PART 1

Value Creation Story
A Company That Creates New Value

New value created through business activities—this is where integrated trading companies excel. We create business by leveraging our diverse forms of capital to tackle the wide range of challenges facing society and to seek out solutions for the future. Our aim is to create new value to enrich people’s lives around the world.

Value Creation Model
Value Creation Mechanisms
Management Capital
Financial Capital
Intellectual Capital
Organizational/Group Capital
Business Relationship Capital
Brand Capital
Global Network Capital
CLOSE-UP: Human Capital
Message from the Chief Administration Officer
A Roundtable with Our Employees
Enhancing human capital through career development
Business Case
Renewable energy: Business value and its evolution
The Sumitomo Corporation Group aims to contribute to the realization of a sustainable society by bringing new value to society, the economy and the environment through business creation and development that is consistently a step ahead of the changing times and is grounded in Sumitomo’s Business Philosophy.

Sumitomo’s Business Philosophy and Sumitomo Corporation Group’s Corporate Mission Statement remain the steadfast core of our activities, having been handed down over a history of more than 100 years. During this time, we have built a management base of financial and non-financial capital, which we leverage to maximum benefit to create and upgrade businesses in various fields. The Group’s mechanisms for this process of value creation are illustrated in the value creation model presented here.
Value Creation
The kinds of value we create

The Sumitomo Corporation Group keeps its eye on the changing times to quickly identify issues in the global environment and society, then works to create new businesses and upgrade existing ones by integrating business functions and management capital.

Through the businesses it nurtures, the Group contributes to the realization of a sustainable society by creating threefold value in society, the economy, and the environment.

Achieving sustainable growth with society by creating new value through resolution of key social issues

Guided by Sumitomo’s Business Philosophy and the Group’s Corporate Mission Statement, the Sumitomo Corporation Group has identified a set of important challenges—material issues—to tackle as priorities through its business activities. By successfully addressing these issues, we will generate threefold value in society, the environment, and the economy and achieve sustainable growth with society.

To further enhance this approach to sustainability management, we have identified a more specific set of key social issues and set specific long-term goals for each of them. These key social issues are areas that the Group has committed itself to tackling after considering what role it can play in the realization of a sustainable society, using its strengths in human resources, business expertise, global networks and business relationships, and bearing in mind also the United Nations’ Sustainable Development Goals (SDGs). Through business activities unique to the Group as an integrated trading company, we will continue working to contribute to the resolution of key social issues and the creation of new value. The foundation for this activity is a management approach based on respect for individuals, integrity and reliability, and the maintenance and continuous improvement of a strong corporate culture that generates innovation.

Material issues and key social issues

<table>
<thead>
<tr>
<th>Material issues</th>
<th>Social issues</th>
<th>Long-term goals</th>
<th>Relevant SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving Harmony with the Global Environment</td>
<td>Mitigation of climate change</td>
<td>• Aim for carbon neutrality by 2050 and challenge to realize sustainable energy cycle</td>
<td>1, 11, 12</td>
</tr>
<tr>
<td>Circular economy</td>
<td>Shift to recyclable, efficient technologies and products</td>
<td>• Sustainable use of natural resources</td>
<td>9, 12</td>
</tr>
<tr>
<td>Contributing to the Development of Local Communities and Industries</td>
<td>Respect for human rights</td>
<td>• Respect human rights in all of our businesses and supply chains</td>
<td>9</td>
</tr>
<tr>
<td>Establishing a foundation for Comfortable and Enriching Lifestyles</td>
<td>Development of local society and economy</td>
<td>• Contribute to development of local industries and human resources</td>
<td>9, 12</td>
</tr>
<tr>
<td>Improving quality education</td>
<td>Quality education</td>
<td>• Contribute to quality education</td>
<td></td>
</tr>
<tr>
<td>Providing Diverse “Accessibility”</td>
<td>Economic value</td>
<td>• Provide advanced lifestyle-related services</td>
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</tbody>
</table>

The challenges Sumitomo Corporation Group needs to overcome in creating solutions

<table>
<thead>
<tr>
<th>Material issues</th>
<th>Specific Initiatives</th>
<th>Relevant SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing Human Resources and Promoting Diversity</td>
<td>PART 1 Human Capital p. 49</td>
<td>1, 9, 12</td>
</tr>
<tr>
<td>Enhancing Governance</td>
<td>PART 4 Governance p. 91</td>
<td></td>
</tr>
</tbody>
</table>
Sumitomo Corporation’s Six 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 Management Principles and its business strengths. The Group places the Material Issues at the foundation of its management activities, defining them as an important factor in the formulation of management strategy and the decision-making process for individual businesses, and highlights the relevance of the Material Issues to individual businesses and in strategic discussions.

