend existing projects in the area of overseas industrial parks, and develop new projects
Create Next-generation Business	<ul style="list-style-type: none"> Participate in new social infrastructure fields utilizing public-private partnership (PPP)/ private finance initiative (PFI) opportunities Penetrate in operator businesses based on our knowledge of railway EPC Create new smart energy/energy management businesses to deal with decentralized societies 	<ul style="list-style-type: none"> Create next-generation power generation business models, such as energy management businesses using storage batteries, that will succeed EPC and independent power producers (IPPs) 	<ul style="list-style-type: none"> Develop new projects in new focus areas, such as retail logistics Implement initiatives aimed at new logistics service and business models that make use of digital technologies
Leverage Business Platforms	<ul style="list-style-type: none"> With the view that the "Smart City" urban planning trend will offer a variety of opportunities for business development, the Company will use smart cities such as the one in northern Hanoi as platforms to promote the development of new social infrastructure businesses 	<ul style="list-style-type: none"> Make further contributions to development of local communities and to the Company's presence in the market by enabling other business units to make use of the connections and relationships of trust established with foreign governments in the course of sales and implementing activities for power generation EPC projects 	<ul style="list-style-type: none"> Pave the way for further expansion of the revenue base for the business of this division and other Sumitomo Corporation Group businesses by utilizing automated logistics warehouses and new technologies such as robotic process automation (RPA), and by working to enhance our globe-spanning logistics network

Our Action on Sustainability

Contributing to disaster recovery and local revitalization through solar power generation projects

Minamisoma in Fukushima Prefecture suffered devastating damage in the Great East Japan Earthquake. In 2012, one year after the earthquake, we began drawing up plans to contribute to reconstruction by building two solar power plants (in total 92.2 MW) on 150 hectares of land consisting of agricultural land that was made unsuitable for cultivation by the tidal wave and former residential land. The first phase and the second phase of works were completed in March and December 2018, respectively, and commercial operations have begun on both sites.

This project is a contribution to the Minamisoma City Renewable Energy Vision launched by the municipal government and counts as an iconic element of the post-disaster reconstruction that is still in progress. In 2016, we concluded a community contribution agreement with the city under which we are cooperating actively in areas including promoting widespread use and awareness of renewable energy, environmental education, and tourism development. Going forward, we will continue contributing to the recovery and development of the city and the revitalization of this region.



Phase 1 (Completed March 20, 2018; commercial operations begun)



Phase 2 (Completed December 10, 2018; commercial operations begun)

Media & Digital

- Media Division
- Digital Business Division
- Smart Communications Platform Business Division

Contributing to Sumitomo Corporation Group's DX and building the basis of a smart society with enabler functions for innovation

In the media field, alongside our industry-leading companies J:COM and Jupiter Shop Channel, we will promote promising digital media-related businesses. In the digital business field, we will accelerate DX groupwide by leveraging SCSK. In addition, we will promote innovation groupwide by adopting advanced technologies and strengthening our capacity for investment in start-ups worldwide. In the smart communications platform business field, we will expand our operations in Japan and overseas through businesses such as T-Gaia and Myanmar Posts and Telecommunications (MPT), contributing to building the basis of a smart society.



