Enriching lives and the world

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
- S&P/JPX Carbon Efficient Index
- SOMPO Sustainability Index

Other external evaluations

- CDP: Awarded Leadership level in the Forests and Water Security questionnaires and Management level in the Climate Change questionnaire
- Ministry of Health, Labour and Welfare (Japan): "Eruboshi" (L Star) company on the basis of the Act on Promotion of Women's Participation and Advancement in the Workplace
- Ministry of Health, Labour and Welfare (Japan): "Platinum Kurumin" as a company that provides superior childcare support
- Ministry of Economy, Trade and Industry (Japan): Selected as White 500 company for outstanding health and productivity management
- work with Pride: Certified as a "Bronze" in "PRIDE INDEX"
The origins of Sumitomo’s Business Philosophy can be found in the founder’s precepts, Monjuin Shigaki, a guide to the right way to conduct a merchant business written by the founder of the house of Sumitomo, Masatomo Sumitomo (1585–1652). It begins with the recommendation “Do your best prudently and meticulously, not only in business but in every aspect of life,” a statement of the right approach 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.

Monjuin Shigaki
Source: Sumitomo Historical Archives

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.

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.”

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.

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’s Business Philosophy
—An important legacy at the heart of everything we do
Sumitomo Corporation Group’s Corporate Mission Statement
—A declaration of our shared values as an integrated trading company

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.

As declared in the Management Principles, our corporate mission is to support our shareholders, clients, local communities, employees, and everyone else around the world in their endeavors to achieve economic and spiritual prosperity and realize their dreams through our sound business activities. We also maintain—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 conductive 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.

Sumitomo Corporation Group’s Corporate Mission Statement

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

1919
Sumitomo Corporation’s roots and its expansion into the trading business

Sumitomo Corporation’s roots date back to 1919, when Sumitomo was the main partner in the establishment of The Osaka North Harbour Company Limited. This company was founded to undertake land reclamation in Osaka’s North Port and to develop and manage real estate in the surrounding area. The Osaka North Harbour Company later merged with The Sumitomo Building Co., Ltd., to become Sumitomo Real Estate Building Co., Ltd.

A major turning point came in 1945, when the company was again renamed as Nippon Engineering and launched a trading business dealing in products from Sumitomo Group companies and a wide range of other industries.

Trading soon became the main focus of the company’s business activity as it handled an expanding range of products from an increasingly wide range of fields. This growth continued, and in 1949, the company was listed on the stock exchanges of Tokyo, Osaka, and Nagoya.
In 1952, Sumitomo Corporation made a new start as the integrated trading company for the Sumitomo Group. From the mid-1950s, the Japanese economy was set on a path of economic growth centered on the heavy chemical industries and internationalization progressed. Amid this wave of change sweeping the world economy, Sumitomo Corporation enhanced its organizational capabilities to achieve steady growth. By the mid-1970s, the number of overseas offices exceeded 100, and the Company pursued initiatives to increase overseas activity, participate in major projects, and open up new business fields.

However, from the 1980s into the 1990s, Sumitomo Corporation faced numerous challenges. In the 1980s, the worldwide economic recession and the sharp decline in the crude oil price, combined with the appreciation of the yen after the Plaza Accord, caused economic stagnation. Backed by its strong finances, the manufacturing industry moved to expand its overseas operations and began building its own global production and sales networks. In the 1990s, with the spread of the internet, it became easier for producers to deal directly with consumers, which threatened the role of the integrated trading company into question. To overcome these challenges, Sumitomo Corporation took proactive steps to rebuild its earnings structure. In 1988, the Company formulated a corporate vision as an Integrated Business Enterprise, complementing its existing trading activity with business activity in a two-pillar earnings structure and thereby outlining a profile for the integrated trading company of the new era.

Then, in 1996 the Company was shaken to its foundations by the uncovering of an illegal copper trading incident. As well as launching a fundamental restructuring of the internal control system to prevent a recurrence, Sumitomo Corporation introduced the new management indicator of risk-adjusted return ratio, which became the de facto standard of risk management for the integrated trading company.
The management of the Sumitomo Corporation Group has its roots in Sumitomo’s Business Philosophy, which has provided the foundation for 400 years of sustainable development. Part of this philosophy, “Benefit for self and others, private and public interests are one and the same,” expresses the idea that Sumitomo’s business activities must benefit not only Sumitomo, but also the society around us, to achieve sustainable growth together. This philosophy has been incorporated into Sumitomo Corporation Group’s Management Principles. Guided by the principles, we have continued to conduct our business activities with the aim of being a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.

Today, there are renewed questions as to how we can address the issues facing society through our business activities. To achieve sustainable growth with society in the spirit of Sumitomo’s Business Philosophy and Sumitomo Corporation Group’s Management Principles, in 2017 we identified the “Six Material Issues,” which are priority issues to be addressed by leveraging our strengths. We aim to achieve corporate growth while solving social issues by utilizing our business expertise and firm relationships with customers and business partners around the globe.

Refer to p. 33, Value Creation

Achieving corporate growth and the resolution of social issues by further enriching the world, society, and people’s lives
The increase in seriousness of climate change issues, loss of biodiversity, issues around human rights, and economic disparity are among the wide range of issues facing humankind that stand in the way of a sustainable global society. Against this backdrop, there are calls for private-sector enterprises to shift to a stakeholder capitalism that takes account of a more diverse range of stakeholders.

At the same time, the COVID-19 pandemic started in late 2019 has had a significant impact on the world economy, industry, and society, which even today, more than halfway through 2020, shows no sign of ending. As we enter an era of the new normal, people’s values and patterns of behavior are changing dramatically.

In times of high uncertainty, we are reminded of the importance of looking ahead to the ideal society and working together with our stakeholders to accelerate the implementation of the sustainability management to address social issues through our business activities.

In June 2020, the Group identified the following six items as key social issues to commit to: “Mitigation of climate change,” “Circular economy,” “Respect for human rights,” “Development of local society and economy,” “Improvement of living standard,” and “Quality education.” We also set long-term goals for each of these issues which will now serve as guidelines for all Group business activities. In addition, we will set medium-term goals and key performance indicators (KPIs) for each long-term goal, and also strategically allocate management resources to ensure that the Group’s business portfolio continues to create values that society truly needs.

Through the enhanced sustainability management, the Sumitomo Corporation Group is strongly committing to the achievement of a sustainable society and seeking the way to a better world.

Refer to p. 19, Sustainability Management at the Sumitomo Corporation Group
On the Release of Integrated Report 2020

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. In line with this direction, Integrated Reports 2018 and 2019 outlined the value creation model which enables the Group’s sustainable growth and presented a detailed explanation of the model including its approach to value creation.

Since early 2020, the world has faced the threat of the COVID-19 outbreak, which has inevitably impacted the business activities of the Sumitomo Corporation Group. This unprecedented experience has made people around the world reassess their values and led to the advent of a “new normal,” presenting industry with the need to transform its structures and existing business models. We believe still more strongly now that the Group needs to contribute to resolving social issues through the cycle set out in our value creation model by accurately sensing the trend and the changes in the business environment. Integrated Report 2020 outlines our commitment to sustainability management as the long-term management policy guiding the Group’s management activities along the path to realizing a sustainable society. Sumitomo’s Business Philosophy advocates “Benefit for self and others, private and public interests are one and the same.” As inheritors of this philosophy, we will collaborate with a wide range of stakeholders going forward to build a more advanced sustainability management system.

Integrated Report 2020 represents an earnest effort to communicate, in an accessible form and from a long-term and embracing perspective, our vision for the future of the Group based on where it stands today. In its presentation, we sought to reflect the comments and questions received from stakeholders and worked with the various corporate organizations to reach a shared groupwide approach.

Going forward, the Sumitomo Corporation Group will devote energetic efforts to enhancing the content of the Integrated Report, which we will use as a tool for constructive dialogue. In this way, we are committed to continuing to create new value in the spirit of the Corporate Message adopted last year to mark the Group’s 100th anniversary, “Enriching lives and the world.”

October 2020

Kuniharu Nakamura
Director, Chairman
Chairman of the Board of Directors
The challenge is creating new value for the new normal. Sumitomo Corporation will practice sustainability management unique to our company and pursue solutions to social issues.

Masayuki Hyodo
Representative Director
President and Chief Executive Officer

The background of the artwork: "Continuous Life in Cubes of Light - Copper" (by teamLab)

In a copper light cube, the flowers change with the actual season throughout the year and continue to change forever, influenced by the behavior of people. The copper color refers to the copper of the Besshi Copper Mines, which were opened in the late 17th century, and continued to support the core of the Sumitomo business for over 283 years. Flowers refer to change and continuity by repeating life and death eternally while changing by the behavior of the people living in the present. Light refers to the future and hope. By continuously changing from its inception to the present and into the future, this work is a symbol of continuously creating new value.