Promoting sustainability management

The Corporate Sustainability Department is in charge of the planning and promotion of Sumitomo Corporation’s sustainability-related measures. The department ensures that sustainability is implemented group-wide by coordinating with the general managers and other relevant staff of each business unit’s Planning & Coordination Department, who are responsible for promoting sustainability within each business unit, and with the sustainability promotion staff of relevant corporate departments and overseas regional organizations.

The Corporate Sustainability Committee operates as an advisory body to the Management Council, reporting and referring important sustainability-related initiatives to the Management Council and the Board of Directors. This system ensures that sustainability promotion is subject to decision by the Management Council and supervision by the Board of Directors.

As announced in June 2020 as part of enhanced sustainability management, the Sumitomo Corporation Group has selected six key social issues closely connected to its business activities and adopted associated long-term goals. In this way, we are progressing with sustainability management so as to continue achieving sustainable growth with society and creating the value society needs.

> Refer to p. 19, Sustainability Management at the Sumitomo Corporation Group

As indicated on the page at right, through risk management aligned with the specific characteristics and circumstances of each business, we will continue working to improve the level of social and environmental risk management across the Sumitomo Corporation Group’s diverse range of business operations.

Corporate sustainability system

Board of Directors

- Corporate Sustainability Committee

- Discussion of relevant measures, and information sharing

Chairperson: Chief Strategy Officer

Members: General managers of business units,* Planning & Coordination Dept., Internal Auditing Dept., Corporate Planning & Coordination Dept., Corporate Sustainability Dept., IT Governance & Administration Dept., Human Resource Dept., Corporate Legal & General Affairs Dept., Legal Department, General Accounting Dept., Risk Management Dept.

Secretariat: Corporate Sustainability Dept.

Management Council

- President and Chief Executive Officer

- Board of Directors

- Management Council

- President and Chief Executive Officer

- Internal Auditing Dept.

- Company Investment Committee

- Internal Control Committee

- Corporate Sustainability Committee

- Individual business departments (Self-management)

- Specialized corporate departments (Support)

Risk management activities through companywide framework

<table>
<thead>
<tr>
<th>New investments</th>
<th>Identify and evaluate risks and check their management status while considering the nature of the business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk management after the investment</td>
<td>Monitor the management status of key risks and improve the situation (Group governance/Internal audit)</td>
</tr>
<tr>
<td>Improvement measures</td>
<td>Respond to requests from local residents, NGOs, etc.</td>
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</tbody>
</table>

Social and Environmental Risk Management as Part of Sustainability Management

The Sumitomo Corporation Group has established a companywide framework to perform appropriate monitoring of the social and environmental impact of the Group’s entire business activities. When performing due diligence for new investments, in line with the specific characteristics of the target business, we use environmental assessment by an environmental consultant and assessment of human rights and labor issues by a law firm or similar to ensure that the business is soundly managed and does not have serious impacts on stakeholders. As follow-up to the investment, the responsible business department and related corporate departments work together through dialogue with group companies to carry out regular monitoring from the viewpoint of the environment, human rights, labor management, the supply chain, and other aspects. If an issue arises, remedial action is taken in line with the specifics of the case. Internal audits that take into account special characteristics of the business are used to confirm that management operations are legally compliant and meet international standards on social and environmental issues. When a case relating to the impact of the Sumitomo Corporation Group’s business activities is referred to by a local community, a non-governmental organization (NGO), or another stakeholder, we check the facts and then engage in dialogue and discussion toward improvement.

Framework for social and environmental risk management

Group policies: Environmental Policy, Human Rights Policy, CSR Action Guidelines for Supply Chain Management

As announced in June 2020 as part of enhanced sustainability management, the Sumitomo Corporation Group has selected six key social issues closely connected to its business activities and adopted associated long-term goals. In this way, we are progressing with sustainability management across the Sumitomo Corporation Group’s diverse range of business operations.

Corporate sustainability system

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.