Toshikazu Nambu
General Manager

Overview and Analysis of Each Field

Field	Media Business	Digital Business	Smart Communications Platform Business
Overview	We engage in cableTV, multichannel programming distribution, movies, and other media businesses, as well as digital media-related, video content-related, and TV shopping businesses.	In addition to implementing the Sumitomo Corporation Group's IT strategy and DX promotion, we will pursue the digital solutions business and investment in start-ups.	We will expand the smart communications platform business, focusing on telecommunication infrastructure and value-added services.
Strengths	<ul style="list-style-type: none"> • J:COM, with the No. 1 share of the cable TV market • Jupiter Shop Channel, live broadcast 24 hours a day, 365 days a year 	<ul style="list-style-type: none"> • SCSK, a leading IT solutions provider • Access to advanced technologies on a global basis 	<ul style="list-style-type: none"> • T-Gaia, No. 1 mobile phone distributor in Japan • MPT, No. 1 telecom operator in Myanmar
Challenges	<ul style="list-style-type: none"> • Enhancing J:COM's comprehensive lifestyle concierge functions • Developing new services adapted to changing lifestyles 	<ul style="list-style-type: none"> • Promotion of Sumitomo Corporation Group's DX • Upgrading of IT infrastructure groupwide • Acceleration of SCSK's shift to service-oriented businesses 	<ul style="list-style-type: none"> • Expansion of value-added services in Myanmar • Horizontal expansion of telecommunication infrastructure and related services • Building the basis of a smart society
Opportunities	<ul style="list-style-type: none"> • Deregulation of electricity and gas retailing • Changes in the way that young people consume media • Initiatives in digital marketing platform businesses based on data utilization 	<ul style="list-style-type: none"> • Acceleration of innovation, such as upgrading of businesses and creation of new businesses through digital revolution 	<ul style="list-style-type: none"> • Changes in lifestyle with the development of a smart society • New business opportunities with 5G mobile technologies
Risks	<ul style="list-style-type: none"> • Changes in the competitive environment caused by an acceleration of the fusion between broadcasting and telecommunications • Market shrinkage in Japan due to a declining birth rate and an aging population 	<ul style="list-style-type: none"> • Changes in the industry structure due to digital disruption 	<ul style="list-style-type: none"> • Structural changes in the global telecom market



J:COM 4K Demo Event



Telecommunications business in Myanmar (MPT)



Promoting DX groupwide

Medium-Term Management Plan 2020 (Growth Strategies)

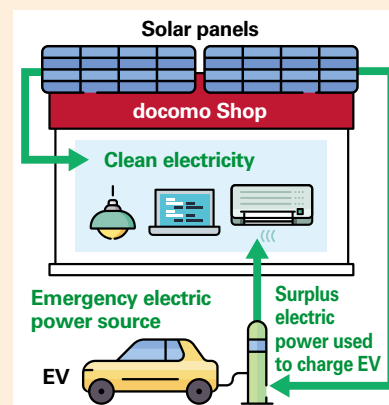
	Media Business	Digital Business	Smart Communications Platform Business
Increase Value of Existing Business	<ul style="list-style-type: none"> J:COM: Enhance three main services and life infrastructure services Jupiter Shop Channel: Expand its business base and grow its customer base by reinforcing sales channels and marketing activities 	<ul style="list-style-type: none"> Upgrade ICT infrastructure groupwide to increase value of existing businesses and promote workstyle innovation Transform SCSK's revenue model by expanding its own product line-up and by shifting to service-oriented businesses, as well as developing businesses globally 	<ul style="list-style-type: none"> Increase the value of existing businesses of T-Gaia and MPT, and provide new services by making the most of their No. 1 positions in the market
Create Next-generation Business	<ul style="list-style-type: none"> Expand digital media-related businesses and video content-related businesses globally. Initiatives in digital marketing platform businesses based on data utilization 	<ul style="list-style-type: none"> Promote the Group's DX by utilizing advanced technologies cultivated through investment in and joint creation with start-ups 	<ul style="list-style-type: none"> Contribute to the development of local societies and industries by expanding telecommunication infrastructure and extending various services in emerging countries focused on South-East Asia
Leverage Business Platforms	<ul style="list-style-type: none"> Develop various new services using the customer bases of J:COM and MPT as well as information and communications infrastructure as a platform Upgrade the Group's businesses and create new values by integrating "enabler functions" such as finance and logistics with SCSK's IT technology 		

Our Action on Sustainability

Eco-friendly initiative with solar panels

Mobile phone distributor T-Gaia, which runs approximately 2,000 mobile phone shops in Japan, has begun installing solar panels at the docomo shops that operates under franchise from NTT DOCOMO, INC., one of Japan's largest mobile phone carriers. Using the clean electricity generated by these solar panels works to counter global warming by reducing CO₂ emissions and also helps to optimize energy supply and demand to reduce costs. Additionally, in partnership with SMAS, which operates a car-leasing business, T-Gaia is expanding the number of shops provided with electric vehicles (EVs). In the event of an emergency, electric power is supplied not only by the solar panels but also by the EV's storage battery, allowing the shop to restore operations rapidly and ensuring safety and peace of mind for customers and staff.