About "MIRAI LAB PALETTE" (shooting location)
MIRAI LAB PALETTE is a membership-based open innovation laboratory that promotes the creation of new value with partners in various fields. This Lab has two areas: the "base" for multifunctional use by individuals or on project basis to drive business creation by members with a high level of variability, and the "hub" with artworks and a gallery to promote various events and collaboration among members. Refer to p. 42.
Control current management to overcome recession and prepare for the new normal

Following the previous financial crisis, the global economy underwent growth for over 11 years. Companies fully enjoyed the fruits of that growth. However, since around the middle of 2019, there has been increasingly less clarity about the political future owing to such factors as US-China tension and the United Kingdom exiting the European Union. Economic recession has resulted, with slowdowns caused by prolonged trade friction between the United States and China, drops in oil and resource prices, and other factors, such as a lack of vitality in automotive, digital and other industries.

Since early 2020, the spread of COVID-19 has stagnated global economic activities; it has led to decreased clarity and growing uncertainty in the business environment. Restrictions on the movement of people and goods have disrupted global value chains. This has led to significant slowing down upstream in such areas as resources and materials as well as for durables-related businesses, such as automobiles.

As a result, the Sumitomo Corporation Group faces an extremely harsh business environment. But I regard these social changes—including technological innovation—as new business opportunities. I believe the raison d'être of a trading company is in deploying businesses that contribute to addressing social issues. With our diverse stakeholders, we will overcome this harsh period and pursue prosperity. We will accelerate our initiatives for structural reform with prioritizing current cash flow management. In addition, to “emergency mode” and direct our company by based on that belief, we will switch our management methods, mechanisms for allocating management resources, and a new human resources system. For the long-term perspective, we will accelerate our initiative to create a system for developing businesses toward achieving sustainable growth with society by using sustainability management as our Group’s “compass.”

Regarding the outlook for FY2020, we forecast that the severe business environment will continue throughout the year; however, the impact of COVID-19 and the turnaround scenario may vary for each business. On the basis of the financial results for the first quarter of FY2020 and ongoing initiatives, we announced the loss of ¥150.0 billion as the annual forecast for FY2020. This year, we are anticipating ¥100.0 billion as ordinary income (excluding one-off profit/loss), but we are expecting to have one-off losses of ¥250.0 billion. We are unable to go into details; however, if our forecast for the medium- to long-term changes mainly owing to the impact of the COVID-19 outbreak, there will be a possibility of booking impairment losses in a number of businesses. In addition, we are including some losses associated with promoting structural reform for quick recovery of our growth path, such as restructuring low-profit businesses.

With regard to dividends, we are facing harsh business conditions. However, the annual dividend for FY2019 was ¥80 per share (including a commemorative dividend of ¥10 per share) following our fundamental shareholder return policy of paying a stable dividend over the long-term. The full-year forecast is a loss of ¥150.0 billion in FY2020. However, there is no change in the annual dividend forecast of ¥70 per share, which is the same as the ordinary dividend amount in FY2019. We are able to maintain this dividend because we are anticipating that the majority of one-off losses will be non-cash losses in FY2020, and we are solidly generating cash under the current situation. After confirming our financial soundness, we will emphasize that fundamental policy. Further, by promoting the abovementioned structural reform, we expect that we will soon return to a growth path while maintaining the balance between risk-weighted assets and the core risk buffer. We may have to revise our dividend approach if unexpected circumstances impact our financial base. But we hope to achieve a good balance in cash allocation among investments for growth, shareholder returns, and repayment of interest-bearing liabilities; at the same time, we will secure and maintain the balance between risk-weighted assets and the core risk buffer.

Human resources strategy

Surviving uncertainty with our 70,000 people and their diversity

An integrated trading company is based on people. Having over 70,000 team members working with us globally in group companies, I firmly believe it is human diversity that gives Sumitomo Corporation its adaptability to survive in uncertain times. Human diversity is the driving force that increases our ability to create value.

Developing human resources is essential in achieving that ability, and it is necessary to develop managerial talent at the front lines of group businesses. The Sumitomo Corporation Group has basic rules about autonomous management and self-responsibility. For group company management, members at our headquarters fulfill responsibilities as shareholders; those seconded to group companies make swift, appropriate management decisions on the ground. Management skills are honed through such practices and experience. We will continue to develop next-generation managerial talent mainly through frontline career development.

Another emphasis we make is developing creative personnel who can produce new business solutions while incorporating expertise from both within and outside the Sumitomo Corporation Group. We need people with such skills in promoting our digital transformation (DX) strategy. With constant technological innovation in the DX world, the aim in solving frontline issues is always there. To realize that, it is crucial to incorporate expertise actively and thoroughly from both within and outside the Group when creating solutions. The opening of our new DX Center
in 2018, collaborating with our group company SCSK Corporation, and establishing Insight Edge Inc. (specializing in DX technologies) are some initiatives that reflect our awareness of the need to establish a new organizational culture. The aim is to create solutions that combine our frontline problem-solving ability with expertise from both within and outside the Sumitomo Corporation Group.

Through these measures and flexibly appo\textendash;ning quality talent that transcends such attributes as nationality, race, religion and gender based on the concept of Diversity & Inclusion, we will properly grasp business opportunities in these uncertain times. We will construct a global organization that is more resilient and engaging.

Medium- to long-term growth strategy

Further growth by simultaneously aiming to achieve prosperity and protect the global environment

Slowdown in the global economy due to COVID-19 is exerting a significant impact on the business environment for the Sumitomo Corporation Group. But I believe that in these times, we have to practice sustainability management. Such management visualizes international society 10 or 20 years hence: this backcasting approach defines how we and our stakeholders should act from a long-term perspective.

On that basis, we at the Sumitomo Corporation Group will implement our medium- to long-term management plan toward simultaneously achieving prosperity in society and protecting the global environment. This direction is defined in our Corporate Message: “Enriching lives and the world.” That message was announced last year for our 100th anniversary. Embedded in the message is our pledge to apply the Group’s expertise and knowledge (deploying diverse businesses deeply rooted in people’s activities around the world amid rapidly changing business environments and human values) to create a sustainable planet.

International society is advocating a move away from extreme shareholder capitalism toward stakeholder capitalism, which emphasizes various stakeholders. That became evident in discussions at the World Economic Forum Annual Meeting in Davos, which I attended at the beginning of this year. This move is closely related to achieving the SDGs of the UN and financial markets starting to emphasize environmental, social and governance (ESG) factors. The approach is completely in line with one of the concepts of the Sumitomo Group’s Business Philosophy: “Benefit for self and others, private and public interests are one and the same.” We aim to continue emphasizing our corporate ethos, which we have maintained for 400 years.

There is growing international interest in sustainability. However, at the 2019 UN Climate Change Conference (COP25), the conflict of interests became clear between developed and developing countries through differences in position and awareness. It was evident in the failure to reach an agreement on implementing the Paris Agreement. The world’s population is approaching 8 billion. To achieve a rich lifestyle for everyone on earth—even with a population of 9 or 10 billion—it is not possible to force a single value on other people. It is essential to view social issues from a comprehensive macro perspective that encompasses the long-term. When adopting such a perspective, it is not easy to observe matters and devise solutions. But the Sumitomo Corporation Group will exercise leadership using the diverse expertise and broad perceptions that we have developed as an integrated trading company.

Enhancing sustainability management

Three approaches to linking key social issues to growth strategies of group companies

In June 2020, we at the Sumitomo Corporation Group announced our policy for enhancing our current sustainability management. Our Group is deeply involved in key social issues, such as achieving a carbon-neutral society by 2050 (as under the Paris Agreement), human rights issues, creating a circular economy, and improving living standard, including education. Through an initiative that links these key social issues to the growth strategies of over 400 group company units*, we aim to combine three approaches in promoting those strategies.

One approach is through self-help efforts. This is based on examining all the Group’s offices and focusing our efforts on businesses that exert a positive impact while reducing environmental impacts. However, that approach alone cannot solve problems. A second approach is needed: using our unique network as an integrated trading company, which involves collaboration with diverse stakeholders. Through cooperating with our 100,000 business partners in the world, we are able to create value that is unachievable by a single company. The third approach involves supporting the transformation of economic and social systems. For example, international society is currently shifting away from mass production and consumption toward a circular economy. Such an economy demands collaboration among many companies and government agencies. We aim to advocate ideas based on cooperation that transcend the boundaries among nations, industries and companies, and that utilize the experience of our Group, which strives for new value creation.

* For our consolidated group companies, a group company and its subsidiaries are aggregated to one unit.