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 reinforce 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.

Achieving Harmony with the Global Environment

To realize a 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.

Providing Diverse “Accessibility”

We provide diverse accessibility to open up the possibility of the creation of 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.

Value Creation

Value Creation Story

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Business activities that reflect material issues

Achieving Harmony with the Global Environment

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.

Contributing to the Development of Local Communities and Industries

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.

Establishing a Foundation for Comfortable and Enriching Lifestyles

J:COM launches new services in support of comfortable life
Areas: Japan

Jupiter Telecommunications (J:COM) is expanding various services to support superior entertainment and everyday life. In June 2019, J:COM HOME, a new home IoT service, was launched. The service provides customers with greater convenience, comfort, and safety by enabling them to use a home monitoring system and operate appliances when outside, and use voice control for TV and other devices when at home. In December 2019, J:COM LINK, a new TV tuner, was also launched, featuring a voice program search and recommendation function. J:COM provides new TV experiences, allowing customers to enjoy 4K and a variety of broadcast content with video streaming services like Netflix on large-screen TVs. We aim to enhance services that enrich our lives and make them more comfortable in the digital society.

Providing Diverse “Accessibility”

Evolving mobility to support the movement of people and goods
Areas: Japan, Southeast Asia, Europe, Americas, etc.

The movement of people and goods is directly linked to economic trends, and our ship, 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.
Creating innovation with a positive impact on the future of the economy, industry, and society

Today, with the advent of the new normal, accelerating Digital Transformation (DX), and the sustainability issues emerging in global society, the world has entered a major transition period.

Looking ahead to the new era that is approaching, the Sumitomo Corporation Group will combine the business sense it has acquired in frontline operations with AI, IoT, robotics, and other cutting-edge digital technologies and work with diverse partners to build an ecosystem. Based on this, we will generate groundbreaking innovation with a positive impact on the future of the economy, industry, and society.

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.
Creating innovation 1

Global rollout of CVC

It was in 1998 that Sumitomo Corporation established the first corporate venture capital (CVC) fund, Presidio Ventures, Inc. in Silicon Valley in the United States, followed in 2002 by Sumitomo Corporation Equity Asia (SCEA) in Hong Kong. This means we have a record of investment and new business creation targeted at start-ups possessing advanced technology and business models for many years, mainly in the information and communications technology and media sectors. In recent years, a wave of innovation by start-ups has spread across the globe, and we have correspondingly expanded the technology fields and industry sectors that we focus on, increasing our investment bases into Europe, China, and Israel since 2018. Keeping an eye on megatrends with our global CVC network, we identify and invest in promising start-ups with advanced technologies so that we can provide solutions for issues and demands in each region, helping us create and expand businesses.

Meanwhile, in partnership with the U.S. firm SOSV Investments LLC (SOSV), we operate the accelerator program HAX Tokyo jointly with Group company SCSK Corporation. Amid increasing demand for IoT sensors, devices with AI capabilities, and other advanced equipment, HAX Tokyo offers three-month accelerator programs in Japan, the world leader in robotics and other hardware technology, designed to accelerate the growth of hardware development start-ups.

Through these activities, Sumitomo Corporation uses its unique capabilities to drive co-creation with start-ups on a global scale, integrating its various businesses with innovation to accelerate DX and create new value.

Creating innovation 2

Co-creation space MIRAI LAB PALETTE

MIRAI LAB PALETTE is a membership-based open innovation laboratory established by Sumitomo Corporation in April 2019 as part of its 100th anniversary celebrations. Its basic concept is to break away from established conventions as a forum where people from completely different backgrounds can come together to inspire one another, encounter cutting-edge digital technologies, and in the process create new value transcending inter-organizational barriers.

After a nine-month trial period, it relocated in January 2020 to Otemachi Building to go into full operation as a distinct space featuring a permanent digital art installation by teamLab, a collective-interdisciplinary creative group.

A broad palette of programs and events serve to bring together and mutually inspire a diverse array of people. These include a business co-creation program that supports business with experts in a wide range of genres from frontier business to art, and the 0 → 1 Challenge, a global intrapreneurial program for employees of the Sumitomo Corporation Group to propose new businesses. Together with diverse partners such as HAX Tokyo, which provides a hardware accelerator program, and Tokyo University of the Arts, our collaboration partner in human resources and sustainable businesses development, we will create new value in multiple ways by developing a laboratory that is characterized by diversity, and takes on all types of challenges and experiments.