Through businesses like these, we provide solutions to social issues and contribute to creating a sustainable, safe, and enriched society.



As well as solar panels, T-Gaia is promoting the introduction of EVs and battery charging points at mobile phone shops

Living Related & Real Estate

- Lifestyle & Retail Business Division
- Food & Agriculture Business Division
- Materials, Supplies & Real Estate Division

Creating new and distinctive value and lifestyles through consumer-related products and services

In the lifestyle & retail field, we will further extend the scope of our businesses to respond to diverse consumer needs, through retail businesses such as supermarket chains, healthcare-related businesses such as drugstore chains, and textile businesses. In the food & agriculture field, we aim to expand our food distribution business, which focuses mainly on fruits, vegetables, and meat, and to develop stable business foundations for grains and other foodstuffs. In the materials, supplies and real estate field, we will continue to expand environment-friendly forest products and biomass fuel businesses. Moreover, we will focus on our core businesses, including retail facilities, condominiums, logistics facilities, and the real estate fund business, while actively developing our overseas real estate businesses.



Nobuki Ando
General Manager

Overview and Analysis of Each Field

Field	Lifestyle & Retail	Food & Agriculture	Materials, Supplies & Real Estate
Overview	We are developing retail businesses such as supermarket chains, healthcare-related businesses, including pharmacies and drugstore chains, and textile businesses in response to diverse consumer needs.	We are developing food distribution businesses dealing in fruits and vegetables, meat, fruit juice, and other fresh and processed foods and businesses handling food materials such as grains, oils, and sweeteners.	We are developing materials & supplies businesses such as building materials, cement, forest products, and biomass fuel, as well as real estate businesses which develop office buildings, retail facilities, condominiums and logistics facilities, etc.
Strengths	<ul style="list-style-type: none"> • Expertise in retail businesses acquired through the management of Summit, and Tomod's. • Expertise in healthcare-related business and drug dispensing acquired through the management of Tomod's • Store network of Summit and Tomod's locations primarily in Tokyo Metropolitan area 	<ul style="list-style-type: none"> • Robust global platform for food distribution and sale • Customer focused product development and marketing capabilities 	<ul style="list-style-type: none"> • Extensive track record of developing and managing comprehensive portfolio of real estate projects in Japan • Development of a top-class construction materials-related business • Strong management capabilities of large-scale wood businesses
Challenges	<ul style="list-style-type: none"> • New retail adjacent business development and new overseas business development • Creating growth opportunities and new businesses in the growing healthcare field 	<ul style="list-style-type: none"> • Strengthening and expanding the food business value chain • Entering growth markets, and creating new businesses such as functional foods 	<ul style="list-style-type: none"> • Establishment of biomass fuel manufacturing businesses • Further expansion of timberlands • Expand share of overseas real estate businesses in our portfolio
Opportunities	<ul style="list-style-type: none"> • Expansion of overseas retail market, primarily in emerging countries with growing middle class • Development of new businesses that lead to greater efficiency in rising medical expenses in Japan and other developed countries, as well as installations of medical infrastructure in emerging countries 	<ul style="list-style-type: none"> • Growing demand for quality food mainly in emerging countries • Growing demand for health & beauty benefits encompassing foods in developed markets • Evolving agriculture and production technologies through cutting-edge innovation 	<ul style="list-style-type: none"> • Increase in demand for real estate and construction materials due to the Tokyo 2020 Olympic and Paralympic Games • Increase in exports of timber products to China as the result of a ban on the logging of natural forests in China • Rising demand for biomass fuel due to the expansion of renewable energy
Risks	<ul style="list-style-type: none"> • Decline in consumer confidence due to worsening economic conditions • Labor shortages caused by an increasingly competitive business environment 	<ul style="list-style-type: none"> • Extreme weather patterns affecting harvest and sales price in recent years • Changes in global food supply, production, and logistics 	<ul style="list-style-type: none"> • Contraction in demand for construction materials and impact on the real estate market caused by the declining population of Japan • Rise in forest valuations