We will pursue our twin goals of simultaneously achieving prosperity and protecting the global environment. This means that our Group has to set targets for key social issues that are particularly relevant to the Sumitomo Corporation Group while pursuing two aspects: the development and evolution of society and the sustainability of society. We then need to go through the PDCA cycle while monitoring progress toward those targets. For the next medium-term management plan, we will set medium-term goals and KPIs based on key social issues and long-term goals assigned to those issues. We also need to define milestones toward addressing key social issues to serve as a “compass” for our Group’s future long-term management policy. We are currently holding discussions about setting goals and indicators based on the characteristics and directions of our group companies in various businesses. After implementing enhanced sustainability management at our business front lines, we still need to produce results. Using sustainable growth, we at the Sumitomo Corporation Group will accelerate the creation of mechanisms that will enable us to contribute toward achieving a sustainable society by properly addressing social issues. In this way, I firmly believe we can transform our Group’s business portfolio and enhance future profitability by strategically allocating management resources based on attaining the goals of the key social issues.

Through more sophisticated sustainability management, the Sumitomo Corporation Group will continue aiming both to achieve prosperity of society and protect the global environment. Together with our various stakeholders, we will aim to bring about an ideal society.

October 2020

Masayuki Hyodo
Representative Director
President and Chief Executive Officer
Special Feature

Sustainability Management at the Sumitomo Corporation Group

Some solutions to social issues can only be driven by an integrated trading company — Sustainability management at Sumitomo Corporation progresses to the next stage

Sustainability management at the Sumitomo Corporation Group—Founded on Sumitomo’s Business Philosophy

The history of the Sumitomo Group, in which the Sumitomo Corporation Group has its roots, began over 400 years ago. Its core business in those days was copper refining, and it later expanded into copper mining with the opening of the Besshi Copper Mines, which provided the foundation for the Sumitomo Group’s development. While the Besshi Copper Mines played a leading role in Japan’s industrial development, the rapid modernization led to deforestation while smoke pollution from the smelting operations devastated forests and damaged crops in the community. Sumitomo’s leadership of the time responded by relocating the smelting operation to an uninhabited island off the coast and hired experts to replant the forests around the mines. Our predecessors made the decisions to prioritize the sustainability of the surrounding natural environment and local communities over short-term profit. This commitment lives on in the Group of today as expressed in the founder’s credo: “Benefit for self and others, private and public interests are one and the same.”

Today, leading a Group of more than 900 companies in 81 countries and regions worldwide, Sumitomo Corporation conducts business activities with a wide range of stakeholders including customers, local communities, suppliers, business partners, and employees. Backed by a workforce united in the idea that our business operations should serve the public interest, we believe that the Group’s mission is to contribute to the sustainable development of society while working together with stakeholders around the world to protect the global environment.

Identifying our role in realizing a sustainable society with stronger commitment

Climate change, loss of biodiversity, and human rights issues are some of the challenges facing modern society that stand in the way of sustainability. The Paris Agreement and the SDGs and Business and Human Rights Guiding Principles are among a range of global goals and guidelines that point the way forward to a society where such issues have been overcome. Business enterprises and a wide range of other organizations are working to make these a reality.

In 2017, with the aim of achieving sustainable growth with society in the spirit of Sumitomo’s Business Philosophy and Sumitomo Corporation Group’s Management Principles, we identified Six Material Issues for the Group to address as priority areas. These Six Material Issues were arrived at by formulating four activity headings to indicate how the Group’s individual businesses can contribute to society and by combining these with two management themes. The Group has placed the material issues at the core of its management activity and monitors whether its business strategy and individual businesses are aligned with them. In this way, our management activity maintains a constant awareness of our duty to make social contributions through our business activities.

However, as climate change and other social issues grow in seriousness, presenting a major threat to the sustainability of society, business enterprises need to make a more active contribution to their resolution. In response, the Group has launched an initiative to further enhance sustainability management for sustainable growth with society. As well as clearly defining our role in helping to resolve social issues, this represents a strengthening of our commitment to realizing a sustainable society.

For further details, please see ESG Communication Book 2020.
Six key social issues and associated long-term goals to guide our business activities

As part of our enhancement of sustainability management, the Sumitomo Corporation Group has identified six key social issues to target through Group initiatives, with a long-term goal set for each issue: “Mitigation of climate change,” “Circular economy,” “Respect for human rights,” “Development of local society and economy,” “Improvement of living standard,” and “Quality education.” These issues and goals indicate the areas where the Group can use its strengths in human resources, business expertise, global networks, and business relationships to fulfill its social role and will serve as indicators guiding the Group's business activities as a whole. In principle, each of the issues will be addressed through business activities, but in the case of “Quality education,” our initiatives will be rolled out through social contribution activities and various human resource training activities.

To meet the long-term goals going forward, we will set concrete medium-term goals including quantitative targets and establish KPIs to evaluate progress toward their achievement. The six key social issues arise from the two themes of “Sustainability of society” and the “Development and evolution of society.” Ensuring social sustainability is a common global concern and an absolute precondition for the development of society and the Group's business activities. At the same time, the pursuit of a sustainable society will be made possible by the new solutions generated by a more developed and evolved society. The two themes are thus interdependent and complementary.

Key social issues for “Sustainability of society”
- Mitigation of climate change
- Circular economy

The circular economy through recycling, reuse, reproduction, resource-saving product development, and sharing is an important element for maintaining social sustainability. The Group will contribute to achieve circular economy by recycling, switching to resource-saving technologies and products, and working on sustainable procurement of natural resources.

- Respect for human rights
- Quality education

These issues and goals indicate the areas where the Group can use its strengths in human resources, business expertise, global networks, and business relationships to fulfill its social role and will serve as indicators guiding the Group's business activities as a whole. In principle, each of the issues will be addressed through business activities, but in the case of “Quality education,” our initiatives will be rolled out through social contribution activities and various human resource training activities.

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Key issues for “Development and evolution of society”
- Development of local society and economy
- Improvement of living standard

The world’s population continues to grow, and many areas are facing problems such as aging and urbanization. The Group will make efforts to provide advanced life-related services that contribute to a better life for all people.

- Quality education

Quality education plays an important role in the development of local communities and economies, which enriches people’s lives and leads to the creation of a sustainable society. The Group will promote various activities, including philanthropy, to contribute to quality education.

Long-term goals for individual key social issues include, for example, aiming for carbon neutrality in 2050, which will be addressed on a long-term basis. Meanwhile, there are goals that we must constantly work on, such as respecting human rights in all of our businesses and supply chains. We will set specific medium-term goals for achieving these long-term goals, monitor KPIs, and take actions while disclosing our progress to stakeholders.

The enhancement of sustainability management that we work

The enhancement of sustainability management that the Sumitomo Corporation Group is working to achieve will not mean merely committing to a role in the realization of a sustainable society. Having drawn outline visions of the carbon-neutral energy cycle, circular economy, and human rights-compliant business activities that will be realized in such a society, we will prepare the long-term changes in the business environment needed to achieve them. We will then be able to progress with strategic allocation of management resources to ensure that the Group’s business portfolio is in a position to consistently create and deliver the actual value that society needs. We believe this is the way to achieve long-term increase in corporate value and sustainable growth.

Envisaging the society that we need to become and working toward that goal will open up many business opportunities. Firmly aligning the Group's value creation with the building of a sustainable society is the goal of the Group’s sustainability management, and we will go on steadily establishing a management framework to achieve that goal.

Key social issues and long-term goals for Sumitomo Corporation Group

The Sumitomo Corporation Group’s Corporate Mission Statement

"Material Issues"*

* Priority issues identified for the Sumitomo Corporation Group to pursue sustainable growth with society

Establishment of the Sumitomo Corporation Group's Human Rights Policy in May 2020

We have recently established the Sumitomo Corporation Group’s Human Rights Policy. The new policy represents a clear statement of our approach to sustainable growth with society and respect for human rights as our corporate social responsibility (CSR) through human rights due diligence, dialogue with stakeholders, internal education and awareness activities, and other initiatives.
Responses to Climate Change Issues

Sumitomo Corporation Group’s Basic Policy that aims for carbon neutrality by 2050

We recognize the issue of climate change as a major social issue with great worldwide impacts on the environment, society, and business for generations to come. The Sumitomo Corporation Group has recently revised its policy on climate change in order to play a more active role in the key social issue of climate change mitigation toward the realization of a sustainable society.

Basic Policy

• Aim to make the Sumitomo Corporation Group carbon neutral in 2050*1. Develop technologies and business models for creating a sustainable energy cycle by reducing CO2 emissions and achieving negative emissions*2 for society as a whole.
• In addition to reducing and absorbing CO2 emissions from our business, we will contribute to the carbon neutralization of society through cooperative initiatives and recommendations made with business partners and public institutions.

Policy on Business Activities

• Promote renewable energy, efficient energy utilization and fuel conversion that contributes to reducing CO2 emissions throughout society. We will also work to offer new energy management and mobility services utilizing renewable energy and also to materialize hydrogen technologies and applications.
• 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% to 30%; gas 30% to 40%; and renewables 20% to 30%)
• Regarding the development of thermal power generation and fossil energy concession, we will work on the premise of carbon neutralization in 2050.