Creating innovation 3

Intrapreneurial program 0 → 1 Challenge

To create innovative new businesses, a risk-taking spirit of challenge is essential. Recognizing this, in FY2018 we launched the intrapreneurial program 0 → 1 Challenge, which enables individual employees to create businesses based on their own ideas without having to fear the consequences of failure.

The program provides a forum that removes the barriers between different organizations and age groups so that individual employees have the freedom to propose and work on new business ideas that have fired their enthusiasm in a way not bound by conventional practice. The aim is to achieve commercialization through a process that starts with an intrinsic motivation and leads through screening based on documentation and interview, a competitive pitch contest, and refining of the original idea.

In FY2018, we received more than 300 entries from around the world, three of which are currently in the process of commercialization. In FY2019, eight entries passed the final selection and are progressing toward commercialization through practical testing and other stages, with support provided by stakeholders within and outside Sumitomo Corporation. With the strong driving force provided by our employees, we have realized new business creation in a short period of time in sectors where we had not previously been active, such as blockchain and forestry management.

In FY2020, with many employees working from home, we have rolled out a wide range of measures to support the challengers online. Despite the unprecedented current situation, many ideas have been submitted. Going forward, the Sumitomo Corporation Group will continue working to create new value by unlocking the abilities of its enthusiastic and diverse employees worldwide.
Management Capital

Why we are able to create value

To build mechanisms that drive innovation, it is essential to effectively utilize the capital that provides the economic base. At the same time, identifying and then reinforcing the capital resources required to drive innovation is also an important management task. The Sumitomo Corporation Group realizes value creation through effective utilization of the diverse capital resources it has accumulated to date and through reinforcement of these resources with an eye to the future.

Value Creation Model

Financial Capital

Improving financial soundness to support sustainable growth

Over the last 20 years, Sumitomo Corporation has faced a number of situations that shook its financial foundations, from the illegal copper trading incident and the Asian financial crisis of the latter 1990s to the major impairment losses recorded chiefly in the upstream mineral resources and energy fields in FY2014. These experiences taught us that securing financial soundness is a top management priority and resulted in implementing a plan to gain earning power and speed up asset replacement to generate cash and reduce interest-bearing liabilities. The goal of this policy is to establish a financial position that is stable when business conditions are harsh but able to seize opportunities for business base expansion upon when conditions turn favorable.

Under our previous medium-term management plan,

Be the Best, Be the One (B88Q2017), we reduced net interest-bearing liabilities by approximately ¥1 trillion, and accumulated profits to boost shareholders’ equity, resulting in a net debt-equity ratio (DER) improvement to 1.0 times. In addition, we reduced Risk-weighted Assets by promoting asset replacement and restored the balance between the 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, and maintaining the balance between the Core Risk Buffer and Risk-weighted Assets.

Financial position

Core Risk Buffer (RB) and Risk-weighted Assets (RA)

Core RB – RA (Billions of yen)

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<tbody>
<tr>
<td>Core RB</td>
<td>-140</td>
<td>-60</td>
<td>-20</td>
<td>30</td>
<td>350</td>
<td>240</td>
</tr>
<tr>
<td>RA</td>
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</table>

- Shareholders’ equity (left) | Interest-bearing liabilities (net) (left) | Net DER (right)
- Risk Buffer and Risk-weighted Assets.
PART 1  Value Creation Story  Management Capital

Intellectual Capital

Sharing diverse knowledge and enhancing group governance

There has never been a more important time than now to promote businesses aimed at resolving social issues while maintaining compliance and sustainability. For Sumitomo Corporation, the key to further increasing corporate value is to work with its group companies, who are active in a wide range of industries, to achieve growth in a way that also addresses social needs.

The Sumitomo Corporation Group has accumulated a wealth of knowledge and expertise through the management of our various existing businesses over the years. The Group is leveraging this knowledge to target increased corporate value.

Under Medium-Term Management Plan 2020, we launched a project to enhance group governance aimed at more comprehensive implementation at all group companies of our Corporate Mission Statement, Six Material Issues, Environmental Policy, and Group Compliance Policy. In parallel, we formulated and introduced the Basic Elements to standardize management expertise.