Interior of Summit supermarket, Hon-Amanuma store



SC Foods "Yongenton Silky Pork"



HARUMI FLAG, planned redevelopment of the Olympic village site

Medium-Term Management Plan 2020 (Growth Strategies)

	Lifestyle & Retail	Food & Agriculture	Materials, Supplies & Real Estate
Increase Value of Existing Business	<ul style="list-style-type: none"> Summit: Accelerate new store openings, establish city-center small-store formats, and enhance ready-made dishes and delicatessen products offering Tomod's: Enhance business by leveraging new store development including M&A opportunities, and by expanding at-home prescription dispense services 	<ul style="list-style-type: none"> Fyffes: Accelerate supply source integration Expand the food business value chain Stabilize the revenue base for the food material business 	<ul style="list-style-type: none"> Expand forest products businesses by acquiring higher-quality timberlands Expand overseas businesses and fund and REIT businesses in the real estate field
Create Next-generation Business	<ul style="list-style-type: none"> Expand overseas presence by leveraging expertise acquired from domestic retail business Create a foundation for healthcare-related businesses both in Japan and overseas 	<ul style="list-style-type: none"> Enter highly valued food market with functional food Expand presence in emerging markets Undertake initiatives in businesses utilizing new technologies including agritech 	<ul style="list-style-type: none"> Increase the procurement capacity for biomass fuel and expand existing processing facilities Implement initiatives for development of smart cities Promote overseas urban development projects, supporting social infrastructure development
Leverage Business Platforms	<ul style="list-style-type: none"> Leverage our business foundation such as retail store network of Summit and Tomod's stores 	<ul style="list-style-type: none"> Utilize SC Foods' sales network product planning and proposal capabilities Strengthen collaboration with our retail business portfolio 	<ul style="list-style-type: none"> Utilize real estate as a business foundation Leverage new mechanisms for raising funds

Our Action on Sustainability

Investing in the managed care business, a step toward controlling rising medical expenditures

In FY2018, we invested in the managed care business in Malaysia. Managed care is a system of three-way collaboration between private insurance companies, managed care service companies, and medical care facilities to promote medical care of higher quality and lower cost and to improve personal health management. This is already being implemented in such countries as the United States, Singapore, and the Philippines.

In Malaysia, which is affected by demographic aging and an increase in lifestyle-related diseases, the quality and supply of medical care services in recent years has lagged behind the rising medical treatment demand, while the advance of medical technologies has also contributed to rising medical expenditures.

By reducing expenditures and delivering higher-quality services, we are working to resolve social issues of this kind. For the future, we foresee the building of platforms to realize enhanced managed care in the Asian healthcare market, which will not only contribute to the development of local communities and industries but also help to build the foundations for comfortable and enriching lifestyles.



Head office of PMCare, a managed care business operator with investment by Sumitomo Corporation

Mineral Resources, Energy, Chemical & Electronics

- Mineral Resources Division No.1
- Mineral Resources Division No.2
- Energy Division
- Basic Chemicals & Electronics Division
- Life Science Division

Contributing to an enriched society through mineral resources, energy, and chemical businesses

While promoting harmonization with the global environment, we work to contribute to the development of local communities and industries. We are also accelerating initiatives in human resources development, promoting diversity, and digital innovation to help build the foundations for comfortable and enriching lifestyles. In the mineral resources and energy field, we work to deliver stable supply to the industry by building an optimal portfolio with diversified risk. In the chemicals and electronics field, through further strengthening of the combination of trading and manufacturing, we will increase value and thereby contribute to the development of society.