Contributing to CO2 emissions reduction across society through business activities

To halt global warming and overcome the issue of climate change, we need to realize a sustainable carbon-neutral society by 2050, together with numerous partner companies, we engage in multifaceted measures that contribute to the development of a carbon-neutral society, such as practicing more efficient energy management, cutting industrial energy consumption, sustainable forest management that contributes to carbon capture and fixation, and intermittent innovation such as CCUS*1 and CO2-free hydrogen production.

Initiatives for the realization of a carbon-neutral society

Carbon-neutral society

Energy management centered on renewable energies
Energy conservation on the demand side
Better efficiency
Absorption and utilization of CO2
Building a new energy cycle such as hydrogen

Short to medium-term
Projects in the framework of widely-applicable technologies

- Better efficiency
- Absorption and utilization of CO2
- Building a new energy cycle such as hydrogen

Long-term

- Electrification of transportation into the demand side
- Energy management centered on renewable energies
- Forest management
- Renewable energy centers and power plants
- Car sharing
- E-V battery
- CO2
- Power development in remote/local area
- Biomass business
- Distributed energy resources (sustainable energy/natural gas)**1
- Dedicated trading
- Solar power
- Smart City
- EV charging
- Demand-side management
- Storage
- CCUS
- Distributed energy resources (sustainable energy/natural gas)**1
- Distributed energy resources (sustainable energy/natural gas)**1
- Energy management centered on renewable energies
- Energy conservation on the demand side
- Better efficiency
- Absorption and utilization of CO2
- Building a new energy cycle such as hydrogen

Short to medium-term
Development of the products/business models
(Carbon pricing, CO2 emissions rules, changes in customer mindsets, other changes in the business environment)

Long-term

Disclosure in line with the final recommendations of TCFD
(Enhanced disclosure on climate change-related risks and opportunities)

Recognizing the importance of disclosure on climate change, in March 2019 Sumitomo Corporation endorsed the Task Force on Climate-related Financial Disclosures (TCFD)’s final recommendations and now comes out with disclosure with reference to the TCFD’s recommended framework. (For further details, please see ESG Communication Book 2020.)
A shift in management resources is urgently required for structural reform
A foundation needs to be established for recovery

Summary of FY2019 business results

The challenges in the business environment following the downturn in the world economy have highlighted the issues in terms of profitability

In FY2019, the second year of Medium-Term Management Plan 2020, one-off losses in the tubular products business and the Bolivia silver-lead mining business were compounded by issues such as the U.S.-China trade friction and the sharp fall in the crude oil price, and towards the end of the fiscal year, by the downturn in the business environment caused by the COVID-19 outbreak. These factors reduced performance year on year in both the mineral resources and non-mineral resources businesses, with profit attributable to owners of the parent falling by ¥149.2 billion to ¥171.4 billion.

The decline in earnings resulted in basic profit cash flow for FY2019 of ¥239.0 billion, a decrease of ¥51.0 billion, while free cash flow was reduced by ¥94.4 billion to ¥123.2 billion compared to the previous year. Business results by segment are discussed in detail in the Segment Overview (please see the list at right). Three of our business units—Infrastructure, Media & Digital, and Living Related & Real Estate—including many business operations that are not affected by fluctuations in the economy, were able to post earnings at roughly the same level as the previous fiscal year. However, the other three business units—Metal Products, Transportation & Construction Systems, and Mineral Resources, Energy, Chemical & Electronics—are more susceptible to economic fluctuations, and, with the addition of one-off losses, experienced substantial profit decreases from the previous fiscal year.

The issues we face vary by segment and by business, but overall, the year left us with two clear tasks: Increase the value of individual businesses and reform the earnings structure.

FY2020 outlook

Focus on structural reform, starting with restructuring unprofitable businesses, to set us on a path to a rapid return to growth

I expect the negative impact of the COVID-19 to continue for the foreseeable future, resulting in a difficult business environment throughout FY2020. To set us on a path to a rapid return to growth, we will concentrate during the year on structural reform, starting with measures to restructure unprofitable businesses. Under this situation, we have included a one-off loss of ¥250.0 billion in our annual forecast, resulting in an expected loss attributable to owners of the parent of ¥150.0 billion for FY2020.

Due to the many uncertain factors, it is not possible at present to give a detailed breakdown of the projected one-off loss of ¥250.0 billion. However, with the impact of the COVID-19 outbreak, there are concerns for impairment losses in a number of projects. We additionally expect withdrawal and related losses from the restructuring of unprofitable projects, which we are determined to achieve a rapid return to our growth path. Clearing the way to dealing with these concerns, unprofitable businesses will generate additional funds to rapidly create a foundation to shift them into business fields with better growth prospects.

Excluding one-off losses, however, we expect three of our business units—Infrastructure, Media & Digital, and Living Related & Real Estate—to show overall solid performance even under the current business conditions. As for the other three business units—Metal Products, Transportation & Construction Systems, and Mineral Resources, Energy, Chemical & Electronics—the impact of the COVID-19 outbreak has been significant and we forecast that it is difficult to see earnings recovering in FY2020. However, this does not mean that they have lost their intrinsic earning power, and I think that business results will recover as economic activity returns to normal.

Nevertheless, rather than waiting for the economy to recover, individual businesses need to show stronger management inputs. To achieve earnings recovery as quickly as possible once the COVID-19 crisis has been subdued, we will work to reinforce the competitiveness of each business, revitalize underperforming businesses, and create new businesses. These measures will form part of a structural transformation to rebuild our businesses into a highly competitive company.

Masaru Shiomi
Representative Director, Managing Executive Officer, Chief Financial Officer

Message from the Chief Financial Officer

One-off losses

Approx. ¥77.0

Profit (loss) for the year

¥171.4 -¥150.0
highly resilient portfolio that can withstand fluctuations in the economic environment.

Measures to restructure unprofitable businesses

Redeployment of management resources is urgently required to rebuild our business portfolio

The most urgent matters for our Group is to stabilize earnings and re-establish growth potential by rebuilding the business portfolio, and to raise funds from our management resources. After drawing a clear distinction between focus fields, where further growth can be expected by leveraging of our strengths, and fields for rebuilding, where reform of the business model is required, we will not hesitate to withdraw from businesses that show little potential for growth. We can then shift the management resources to the focus fields where the prospects for growth lie.

As part of Medium-Term Management Plan 2020, we introduced the Full Potential Plan, a support program to maximize the enterprise value of the group companies. However, in addition to our initiative of increasing the value of existing businesses, we also need to further accelerate withdrawal from businesses with little growth potential. We have already identified several tens of companies as definite candidates for withdrawal. With a view to having a withdrawal by the end of FY2020, we are working with business units and corporate groups to take the necessary action. We have factored in the accompanying withdrawal costs and other one-off losses, believing these are a hit we need to take with a view to recovery from FY2021. First of all, we will carry out a decisive redeployment of management resources, including funds and personnel, to drive the investment in growth businesses for rebuilding our business portfolio.

Cash flow and investments and loans

Further enhancement of cash flow management in line with business environment

Up until now, the Sumitomo Corporation Group’s cash flow management has followed a basic policy of maintaining financial soundness by keeping investments and loans and shareholder returns within the limits of cash flow earnings (basic profit cash flow + depreciation and amortization) and asset replacement, thus maintaining a positive balance of free cash flow and reducing interest-bearing liabilities.

Given the present challenging business environment, FY2020 is expected to bring a decline in cash flow earnings. To come safely through the economic trough of the COVID-19 outbreak, we will adopt an “emergency mode,” focusing detailed attention on comprehensively reducing costs, promoting asset replacement, increasing working capital, and careful screening of investments and loans. This will allow us to generate cash and control cash outflows even more effectively and thereby secure and maintain short-term liquidity.

Allocated approximately ¥650 billion in the previous two years, we will strictly screen investments and loans in FY2020

Under Medium-Term Management Plan 2020, the initial plan for 3-year investments and loans was ¥1,300 billion, for new and ongoing projects combined. We have allocated approximately ¥650.0 billion in the last two years (FY2018: Approx. ¥300 billion; FY2019: Approx. ¥350 billion).

This amount includes investments and loans in existing businesses, such as the construction of power generation plants in Asia and the Middle East, acquisition of real estate in Japan and overseas, and additions to overseas construction machinery rental assets. We also allocated a cumulative total of approximately ¥90 billion in the last two years, under the initiative of Medium-Term Management Plan 2020, for investments in next-generation businesses in three fields where major growth is forecast in the future.