The role of each organization in group governance

Organizational/Group Capital

Reinforcing group company management to build a solid business portfolio

The Sumitomo Corporation Group has 957 group companies in 81 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 addition, by sharing best practices in corporate management with 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.

Business Relationship Capital

Creating new value with over 100,000 business partners

Since its establishment over 100 years ago, the Sumitomo Corporation Group has evolved its business models and its products and services to meet changing customer needs in line with changing times.

Over this period, the Group has established a strong presence in various fields of industry and has built relationships of trust with many different enterprises 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. The Group will continue to aim for sustainable growth by cultivating relationships with trustworthy business partners.

Players building the Sumitomo Corporation Group’s ecosystem

Brand Capital

Brand trust nurtured over 100 years of history

Throughout over 100 years of history, the Sumitomo Corporation Group has cultivated its brand trust in society. One thing whose importance we have consistently emphasized is Sumitomo’s Business Philosophy, which has been passed down to us through the founder’s precepts, Monjin Shigaki of Masatomo Sumitomo, the founder of the house of Sumitomo, and the Rules Governing the House of Sumitomo and the Business Principles. At the heart of Sumitomo’s Business Philosophy is the management approach of placing prime importance on integrity and sound management without pursuing easy gains.

Practicing through its business activities the core values set out in Sumitomo’s Business Philosophy, the Group has consistently anticipated change and created new value, thereby making broad contributions to society. Backed by its long-standing achievement in the international community, the Sumitomo Corporation Group has established a solid presence supported by a strong trust nurtured over time. The brand as an integrated trading company of the Sumitomo Corporation Group represents the intangible asset known as trust and the Group’s reputation as a globally diversified group of companies.
Domestic and Overseas Offices (As of April 1, 2020)

- indicates the cities in which our offices are located.

**Global Network Capital**

Building relationships of trust with communities through locally rooted business activities

East Asia

The East Asia region represents a market full of potential due to the wide variety of business opportunities arising from economic growth and social change. Our focus areas are joint projects with government bodies and strategic partners in the key region of Shandong Province, China, utilizing digital technology to enhance the value of existing businesses and innovate business models, and creation of next-generation businesses through joint ventures with start-ups. We are also working to expand our business base in the region through active investment of resources in the Environment, Social and Governance (ESG) field such as urban transport, urban development, healthcare, eldercare, and the environment.

Asia & Oceania

The different countries of this region display major differences not only in the scale and stage of economic development but also in cultural, linguistic and ethnic terms. We therefore aim for locally rooted business development through strategic partnerships with leading enterprises that have a locally focused perspective. Specifically, by investing management resources in areas essential to regional development such as social infrastructure and healthcare, we are exploring openings into new business fields that transcend existing organizational frameworks. Through these forms of value creation, we will work as the Group for growth in this region, where major expansion is expected, and at the same time contribute to addressing social issues.

Europe, Middle East, Africa & CIS

In the Europe, Middle East, Africa & CIS region, while keeping a close eye on social changes triggered by COVID-19, we will accelerate our businesses to create and add value by tailoring to the market characteristics and growth stages of each region and country. For instance, we are addressing social issues through our business activities in areas such as stable energy supply, initiatives for a low-carbon society, and creation of new businesses in the mobility field. We will continue to expedite our regional strategy using the synergy of our cross-organizational collaboration, which involves partnerships with start-ups and leading regional private-sector companies and networking with governments and state-owned enterprises.

The Americas

In the Americas region, we are promoting business development across industries with an emphasis on cross-organizational collaboration as a way of creating new value in response to social challenges such as “Achieving Harmony with the Global Environment” and “Contributing to the Development of Local Communities and Industries.” We will create new businesses and lead our groupwide innovation by launching joint projects with leading local enterprises and adopting valuable new technologies from start-ups, such as supply of renewable energy to reduce global environmental burden, business development in biofuel manufacture and supply, and investment in the development of next-generation food products.

Japan

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 factors to a major reshaping of Japan’s social landscape. However, innovations can be achieved thanks to Japan’s mature but resourceful market. 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.
New value creation with human resources able to compete at the global level

Diversity & Inclusion (D&I) as the foundation of our human resources (HR) strategy

In addition to the impact of the COVID-19 outbreak since early 2020, in recent years, the diversification of the regions and fields of our business activities and business models has brought change rapidly from the business environment of the past. To survive in this changing world, I believe that our HR strategy must include diverse values and ideas, and deploy them for new value creation. Medium-Term Management Plan 2020 identifies enhancement of our HR strategy as one of the key measures for reinforcement of our management base. Accordingly, as we tackle developing human resources and promoting diversity—one of our Six Material Issues—we take as the basic concept of our HR strategy “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 do that, it is essential that we support inclusion, which means respecting and accepting individual differences, and seek to benefit from it.