Shingo Ueno
General Manager

Overview and Analysis of Each Field

Field	Mineral Resources & Energy	Chemicals & Electronics
Overview	By developing and promoting mineral resources and energy projects, we contribute to stable supply and the development of local communities. In the trading business, we are developing a variety of businesses by extending the value chain and utilizing derivative functions.	In the field of basic chemicals and electronic materials, we provide high-value-added services and raw materials through a combination of trading and manufacturing businesses. In the fields of pharmaceuticals, crop protection products, cosmetics, fertilizers, and veterinary medicine, we are developing businesses based on our advanced expertise to contribute to the enrichment of people's daily life.
Strengths	<ul style="list-style-type: none"> • Equity interests in high-quality mineral resources, oil, and natural gas projects • Experience and expertise accumulated by participating in operation and business management of mines • Synergies between trading business and projects and benefits of value chains 	<ul style="list-style-type: none"> • Global customer base developed over many years in trading business • High degree of specialization, knowledge, and expertise in businesses such as electronics manufacturing services, crop protection products, and pharmaceuticals, fields in which we have a strong competitive advantage • Sales network for crop protection products in countries worldwide
Challenges	<ul style="list-style-type: none"> • Achievement of stable profitability and strengthening of competitiveness through continuous cost reductions for existing major projects • Extending the value chain of existing businesses and developing new business models • Active initiatives in eco-friendly businesses 	<ul style="list-style-type: none"> • Strengthening the combination of trading and manufacturing, and promoting cross-organizational collaboration to expand the revenue base • Creating new businesses based on the shift to electric vehicles (EVs), energy saving, and changes in industry structure such as IoT
Opportunities	<ul style="list-style-type: none"> • Increase in demand for mineral resources, oil, and natural gas over the medium- to long-term driven by sustainable economic growth • Asset replacement and securing of high-quality projects from a medium- to long-term perspective 	<ul style="list-style-type: none"> • Higher demand due to population growth and economic development in emerging countries • Increase in business opportunities from technological innovations related to energy saving and resource saving
Risks	<ul style="list-style-type: none"> • Weak demand resulting from slowing economic growth in China and emerging countries • Increase in production among major natural resource companies and continued oversupply • Country risks associated with projects • Climate change risk 	<ul style="list-style-type: none"> • Slowdown of economic growth and currency depreciation among emerging countries • Market downturns due to weather and other external factors • Loss of advantages due to technological innovation, industry reorganization, or new entry of other companies



Medium-Term Management Plan 2020 (Growth Strategies)

	Mineral Resources & Energy	Chemicals & Electronics
Increase Value of Existing Business	<ul style="list-style-type: none"> Improve profitability for upstream resources projects and reinforce cost competitiveness (nickel mining and refining business in Madagascar; copper and molybdenum mining business in Chile; silver-zinc-lead mining business in Bolivia; and other businesses) Expand trading in natural gas and LNG among the United States, Europe, and Asia 	<ul style="list-style-type: none"> Strengthen the core business in the Sumitronics Corporation Group, Sumitomo Shoji Chemicals Co., Ltd., distribution companies of crop protection products (such as Sumi Agro Europe) Increase the value of the U.S. generic pharmaceutical business (Upsher-Smith Laboratories)
Create Next-generation Business	<ul style="list-style-type: none"> In the upstream resources field, leverage our strengths to uncover and acquire new cost-competitive assets taking megatrends into account Develop LNG infrastructure business and FPSO owning and chartering business Conduct hydrogen-related business (production of CO₂-free hydrogen, fuel cell batteries, etc.) Develop environment-friendly businesses (lithium-ion battery business, carbon fiber composite materials business, etc.), including a shift to EVs 	<ul style="list-style-type: none"> Undertake initiatives in solutions businesses based on agricultural IoT (agricultural drones, water-level sensors, etc.) Move into the field of development of formulas and proposal to cosmetic companies Improve power consumption efficiency and expand materials businesses related to energy saving (silicon carbide wafer business, engineering resin manufacturing business, etc.)
Leverage Business Platforms	<ul style="list-style-type: none"> Leverage the customer base of domestic LPG retail businesses to promote new businesses such as electricity retail and housing-related operations Build an electronic platform to ensure smooth operations of precious metal trading 	<ul style="list-style-type: none"> Promote the horizontal expansion of the agricultural input & service business Expand the value chain to the resin molding business by leveraging the Sumitronics Corporation Group's business foundation

Our Action on Sustainability

Focusing on establishment of a supply chain that reflects awareness of the environment, society, and human rights

Sumitomo Shoji Chemicals has achieved growth in the chemicals and electronics field mainly through trading. Businesses in this field have links to many other industries and are therefore required to adapt a wide range of changing factors including society's needs, the business environment, and technological innovation. With heightened awareness of the environment and human rights, businesses are now required to carry out checks, extending upstream as far as raw materials, to ascertain the level of compliance with chemical substance regulations and environment-related laws and regulations, and to verify measures to prevent forced labor and child labor.