For FY2020, with cash flow management under our “emergency mode,” we will restrict investments and loans to roughly ¥280 billion. The investments and loans will be screened mainly to projects already under contract, ongoing projects where required for business maintenance and continuation at the minimum level, and cases where strictly necessary in the context of the companywide growth strategy. The plan has accordingly been adjusted to show a 3-year cumulative total of just over ¥900 billion in investments and loans.
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.
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, 9, 13</td>
</tr>
<tr>
<td>Contributing to the Development of Local Communities and Industries</td>
<td>Circular economy</td>
<td>• Shift to recyclable, efficient technologies and products • Sustainable use of natural resources</td>
<td>12, 13</td>
</tr>
<tr>
<td>Respect for human rights</td>
<td>Development of local society and economy</td>
<td>• Contribute to development of local industries and human resources • Develop industrial and social infrastructure</td>
<td>8, 9, 11</td>
</tr>
<tr>
<td>Establishing a foundation for Comfortable and Enriching Lifestyles</td>
<td>Improvement of living standard</td>
<td>• Provide advanced lifestyle-related services</td>
<td>3, 9, 13</td>
</tr>
<tr>
<td>Providing Diverse “Accessibility”</td>
<td>Quality education</td>
<td>• Contribute to quality education</td>
<td>4, 13</td>
</tr>
</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>8, 9, 13</td>
</tr>
<tr>
<td>Enhancing Governance</td>
<td>PART 4 Governance p. 91</td>
<td>13</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’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 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 groupwide 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 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

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

To 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.

Social and Environmental Risk Management as Part of Sustainability Management

The Sumitomo Corporation Group has established a company-wide 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 specifics 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. The results of this process of review and monitoring of new investments, along with any specific responses to important social and environmental issues, are reported or referred for further discussion to the Management Council and the Board of Directors through the relevant internal committees. To further enhance the Sumitomo Corporation Group’s risk management system, we have established the Environmental Policy, Human Rights Policy, CSR Action Guidelines for Supply Chain Management, and other clear statements of Sumitomo Corporation’s approach to social issues, and we are working to ensure that these policies are fully implemented throughout the Group.

In April 2020, we introduced an evaluation tool, which is a set of assessment sheets, used for checking social and environmental risks when an investment proposal is submitted. We use the assessment sheets to analyze whether there is a potential risk in the new business, for instance, violating human rights when hiring immigrant workers and requiring local residents to relocate, conducting unsustainable procurement or causing climate change. Depending on the risk, the Corporate Sustainability Department may also participate in the discussion for making decisions on investments.

This system ensures comprehensive risk management that is responsive to the different risks and social issues associated with different businesses.

Framework for social and environmental risk management

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

### 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.

### 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.

### 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.
Mechanisms

How we create value

Innovation that can open the way to a new era for the economy, industry, and society offers an exciting prospect toward the realization of a sustainable society. The drivers for this innovation are utilization of cutting-edge digital technologies and mechanisms that realize inventive value creation. Drawing on its unique abilities in the design and creation and then practical rollout of business projects, the Sumitomo Corporation Group is working to put in place new mechanisms for value creation.

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 mega-trends 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 intrapreneural program for employees of the Sumitomo Corporation Group to propose new businesses.

Creating innovation 3

Intrapreneural program 0→1 Challenge

To create innovative new businesses, a risk-taking spirit of challenge is essential. Recognizing this, in FY2018 we launched the intrapreneural 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 FY2019, the program 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 challenges 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 2017 (BBBO2017), 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 Capital

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

<table>
<thead>
<tr>
<th>Years (FY)</th>
<th>Core RB (Billions of yen)</th>
<th>RA (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>-140</td>
<td>2.44</td>
</tr>
<tr>
<td>FY2015</td>
<td>-60</td>
<td>2.32</td>
</tr>
<tr>
<td>FY2016</td>
<td>-20</td>
<td>2.39</td>
</tr>
<tr>
<td>FY2017</td>
<td>30</td>
<td>2.27</td>
</tr>
<tr>
<td>FY2018</td>
<td>350</td>
<td>2.24</td>
</tr>
<tr>
<td>FY2019</td>
<td>240</td>
<td>2.52</td>
</tr>
</tbody>
</table>

**Shareholders’ equity (left) / Interest-bearing liabilities (net) (left) / Net DER (right)**

<table>
<thead>
<tr>
<th>Years (FY)</th>
<th>Shareholders’ equity (Trillions of yen)</th>
<th>Interest-bearing liabilities (net) (Trillions of yen)</th>
<th>Net DER (Times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.5</td>
<td>1.3</td>
<td>1.9</td>
</tr>
<tr>
<td>2016</td>
<td>2.3</td>
<td>1.2</td>
<td>1.9</td>
</tr>
<tr>
<td>2017</td>
<td>2.4</td>
<td>1.1</td>
<td>2.2</td>
</tr>
<tr>
<td>2018</td>
<td>2.5</td>
<td>1.0</td>
<td>2.5</td>
</tr>
<tr>
<td>2019</td>
<td>2.6</td>
<td>0.8</td>
<td>3.3</td>
</tr>
</tbody>
</table>
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, which 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

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

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.

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.

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

Business partners
We seek 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.

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.

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, Monjuin Shiigaki 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 foundation as a globally diversified group of companies.
Global Network Capital
Building relationships of trust with communities through locally rooted business activities

Domestic and Overseas Offices (As of April 1, 2020)

- Indicates the cities in which our offices are located.

**Overseas**
65 countries and regions
38 subsidiaries ... 87 locations
2 branches .... 2 locations
1 sub-branch .... 1 location
24 offices .... 24 locations

**Japan**
Headquarters
3 subsidiaries ..... 9 locations
6 offices ..... 12 locations

**Total Offices**
136 locations
66 countries and regions
66 subsidiaries and associated companies

957 companies
81 countries and regions

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**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, utilization of 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 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 competitivity.”

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 competitivity. 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 a 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 technology evolved from being simply “a tool that people used at work” to “a means of creating new businesses and redefining existing businesses.” After retreating 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 corporate venture of the Sumitomo Corporation Group, because I was attracted to venture investment. During my four years there gaining experience in venture investment, I developed a strong desire to become involved in the actual operation of the businesses, and so I joined Sumitomo Corporation. I calculated that there would be a wide range of opportunities in a variety of business fields here, and now I feel like I’m building the career I envisaged.

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.”

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?

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.

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 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.

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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.

Chiba (far left) on a visit to an “Aimo Park” company site

Campbell on a business trip for new investment in Indonesia

Isaka (3rd from left) with project members in Norway

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 in 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. 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).
Offshore wind power generation in Europe

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

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 this sector in Europe, offshore wind power generation has consistently offered greater capacity per project than onshore wind or solar power. With the 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 put in place incentive systems including financial grants, which sharply accelerated development. Responding to this favorable business opportunity, Sumitomo Corporation became the first Japanese enterprise to enter the market. Following an offshore wind power generation project in Belgium, our first project in the North Sea, Sumitomo Corporation also participated in large-scale projects in the United Kingdom and France. Beginning with Germany as our core location, we have now established business bases in Belgium, the United Kingdom, and France and built close partnerships with local business operators in the field of offshore wind power generation. As the technology matures, development and operation costs are falling, and competition has intensified compared to the time of our market entry. However, thanks to our previous track record, we have accumulated valuable assets in the form of business expertise and relationships with quality partners, which we take advantage of to secure contracts from the initial development stage and create new value. Looking ahead, we are exploring expansion into other regions including Japan.

Meanwhile, we now have in place a mechanism for directing financial resources to renewable energy projects, with the first fund established by Spring Infrastructure Capital Co., Ltd., the renewable energy fund management company that we founded in 2019 jointly with Sumitomo Mitsui Banking Corporation and Development Bank of Japan Inc. Using our accumulated strengths and this new mechanism, we are contributing to the promotion of renewable energy infrastructure, mainly in the offshore wind power generation business.

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

Social value

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

Environmental value

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

Economic value

- Total business costs (based on net ownership capacity): ¥178.5 billion (cumulative total from 2014 to 2019)
  - 5 times increase since 2014

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.
PART 2

Medium-Term Management Plan 2020

Growth Strategy: Current Status and Future Vision

The COVID-19 pandemic is impacting significantly the global economy and society. To continue creating value under the uncertainty and unpredictability of the current business environment, the Sumitomo Corporation Group has reaffirmed the strategic direction of its Medium-Term Management Plan 2020 and is proceeding with the implementation of its growth strategies from an approach emphasizing adaptability.
Drive structural reform to rebuild our business portfolio

Switching to “emergency mode” and driving structural reform amid a changing business environment

We are now two-thirds of the way through our three-year Medium-Term Management Plan 2020, launched in FY2018. Compared to the time when the plan was formulated, the business environment around the Sumitomo Corporation Group has been changing significantly including the worldwide impact of the COVID-19 outbreak. While we have been able to promote the growth strategy according to plan in some businesses, there are others where value has not been enhanced as envisaged, or where we have been forced to alter the strategies in response to changes in the business environment. As a result, the profit for the year for FY2019 came in well below the initial forecast at ¥171.4 billion. We also forecast FY2020 to see an overall loss of ¥150.0 billion including a substantial one-off losses.