Two years after the launch of Medium-Term Management Plan 2020, the basic concept of D&I has become an accepted company principle. In addition, employee awareness has undergone major evolution thanks to measures to promote more autonomous and flexible workstyles, such as teleworking and “super-flexible” working hours, combined with our increasing use of mid-career recruitment, provision of D&I/LGBTQ training, and other measures. Nevertheless, we still face many issues along the way to a so-called strategy-driven D&I approach, where each business sector outlines an HR strategy to fill the gap between the future ideal and present reality and then progressively implements it. We will make FY2020, the final year of the plan, a year in which we not only create an environment where diverse individuals are empowered but also one in which we, the HR team, grasp the strategy of our individual businesses and support them to implement their HR strategy and resolve the issues of their respective organization. By doing so, we aim to finish laying the foundations of a stronger HR approach.

The target individual profile is to be capable of “creating new value on a global scale, sharing the Sumitomo Corporation Group’s vision and mission, and maintaining high aspirations and a continuous intrinsic motivation with an enterprising spirit.” For the organization, meanwhile, our aim is to establish our foundation on a global scale, which will empower human resources of the kind described above to proactively and continuously create new value. The policy will additionally outline the optimal future direction for the Group in the main areas of HR management, including recruitment, training, and evaluation as the basis for continuous enhancement of HR management.

At the same time, we plan to reform the Head Office’s HR system by April 2021. I feel that the current system has been too seniority-based. Without reform, I am concerned that this system will block the flow of globally competitive human resources of the required quality and quantity. The specific design for the new system is currently taking shape through a process of internal discussion, but in broad outline, it will focus on HR management to place the right people in the right positions at the right time and a compensation system to reflect job and performance. The aim will be to maintain the individual’s continuous intrinsic motivation, resulting in rapid individual development, promotion by selection and stronger retention.

By breaking away from the seniority-based system and placing the right people in the right positions in a way that genuinely matches business strategy, we will give added momentum to new value creation by highly motivated and highly ambitious employees as part of a HR management approach that is transparent and accepted as fair. There will no doubt be all kinds of hurdles to be cleared before the system settles in and begins to operate in line with its objectives, but I am committed to pressing forward with reform to drive the continued growth of the Sumitomo Corporation Group on a global basis.
Enhancing human capital through career development

One of the resources indispensable to the Sumitomo Corporation Group's sustainable growth is human capital. Three employees with a history of global business management in highly diverse environments talked about their experience with career and human resources development within the Group.

For the two of you who were mid-career recruits, what was decisive in making you want to move to Sumitomo Corporation?

Chiba I spent 14 years in the telecommunications industry. During that time, IT evolution evolved from being simply “a tool that people used at work” to “a means of creating new businesses and redefining existing businesses.” After rethinking my career in that light, I decided on this company because of its global business activities in a wide variety of fields and its pioneering commitment to DX.

Campbell I joined Presidio Ventures in 2003, a telecommunications company that provided a telecommunications company in IT consulting and new business startups. Currently, I am assigned to the DX Center, working mainly on operations related to the acquisition of the North European company “Aimo Park.”

Isaka I was a graduate recruit in 2007 and has worked in the tubular products business. After two periods of child-rearing leave, she is now an assignment in Norway, where she is engaged in project management for the supply chain of all country tubular goods (OCTG) to the Norwegian market.

How do you find our company in terms of corporate culture?

Chiba Before I was recruited, my image of an integrated trading company was that of a place full of hardened corporate warriors, but after joining the company I was surprised in a good way at how nice the people are. The DX Center where I work is a highly diverse organization that draws its staff from various career backgrounds, but all my colleagues, whether senior or junior, are people I can look up to. What’s really impressive is the strongly rooted culture of respecting others’ ideas while at the same time having definite opinions and goals of one’s own. I think what has nurtured human resources of that quality is Sumitomo’s Business Philosophy, and the ideas it has passed down to us, such as “Benefit for self and others, private and public interests are one and the same” and “Avoid the pursuit of easy gains.”