Greater numbers of the company's clients are setting up green procurement programs aimed at managing chemical substances contained in products and promoting environmental protection. Sumitomo Shoji Chemicals not only requires compliance from its suppliers but is using the platform provided by Sedex Information Exchange Limited.* to build an ethical supply chain that reflects awareness of the environment, society, and human rights.

* Sedex is an NPO providing the world's largest platform for management and sharing of ethical supply chain data.



Sumitomo Shoji Chemicals works to build an ethical supply chain in a wide range of fields such as electronics and automotive parts

Domestic and Overseas Offices

(As of April 1, 2019)

● indicates the cities in which our offices are located.



Overseas

65 countries and regions

38 subsidiaries ---- 84 locations

2 branches ----- 2 locations

1 sub-branch ----- 1 location

24 offices ----- 24 locations

Total

111 locations

Japan

Headquarters

3 subsidiaries ---- 9 locations

6 offices ----- 12 locations

Total

22 locations

Offices

133 locations

66 countries and regions

Consolidated subsidiaries and associated companies (As of March 31, 2019)

931 companies

79 countries and regions

NORTH AMERICA

New York
Detroit
Washington, D.C.
Chicago
Houston
Denver
Silicon Valley
Los Angeles
Calgary
Toronto
Vancouver
Montreal

CENTRAL AMERICA

Mexico City
Salamanca
Guatemala
Havana

Japan

Tokyo
Sapporo
Muroran
Sendai
Niigata
Hamamatsu
Nagoya
Osaka
Hiroshima
Takamatsu
Niihama
Imabari
Kita-Kyushu
Fukuoka
Nagasaki
Kagoshima
Naha

SOUTHEAST AND SOUTHWEST ASIA

Singapore
Manila
Hanoi
Ho Chi Minh City
Phnom Penh
Vientiane
Bangkok
Kuala Lumpur
Jakarta
Surabaya
Yangon
Nay Pyi Taw
Dhaka
New Delhi
Mumbai
Chennai
Karachi
Islamabad

SOUTH AMERICA

Sao Paulo
Rio de Janeiro
Caracas
Bogota
Quito
Lima
Buenos Aires
Santiago

Corporate Profile (As of March 31, 2019)

Trade Name	Sumitomo Corporation
Establishment Date	December 24, 1919
Paid-in Capital	¥219.4 billion
Fiscal Year	From April 1 of each year through March 31 of the following year
Number of Consolidated Subsidiaries	626 (Overseas 531, Domestic 95)
Associated Companies [Equity Method]	305 (Overseas 252, Domestic 53)
Total	931
Number of Employees	5,295* (Consolidated Base: 65,662)
Head Office	OTEMACHI PLACE EAST TOWER 3-2 Otemachi 2-Chome, Chiyoda-ku, Tokyo 100-8601, Japan
URL	https://www.sumitomocorp.com

* Includes 169 staff employed by Company branches and offices overseas.

Stock Information (As of March 31, 2019)