To respond to this future uncertainty, we are switching our internal operations to “emergency mode” in the short-term to drive structural reform looking ahead to our next medium-term management plan. We will enhance cash flow management through asset replacement, cost reduction, and rigorous screening of investments and loans in addition to securing on-hand liquidity. In parallel, we will liquidate unprofitable businesses in order to upgrade the quality of our business portfolio, with a firm determination.

With the economic downturn starting in 2019 and the crude oil price remaining sluggish, profitability has declined, particularly in the Metal Products Business Unit, the Transportation & Construction Systems Business Unit, and in certain businesses in the Mineral Resources, Energy, Chemical & Electronics Business Unit. We will identify the issues in each business and devise individual countermeasures. We intend to downsize or withdraw from the businesses for which we judge future potential to be uncertain. In the FY2020 forecasts, we have factored in the impairment and withdrawal losses which may arise in the process of exiting unprofitable businesses.

The next step needed is reinforcement of earning power in the medium- to long-term. When the COVID-19 outbreak is gradually subdued, we envisage that the earnings of the Group’s businesses, which are currently under pressure, will bounce back to a considerable extent in line with the recovery of the world economy. However, it is clear that it would leave us lacking resilience to economic fluctuations and unable to adapt to potential major changes in the future business environment if we were simply waiting for the world economy to recover.

The structural reform we are currently working on is designed to strategically allocate key management resources to businesses where the Group has intrinsic strength and fields where major growth can be expected. We have already begun the process of formulating a corresponding strategy and reviewing internal systems. By accelerating the shift of strategic management resources, we will place the Group’s earning power on a more solid and resilient footing.

In industry fields undergoing major structural change due to developments such as the evolution of digital technology and the spread of the sharing economy, we need to make the switch from our existing business model taking advantage of the Sumitomo Corporation Group’s established presence. In the tubular products business, for instance, we are working with energy majors that are long-standing business partners to accelerate activities in response to climate change that simultaneously create new value, from the standardization of products and services to joint renewable energy research projects to support carbon neutrality. In this way, we are working to increase the profitability of each business and rebuild the business portfolio companywide by adapting to the great changes in the structure of industry and switching to new business models if needed.

For the long-term, as we have declared a policy of “Enhancing Sustainability Management,” we will contribute to the realization of a sustainable society and will increase corporate value by actively engaging in businesses that resolve social issues.

At the same time as we adapt to the great changes in our business environment, like those outlined above, we will continue to firmly work on the on-going tasks and measures under the current medium-term management plan as they are still important. Below, I review the progress with the measures announced under the growth strategy plan—including examples from actual business projects materialized over the last two years.

Structural reform looking ahead of the next medium-term management plan

- There is a possibility of some one-off losses from multiple businesses due to delays in increasing the value of existing businesses in addition to the impact of the COVID-19 outbreak.
- Lay out a future path for unprofitable businesses and shift our management resources to growth areas in order to return to a growth track quickly.
- Rebuild the business portfolio companywide.
- Accelerate the shift of management resources to business fields where greater growth is expected by leveraging Sumitomo Corporation’s strengths.
- Identify key social issues and set long-term goals to promote the resolution of social issues.
- Enhance our corporate value through management reflecting long-term trends in social issues.
Two approaches to increasing the value of existing businesses

It goes without saying that our existing businesses are supporting the earnings base of the Sumitomo Corporation Group. Their earnings are the source of investment for future growth and we will be unable to reinforce our growth strategy unless we increase the value of existing businesses. Under the current medium-term management plan, we are working on two approaches to increasing value: Further reinforcing existing earnings pillars and improving the earning power of low-profitability businesses.

The first of these approaches involves accumulating high-quality assets in existing business fields. Over the last two years, we have undertaken new or replacement investment in the areas where each of our business units has strength, in line with the unit’s particular growth strategy. Among specific examples are business investment projects by the Infrastructure Business Unit in the field of electric power infrastructure in Europe, including offshore wind power generation, and investment in large-scale development projects in the real estate field, the founding business of the Sumitomo Corporation and a traditional area of strength. Going forward, we will take uncompromising measures to reinforce existing earnings pillars and add further to these strengths.

Refer to p. 53, Renewable energy: Business value and its evolution

The second approach consists of initiatives to increase earning power by unlocking the potential of businesses that for some reason have failed to grow and remained at low levels of profitability. We launched this initiative at the start of the current medium-term management plan, but the impact of the COVID-19 outbreak has complicated the situation in a number of the businesses, so we are now working at a faster pace to re-establish profitability.

Cultivating the seeds for next-generation businesses to grow into future earnings pillars

To achieve sustainable growth, it is crucial for the Sumitomo Corporation Group to cultivate future earnings pillars by investing in growth fields as well as to increase the value of existing businesses.

In line with this recognition, the current medium-term management plan identifies the three areas of social infrastructure, healthcare, and Technology × Innovation as fields where rapid growth is expected in the future, and we are working to cultivate them as next-generation businesses.

As of the end of the second year of the medium-term management plan, we had made a total investment of approximately ¥90 billion in these three emerging areas as part of the strategy for next-generation business creation. In the area of social infrastructure, for instance, we have invested in Q-Park (now “Aino Park”), a company operating a parking business in three North European countries. To complement its parking business, we are seeking to be a next-generation mobility hub by developing new services including electric vehicle (EV) charging and car sharing. In the healthcare field, we are expanding our network of dispensing pharmacies through TomoT’s, a chain of drugstores incorporating a dispensing pharmacy, while also reinforcing home prescription dispensing services and promoting automated dispensing operations. Lastly, in the Technology × Innovation field, we have invested in the technology start-up Sekal in Norway, which provides software allowing efficient control of oil and gas exploration operations.

Refer to p. 69, Creating the next-generation businesses

Upgrading the functions of business platforms through intensified cross-organizational collaboration

Leveraging cross-business platform means combining the Sumitomo Corporation Group’s diverse range of businesses with functions from inside and outside the Group to create new value through cross-organizational collaboration. In the agrochemicals business, for instance, Sumitomo Corporation operates an agricultural input and service business supplying agrochemicals, fertilizer, and other agricultural products in more than 30 countries worldwide. With the business concept of “solving farmers’ problems,” and having the customer base we have built within the agrochemicals business as a platform, we aim to develop an integrated service offering a wide range of agricultural materials and equipment, data tools to maximize yield, and also non-agriculture-related products.

In this way, we aim to benefit from the wide range of synergies that can be generated by combining our customer base, extending across over 100,000 companies, with the capabilities and networks of our group companies.

Refer to p. 73, Leveraging cross-business platform

To a new phase of sustainability management at the Sumitomo Corporation Group

In today’s world, amid the growing seriousness of climate change, environmental pollution, and other global social issues, there are increasing needs for business enterprises to practice sustainability management considering social sustainability. For the Sumitomo Corporation Group, whose growth has been built on the business opportunities provided by worldwide economic development and the accompanying change in demand for wide-ranging goods and services, contributing to the realization of a sustainable society is a way of building a platform for further growth, and as such we recognize it to be an essential activity.

The idea of sustainability is by no means a new concept for us and is in tune with the values of Sumitomo’s Business Philosophy and Sumitomo Corporation Group’s Management Principles. On Sumitomo Corporation’s journey to date, it has always maintained a social awareness and delivered the value required by society.

I think that is precisely why it has been able to survive and prosper for so long. Now, however, business enterprises are being asked to explain in concrete terms what action they can offer toward the resolution of issues that threaten social sustainability, what values it will embody, and how they will roll it out in practice.

Apart from complying with public demands, we believe that working to realize the ideal society will also bring us more business opportunities. In other words, we see it as a growth strategy. It is the essence of the trading company’s business model to anticipate the trend of the times and to identify opportunities and risks. By ensuring that our management decisions reflect long-term trends in the resolution of social issues, we aim not only to contribute to a sustainable society but also to open up new business opportunities and increase corporate value.

To put this idea into practice, Sumitomo Corporation has established a policy of “Enhancing Sustainability Management.” While maintaining our pioneering commitment to the material issues we identified in 2017, we have made a clearer commitment to the roles we can play in the realization of a sustainable society by targeting six key social issues and setting associated long-term goals. We will also specify medium-term goals and key performance indicators (KPIs) to ensure that relevant initiatives are sustained and to provide motivation. These goals will be incorporated in the next medium-term management plan, due for launch in FY2021, and their progress will be monitored. In this way, we will drive the strategic reallocation of management resources toward the rebuilding of the Group’s business portfolio and promote sustainability management as part of our long-term growth strategy.