Campbell That aspect of our corporate culture is also highly valued overseas. I was one of the staff members who took part in the consultation process for the new Corporate Message launched in 2019: “Enriching lives and the world.” As a part of the project, I joined in discussions with around 200 other employees worldwide. I got a strong sense of the deep resonance our corporate philosophy and values have with them.

Isaka In 2018, I brought my children with me when I moved to Norway to take up this position. My work is project management for the OCTG supply chain and also management of group companies. On my first meeting with business contacts overseas, what I try to communicate first of all is what we as Sumitomo Corporation want to achieve by working together with them. It helps to win their sympathy when I present the Corporate Message, which sums up Sumitomo Corporation’s values.

System to support employees working and raising children overseas and apart from their spouses

Sumitomo Corporation regards promoting female empowerment as an important management strategy and supports it with a range of measures. One measure to support child-rearing was the introduction in 2014 of a support system for staff acting as single parents during an overseas assignment.

What are the attractions of our company as a place for career development?

Chiba Thanks to my experience with client service in the e-commerce field.

Campbell Our company offers a flexible development environment that enables staff to take on the challenge of a new career even if they don’t have much expertise or experience. I feel that the company values a willingness to study hard to catch up with the required knowledge and make an effective contribution.

Isaka Since joining the Company, I’ve never once felt that I was tired of the work. There have been constantly new developments happening in the business and in my assignments. These are certainly challenging, but now it’s like my daily bread.

Chiba I was also given a valuable opportunity shortly after joining the Company. One month after starting work here, I became involved in the acquisition of the North European parking lot operator “Aimo Park” from the initial stages of the process. I spent a total of almost six months on business trips to the region, where I was able to gain front-line experience. That experience taught me a lot of things, from the dynamic approach needed to invest funds and set up a business operation to the ability to drive a project on the ground. Going forward, I want to take advantage of the opportunity provided by the resources and human networks of Sumitomo Corporation to create a business that is a departure from its existing development trajectory and that also makes a contribution to resolving social challenges.

Isaka The Sumitomo Corporation Group has a large number of experts across industries based on the individual’s diverse experience. That helps the employees to deepen their own knowledge. I’ve learned a lot from people who I worked with so far in Sumitomo Corporation and group companies. Even when problems arise, you can always find the way to reach the answer. I believe that Sumitomo Corporation Group’s greatest asset is accumulated experience, skills, and expertise of the employees.

Key allocation of human resources to drive the growth strategy

Sumitomo Corporation makes key allocations of human resources to organizations engaged in business development outside the conventional framework. These include the DX Center, which promotes DX companywide, and corporate departments responsible for business development in Japan and overseas. By the end of FY2019, the Group had made approximately 200 of these key personnel deployments across its consolidated global operations, as a means of concentrating resources on cross-organizational collaboration and new business development.
Renewable energy is currently a focus of attention as an approach to the global environmental issue of reducing greenhouse gas emissions. The European Union, for example, to mark its adoption of the 2015 Paris Agreement, has set a goal for 2030 of using renewable sources for 32% of all energy consumption. This will not only support the implementation of the Paris Agreement but also generate employment and contribute economic value.

The Sumitomo Corporation Group’s global power infrastructure business supports society and people’s lives by delivering stable energy supply through two different, mainly thermal power-based, business models: as an engineering, procurement, and construction (EPC) contractor, and as an independent power producer (IPP). Utilizing the expertise thus acquired, we are additionally rolling out a range of renewable energy generation businesses worldwide, from wind (onshore and offshore) and solar to geothermal, hydroelectric, and biomass power. Currently, we boast a net ownership capacity of 1,397 MW in the renewable energy business (as of March 31, 2020).

In the field of geothermal power generation, for example, Sumitomo Corporation has a track record of 35 geothermal power generation facilities delivered worldwide, and is currently leveraging its wealth of experience in the EPC field to enter the IPP market. Specifically, in Indonesia, the world’s second richest country in geothermal resources, we have participated in EPC projects for 12 geothermal power plants with a total generation capacity of approximately 900 MW since 1997. Benefiting from the strong relationships we have built with business partners and our market knowledge, we are currently participating in the 85-MW Muara Laboh Geothermal Power Plant project in Indonesia’s West Sumatra province. This project, in which we participated from before the initial development stage of exploratory well drilling, started commercial operation in December 2019 and has since produced electric power for the island of Sumatra equivalent to the consumption of 420,000 households. Going forward, we will continue our contribution to the Indonesian government’s policy of promoting geothermal power generation.