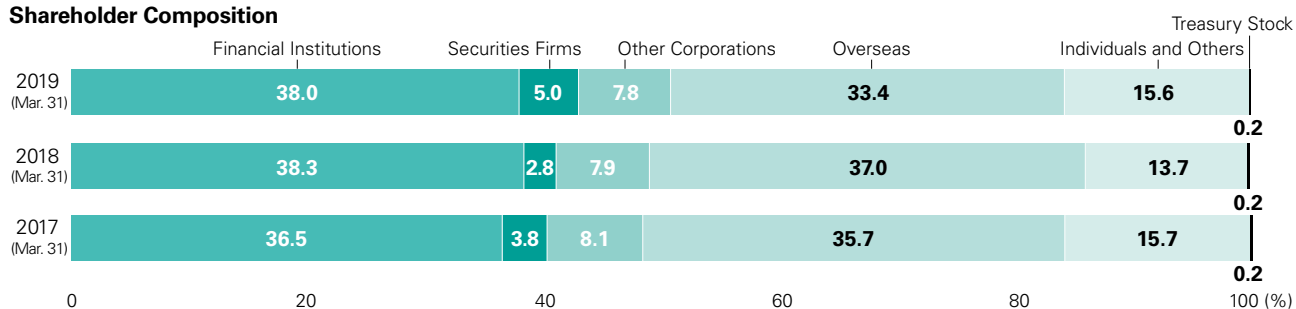
Stock Listings		Tokyo, Nagoya and Fukuoka
Securities Identification Code		8053
American Depository Receipts	Ratio	1ADR:1ORD
	Exchange	OTC (Over-the-Counter)
	Symbol	SSUMY
	CUSIP Number	865613103
Depository and Registrar		Citibank, N.A. Depository Receipts Services, P.O. Box 43077, Providence, Rhode Island 02940-3077, U.S.A.
Overseas Dial-in		1-781-575-4555
Toll Free Number		1-877-248-4237 (CITI-ADR)
Number of Issued Shares		1,250,787,667 (including 1,872,865 treasury stock)
Number of Shareholders		157,060

Major Shareholders

Rank	Name	Number of Shares (Thousands of shares)	Shareholding Ratio (%)*
1	The Master Trust Bank of Japan, Ltd. (trust account)	97,744	7.83
2	Japan Trustee Services Bank, Ltd. (trust account)	66,383	5.32
3	Sumitomo Life Insurance Company	30,855	2.47
4	Japan Trustee Services Bank, Ltd. (trust account 5)	22,883	1.83
5	Japan Trustee Services Bank, Ltd. (trust account 9)	21,130	1.69
6	Mitsui Sumitomo Insurance Company, Limited	20,000	1.60
7	State Street Bank West Client - Treaty 505234	17,450	1.40
8	JP Morgan Chase Bank 385151	17,372	1.39
9	Japan Trustee Services Bank, Ltd. (trust account 4)	16,954	1.36
10	JP Morgan Chase Bank 385632	16,211	1.30

* The shareholding ratio is calculated by dividing the number of shares held by the number of shares outstanding—which is derived by deducting treasury stock (1,872,865 shares) from the total number of issued shares—and rounding to the second decimal place.

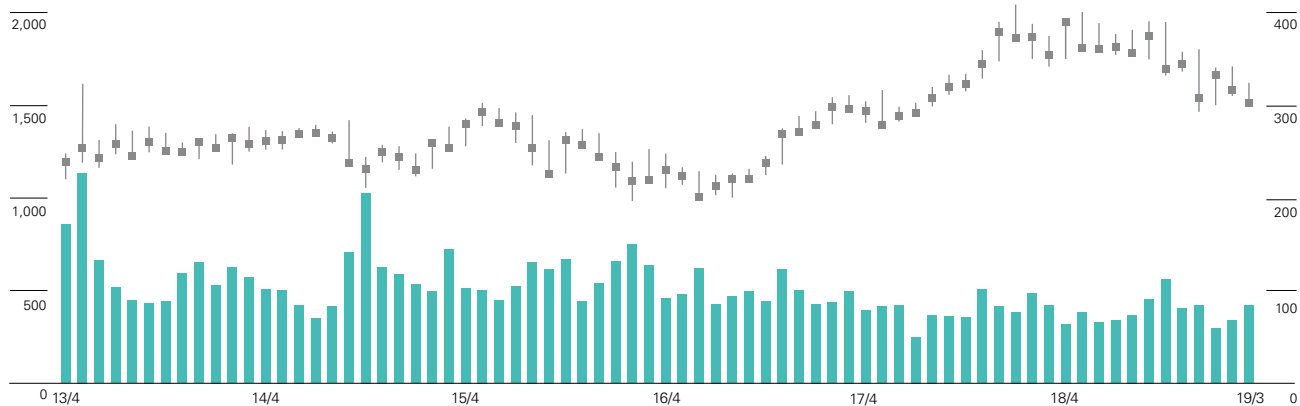
Shareholder Composition



* The total of the shareholding ratios may not equal 100% because of rounding to the first decimal place.