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

Adapting to survive in unpredictable times

Today, as we face more uncertainty and unpredictability, it has become difficult to outline a clear medium- to long-term growth strategy. However, I believe that businesses can prosper in whatever age as long as they deliver value to society. The “enterprising spirit” that is one of the phrases of Sumitomo’s Business Philosophy encapsulates the idea that business must “stay one step ahead, let go of out-of-date businesses, and start new ones to meet contemporary needs instead.” Honoring this tradition, we pay close attention to social needs, working through sound business activities to contribute to resolving social challenges. By staying ahead of the competition in creating new value and new structures, we build competitive advantage, resulting in corporate value increase. Practicing this fundamental approach with a firm sense of purpose, we will continue to pursue sustainable growth for the Group and for society.
CDO Talks: DX Strategy

Business model transformation through digital technology

Pursuing solutions-oriented DX

Throughout its 100-year history, Sumitomo Corporation has grown and prospered by developing its business model in line with economic and social changes. Today, Sumitomo Corporation is at the gateway of another challenge of reform: Digital Transformation (DX), a business model change in response to technical innovation and the rapid digitalization of society.

For the Sumitomo Corporation Group, change is the norm, and the digitalization of society represents an enormous business opportunity. The Sumitomo Corporation Group is aiming for solutions-oriented DX as a business model change by using technology to tackle challenges in the Group’s various areas of activity. We established the DX Center in 2018 to accelerate that change. The activities of DX Center is currently expanding, and it has over 100 members. It has brought together individuals with skillsets and capabilities for designing businesses as well as specialists in various digital technologies in diverse settings.

As an integrated trading company, we deal with many different commercial products in a wide range of industries. We also have many business front lines, where we manage investments in hands-on fashion. Our aim is to apply digital technologies to construct an ideal new business model and formulate solutions based on our “street intelligence” in understanding the particular issues and needs at each front line. From our perspective as an integrated trading company, we aim to develop our businesses and create an ecosystem that has a positive impact on society and industry through a design thinking approach that is front line-focused and customer-oriented.

Business process reform through DX

We initially implemented DX in robotic process automation (RPA) of operations, predominantly in routine tasks and trading activities within the Group. Our DX Center members carefully checked the business processes of each organization, worked to improve efficiency through digital technologies, and improved their understanding of each operation. In that way, the members collaborated with workplace leaders to identify issues and reform business processes. As a total improvement by RPA, it has reached to reduce 100,000 man-hours a year, which is equivalent to approximately ¥1 billion on a cost basis across the Group as a whole.

Over 300 DX-related projects implemented

Two years after opening, the DX Center has worked on over 300 DX-related projects across the Company. Depending on the issue at each front line, we classify projects into one of three categories: (1) operation enhancement; (2) solving industry issues; and (3) solving social issues. We adopt technologies and models according to the characteristics of a particular project and work to create value. Our operation enhancement projects have included AI-based predictive maintenance and market forecasting for manufacturing and processing businesses. Our projects in solving industry issues have included the use of digital marketing and creating a platform to transform customer contact points. Our projects in solving social issues have included mobility services in Northern Europe and healthcare services in Malaysia (screening employee medical care billing details and making payments to care facilities). We extend the knowledge acquired through these various DX initiatives to each business unit so that the whole company can accelerate DX.

Targeting a DX-based corporate transformation (CX)

The key to successfully implementing digital technologies and using data is a dynamic combination of internal and external knowledge and capabilities. As we work to create new value, we focus on co-creation with start-up companies to accelerate innovation. We are also driving open collaborations in partnership with leading businesses in each industry and major tech companies. Enhancing DX talent is another important area. Historically, we have expanded our businesses by accumulating know-how and knowledge related to trading business activities, investment and management activities. To ensure that DX-related knowledge and know-how are an intrinsic part of our Group, we will emphasize on-the-job training and DX training. We will accelerate acquisition of new talent with appropriate expertise.

The Sumitomo Corporation Group is active in diverse industries. At each of our business front lines, we are improving our business model by reforming operations, expanding functions and replacing businesses in response to environmental changes. Thus, we are working to achieve CX (Corporate Transformation) at an individual business level. With the great disruption caused by the paradigm shift in digital society, we will strive to create cross-industry businesses and new industries through DX. To accelerate those efforts, we will transform our company systems and culture such as collaboration beyond product-based organizations and strengthening of diversity and inclusion. Accordingly, we will drive our own CX as we become a company that continually creates value through digital solutions. Together with every member of the global Sumitomo Corporation Group, we will strive to bring prosperity by building a smart society.

DX briefing in Japan by the CDO

DX promotion system

Sumitomo Corporation has been selected as a Digital Transformation Stocks 2020 by Japan’s Ministry of Economy, Trade and Industry and Tokyo Stock Exchange in recognition of its business model transformation using digital technologies and CX including reformation of organization and culture.

Toshikazu Nambu
Representative Director, Executive Vice President
Chief Digital Officer and General Manager, Media & Digital Business Unit

DX briefing in Japan by the CDO

Sumitomo Corporation Group has been selected as a Digital Transformation Stocks 2020 by Japan’s Ministry of Economy, Trade and Industry and Tokyo Stock Exchange in recognition of its business model transformation using digital technologies and CX including reformation of organization and culture.
In a changing business environment, industries are becoming increasingly borderless and complex due to the technological innovation driven by AI and IoT. In our Medium-Term Management Plan 2020, we are creating new value by promoting three core growth strategies: Increasing the value of existing businesses, Creating the next-generation businesses and Leveraging cross-business platform. At the same time, we are making continuous efforts to enhance our management bases.

### Status of Medium-Term Management Plan 2020

<table>
<thead>
<tr>
<th>Key management indicators</th>
<th>FY2018 (results)</th>
<th>FY2019 (results)</th>
<th>FY2020 (plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit (loss) for the year</td>
<td>¥320.5 billion</td>
<td>¥171.4 billion</td>
<td>¥-150.0 billion</td>
</tr>
<tr>
<td>ROA</td>
<td>4.1%</td>
<td>2.1%</td>
<td>—</td>
</tr>
<tr>
<td>ROE</td>
<td>12.0%</td>
<td>6.4%</td>
<td>—</td>
</tr>
<tr>
<td>Investments and loans</td>
<td>Maintained</td>
<td>Maintained</td>
<td>Maintained</td>
</tr>
<tr>
<td>Post-dividend free cash flow</td>
<td>Approx. ¥300 billion</td>
<td>Approx. ¥350 billion</td>
<td>Approx. ¥280 billion</td>
</tr>
</tbody>
</table>

*Calculated after deduction of an approximately ¥50 billion increase in depreciation and amortization expenses following the adoption of IFRS 16 (Leases).*

### Expansion of business support functions

- **Business support function 1**: Support for developing new businesses
- **Business support function 2**: Full Potential Plan
- **Business support function 3**: Asset Cycle Management
- **Business support function 4**: Digital Transformation (DX)

### Reinforcement of management bases

- **Enhancement of governance**: Corporate Governance
- **Enhancement of human resources strategy**: Message from the Chief Administration Officer
- **Enhancement of financial soundness**: Message from the Chief Financial Officer

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**Message from the Chief Administration Officer**

**Message from the Chief Financial Officer**
Increasing the value of existing businesses

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

**Metal Products**

**OCTG business**

As an innovative challenge toward next-generation supply chain management for tubular products, we are providing the energy industry with optimization and automation through digital technologies. The resulting improvement in efficiency will help us to tackle climate change and other social issues.

**Steel service center business**

We are using DX to upgrade steel service centers and also accelerating selection and concentration in line with regional strategies. Our acquisition of U.S. company Magic Steel Sales, LLC has enabled us to increase purchasing ability through the securing of new business in our core area and expansion of business scale.

**Automotive manufacturing business**

We acquired Asama Giken Co., Ltd., a manufacturer of automotive brake parts and related products. Together with our subsidiary Kiriu Corporation, this means the Sumitomo Corporation Group now has one of the world’s largest manufacturing capabilities of such products, with a worldwide market share of approximately 10%. By further strengthening our base in the casting-related business, we will continue to advance with our growth strategy.

**North America construction equipment rental business**

We operate Sunstate Equipment Co., LLC, the sixth largest general construction machinery rental company in the United States. In addition to promoting the establishment of new bases and investment in machinery assets, we will also invest in IT facilities to allow visualization of operating conditions and boost asset efficiency.

**Overseas industrial park business**

In addition to providing manufacturing companies with integrated and continuing support through the industrial park business, we are expanding the range of new services provided to tenant businesses and their employees. Through new business development in line with the needs of surrounding communities, we will contribute to local development and to creating enriched lifestyles.

**Infrastructure**

**Zero emission business**

With the aim of realizing a carbon-free society, we established the Zero Emission Business Department. By leveraging and platforming our energy management initiatives, we will work to create new value in coordination with Summit Energy Corporation’s power retail business.