In 2019, we set a new goal for our power generation portfolio, raising the share of renewable energy in our net ownership capacity from 20% to 30% by the year 2035. Toward this goal, we envision a worldwide rollout of this business model not only to support society through electric power supply (social value creation) but also to contribute to greenhouse gas emissions reduction through new business creation in renewable energies such as wind, solar, and geothermal power (environmental value creation). In addition, we will work to secure stable long-term revenue through the ongoing sales of electricity (economic value creation).
Europe is adopting renewable energy on an increasing scale, and one sector where the advance is particularly marked is offshore wind power generation. Since the time of Sumitomo Corporation’s 2014 entry into the European offshore wind power generation market, the company has consistently offered greater capacity per project than onshore wind or solar power. With additional benefits of local geological stability and relative freedom from topographical interference, the sector thus offers the prospect of high-quality and consistent wind power resources for reliable power generation at high capacity. Given these advantages, European governments have put in place incentive systems including financial grants, which sharply accelerated development. Responding to this favorable background, Sumitomo Corporation became the first to accelerate offshore project development. By efficiently harnessing the power of the wind to generate electricity, offshore wind power enables electric power supply with low environmental burden, contributing to the realization of a carbon-neutral society. Offshore wind power generation in Europe

Building on energy business expertise to lead the expansion into Europe’s growing offshore wind power generation business

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Invested capital

- Financial capital
  - Solid financial base to bear high development and construction costs up to start of commercial operation

- Human capital
  - Strengthening of human resources with expertise in offshore wind power generation (Center of Excellence)

- Intellectual capital
  - EPC- and IPP-related business models and expertise developed through thermal power generation business
  - Expertise in onshore wind power generation business in Japan, North America, China, and South Africa
  - Expertise in project finance (fund formation, refinancing)
  - Financial expertise such as infrastructure fund utilization
  - European subsidiary Summit Renewable Power GmbH, a wind power development and asset management arm of Sumitomo Corporation, boasting a concentration of expertise in the development and operation of offshore wind power generation projects

- Organizational/Group capital
  - Infrastructure Business Unit with a highly experienced staff of approximately 3,500
  - Core location in Düsseldorf (Germany), with business bases in London (United Kingdom), and Paris (France)

- Global network capital
  - Business relationship capital
  - Relationships of trust built up over many years with major offshore wind power business operators in Europe

- Brand capital
  - Trust in the Sumitomo and Sumitomo Corporation brands among European industry players

Our timeline in Europe’s offshore wind power generation business

- 2014: Participation in our first North Sea offshore wind power generation project, Belwind, Northwind, and Nobelwind, through a strategic partnership with offshore wind power generation business operator Parkwind NV
- 2016: Participation in the large-scale offshore wind power generation project, Galloper
- 2018: Participation in Northweater 2, our fourth joint project with Parkwind
- France: Participation in the Le Tréport and Nœrmoutier projects under development by major electric power and gas business operator Engie (France) and renewable energy business operator EDF Renewables (Spain)

Social value

- Number of households supplied (based on net ownership capacity)
  - 309 thousand
  - Increased by 5 times since 2014

- Compared to the time of its market entry in 2014, the area supplied by the Sumitomo Corporation Group has expanded approximately fivefold. Today, we support comfortable lifestyles through stable electric power supply across the whole of Europe.

Environmental value

- Annual supplied renewable power volume (based on net ownership capacity)
  - 920 GWh (2019)
  - Increased by 4 times since 2014

- Compared to the time of its market entry in 2014, the annual volume of renewable power supplied by the Sumitomo Corporation Group has increased approximately fourfold. By efficiently harnessing the power of the wind to generate electricity, offshore wind power enables electric power supply with low environmental burden, contributing to the realization of a carbon-neutral society.

Economic value

- Total business costs (based on net ownership capacity)
  - 178.5 billion yen (cumulative total from 2014 to 2019)

The Sumitomo Corporation Group has contributed to a large number of offshore wind power generation projects. Total business costs have increased approximately fivefold since 2014.