Stock Price and Trading Volume*

— High and Low (left) ■ Closing Price (left)
(Yen)



		18/4	5	6	7	8	9	10	11	12	19/1	2	3
Stock Price (Yen)	Closing Price	1,969	1,827	1,820	1,835	1,803	1,894	1,713	1,743	1,561	1,681	1,600	1,531
	High	1,969	1,999	1,939	1,884	1,904	1,948	1,945	1,783	1,796	1,698	1,709	1,616
	Low	1,747	1,810	1,788	1,772	1,775	1,741	1,658	1,676	1,460	1,500	1,545	1,518
Trading Volume (In thousands of shares)		63,851	76,190	66,111	67,899	73,284	89,245	110,764	79,603	83,388	58,586	66,566	83,083

* The above stock prices and trading volume are based on Tokyo Stock Exchange data.

Organization (As of April 1, 2019)



IR/SR* Activities (As of March 31, 2019)

We facilitate direct communication with shareholders and other investors, in addition to enhancing disclosure on our website. An executive officer with responsibility for dialogue with shareholders and other investors exercises overall control of and coordinates such IR initiatives shown below. Also, related in-house departments contribute to IR initiatives by distributing information and collecting feedback from shareholders and other investors. Going forward, the Company will continue to increase the transparency of its management, implementing fair disclosure at all times, integrating financial and non-financial information, and strengthening relationships of trust with shareholders and investors by displaying initiatives to increase the corporate value of the Sumitomo Corporation Group over the medium- to long-term.



Staff of the Investor Relations Dept.

*IR: Investor Relations SR: Shareholder Relations

FY2018 IR/SR Activities

	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
		■ Announcement of annual results			■ Announcement of 1st quarter results			■ Announcement of semi-annual results			■ Announcement of 3rd quarter results	
			■ General meeting of shareholders				■ Publication of the integrated report					
For individual investors				■ Meetings for individual investors							■ Online meeting for individual investors	
For analysts and institutional investors		■ Overseas IR						■ Overseas IR				■ Overseas IR
							■ Overseas SR	■ ESG small meeting				

Number of individual meetings with institutional investors in FY2018

Japan	Overseas			
	Europe	Asia	The Americas	Total
167	35	26	36	97

Number of participants in briefing meetings for individual investors in FY2018

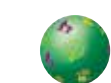
Japan (13 locations in 12 cities)	Online
1,686	1,768

External Recognition

In addition to being selected for inclusion in the stocks tracked by major Japanese and overseas ESG indices, Sumitomo Corporation receives high ratings from a wide range of external organizations.

Inclusion in ESG indices

- FTSE4Good Index Series
- FTSE Blossom Japan Index 2019
- MSCI Japan Empowering Women Index (WIN)*
- S&P/JPX Carbon Efficient Index
- SNAM Sustainability Index



FTSE4Good



FTSE Blossom Japan



MSCI Japan Empowering Women Index (WIN)

Other external evaluations

- CDP: Awarded Leadership level in the Forests questionnaire and Management level in the Climate Change and Water Security questionnaires
- Ministry of Health, Labour and Welfare (Japan): "Platinum Kurumin" certification
- Ministry of Health, Labour and Welfare (Japan): "Eruboshi" (L Star) company certification
- Ministry of Economy, Trade and Industry (Japan): Selected as White 500 company for outstanding health and productivity management
- The Nikkei Environmental Management Survey: Ranked first among integrated trading companies for the third consecutive year



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Cautionary Note Regarding Forward-Looking Statements

This report contains management targets relating to Medium-Term Management Plan 2020 as well as a wide range of other forward-looking statements. The statements refer to goals which the Company management seeks to attain through the successful implementation of the plan and reflect assumptions and forecasts relating to future events which are made at the present time based on the data currently available to the Company. As such, they are subject to the influence of a range of factors in the Company's circumstances going forward and do not constitute a guarantee of future business performance or a guarantee that the targets and forecasts will be met. Readers are therefore advised to avoid placing undue reliance on the forward-looking statements contained herein and to be aware that the Company recognizes no obligation to update or revise such statements.



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