**Gas-fired IPP business**

We started construction work on a gas-fired combined cycle power generation project that will be the first low-environmental burden, high-efficiency facility in the UAE emirate of Sharjah. Through stable electric power supply with reduced energy consumption and CO₂ emissions, this project will contribute to the emirate’s sustainable development and climate change mitigation.

**Media & Digital**

**Cable TV business**

J.CCOM is expanding its wide range of online services that support everyday life. Online medical consultation via television screens is undergoing a trial in Tokyo and Fukuoka and the service will be launched in 2021.

**Digital solutions business**

To create and enhance value through DX, we work globally on strengthening our DX platforming our energy management business Department. By leveraging and platforming our energy management initiatives, we will work to create new value in coordination with Summit Energy Corporation’s power retail business.

**Living Related & Real Estate**

**Real estate business**

December 2019 saw the stock market listing of SOSLA Logistic REIT, Inc., which is sponsored by Sumitomo Corporation. The listed REIT, which acquires and operates cutting-edge logistics facilities on an environment-friendly basis under the SOSLA brand, offers opportunities for ESG investment.

**Dispersing pharmacy business**

Tomod’s Inc., which is rolling out urban-type drugstores incorporating a dispensing pharmacy, is expanding its business base through new store openings and other initiatives. At the same time, it is reinforcing its family pharmacy functions in line with the Japanese government’s rollout of a community-based integrated care system and its own corporate philosophy.

**Mineral Resources, Energy, Chemical & Electronics**

**Natural gas and LNG trading business**

The Cove Point liquid natural gas (LNG) project in the United States has established stable operation, with supply to Japan proceeding smoothly. Spot export by using excess production and natural gas trading in the locality of the LNG terminal are also in progress, with initiatives under way to expand natural gas and LNG business into Europe and Asia.

**Dispensary business**

Having acquired French cosmetic ingredients distributor SAG-CPPM SAS, we established Japanese domestic company Summit Cosmetics Corporation. In collaboration with existing group companies, we have now built up a cosmetic ingredients distribution network in the main markets—the Americas, Europe, and Japan.
Creating the next-generation businesses
Concentrating management resources in emerging fields with major growth

Technology x Innovation

Contributing to a cost effective and green oil and gas development process through a drilling automation initiative

In July 2019, the Sumitomo Corporation Group acquired a stake in the Norwegian company Sekal.

The exploration and development of subsurface oil and gas resources rely heavily on the knowledge and experience of individual personnel. As modern drilling environments become more and more hostile with tighter safety margins, the best trade-off between risk mitigation and efficient operation is always a challenge.

One of the solutions to address this challenge is “automation,” which every oil and gas company is closely engaged in at present.

Norway is the most advanced country in this field and has a long history of creating state-of-the-art technology, since the development of North Sea oil and gas resources presents one of the world’s most hostile environments. Based on the long-history of technology development by a Norwegian research institute, Sekal commercializes a world-leading software product that enables real-time analysis of drilling operations and equipment control in order to maximize operational efficiency and minimize safety risk. Currently, Sekal’s digital technology, which is globally adopted by major oil and gas companies, provides significant support and contribution to a drilling automation initiative that the industry is looking at as the right direction for the upcoming new era. In parallel, by accelerating the industry’s initiative for drilling automation, we at Sumitomo Corporation contribute toward lower-carbon operations in oil and gas development.

Using AI for more efficient mining equipment maintenance

Relialytics, in which the Sumitomo Corporation Group invested in June 2019, is rolling out a service that proposes the optimal maintenance regime for mining equipment through AI-based analysis of data obtained from the lubricant oil. By expanding services that utilize AI and the IoT, we are driving the shift to a more efficient mining industry that is also more friendly to people and the environment.

Healthcare

Expanding the “family pharmacy” network and enhancing its functions to enrich everyday life

Under the Japanese government’s approach of creating a community-based integrated care system,* it is envisaged that dispensing pharmacies will function as hubs for at-home prescription dispense services.

At the same time that Sumitomo Corporation is expanding its network of dispensing pharmacies, it is moving to enhance at-home prescription dispensing services. By introducing fully automated dispensing equipment and other DX-related technologies, we are also helping to improve the work efficiency of pharmacists and enhance patient-facing operations.

Going forward, we will work through our “family pharmacies” to support local development as well as the healthy and enriched lifestyles of our customers.

Managed care business contributing to higher-quality medical treatment and improved health management

Managed care is an approach to promote high-quality, low-cost medical treatment and improved personal health management in countries where, unlike Japan, the public healthcare system is not well developed.

After entering the Malaysian market in March 2019, we enhanced our remote dispensing service which delivers prescription drugs in response to orders received through an application. Going forward, we will continue to support the development of local communities and industries to create the foundations for enriched and comfortable lifestyles.
Creating the next-generation businesses

Social Infrastructure

Leveraging the potential for new platforms in the mobility business

By cross-fertilizing existing platforms and newly acquired platforms with new technologies and services, Sumitomo Corporation is targeting the creation of next-generation mobility service businesses. Based on this strategy, we accessed new platforms by acquiring a parking operator in three northern European countries (Sweden, Norway, and Finland), where we have extensive expertise in the automotive business.

Through this parking operator, “Aimo Park,” we plan to increase the value of the parking business itself through DX and other strategies. In addition, we will develop a diverse range of mobility business platforms by incorporating such services as repair and maintenance, car wash, tire replacement, and electric vehicle (EV) charging, as well as new peripheral businesses including car sharing.

Promoting initiatives toward a 5G society

Sumitomo Corporation is working on private 5G (“local 5G”) systems to create new businesses and promote the development of local industries, leveraging long-term relationships with local communities and telecom infrastructure through our cable TV business.

Realizing wide-area smart logistics through DX-based solutions

Vietnam has seen increasing demand for logistics services in response to the expansion of consumer markets in line with rapid economic growth and the increase in trade volume caused by the relocation of production bases from China. This has, however, also brought increasingly serious social challenges in terms of traffic congestion, environmental burdens, and high logistics costs.

Amid this, Sumitomo Corporation entered the Vietnamese container terminal business in July 2019. By linking our existing local businesses in logistics, industrial parks, and container terminals with IoT and other new technologies, we are working to realize wide-area smart logistics that will contribute to resolving these challenges.
Leveraging cross-business platform

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

Improving agricultural productivity through global rollout of the agricultural input sales business

Reflecting population growth, a shift toward increased meat consumption, and other trends, world food demand is on a continuous rise. However, there is a limit to the agricultural land area that can be secured for sustainable development. To expand agricultural production, it is vital to improve productivity through effective use of agricultural materials such as crop protection products, fertilizers, and seeds.

Sumitomo Corporation has a long history in the agricultural business. In the crop protection products field, we have exported high-quality crop protection products from Japanese manufacturers since the 1970s and currently export to some 100 countries around the world. Since the 1990s, we have expanded our business to midstream fields and currently engage in an agricultural input sales and wholesale business covering crop protection products, seeds, high-function fertilizers, and related items in more than 30 countries. To adapt closely to the differing agricultural conditions in different regions, we recruit a workforce locally and provide support based on our expertise in credit, inventory, and foreign exchange management. As a result, we enjoy high levels of confidence and a strong reputation among local customers and suppliers.

Likewise, in the fertilizers field, in the 1950s we began import and sales operations in Japan and export operations to other countries, expanding in the 1960s into fertilizer manufacturing in Japan. Having built a solid business foundation in this way, in the 1990s we expanded the reach of our sales business, including local production, to Asia and Oceania. At Sumitomo Corporation, we are working to coordinate and develop operations in each region by integrating and utilizing the customer base, knowledge, and expertise we have built up over time. To develop the conventional agricultural input wholesale business to the next stage, we built an agricultural input and service business, which provides farmers with a direct, one-stop source for the products and services they need. Starting in the 2010s, we have extended the reach of this business from Japan to Romania, Brazil, Ukraine, and other agricultural nations with strong market potential. Moreover, we are focusing energies on supporting agritech-based innovation and on constructing digital platforms and other options for further developing the agricultural business. Going forward, we will continue to work through global expansion and advanced business development to contribute to improving agricultural productivity worldwide.

Rollout of direct sales system to prime agricultural nations with sufficient market size and growth potential

Our overseas agricultural input and service business was launched in Romania, an agricultural nation with approximately four times the cultivated land area of Japan. Alcedo S.R.L., which we acquired in 2011, is Romania’s largest general agricultural material sales company, with 3,500 customers, or approximately one-third of the country’s farmers. In 2015, we acquired a stake in Agro Amazonia Produtos Agropecuários Ltda., a general agricultural input sales company in Brazil, another major agricultural nation. During the period of Medium-Term Management Plan 2020, we made Agro Amazonia a wholly-owned subsidiary in 2018, and acquired a stake in the Ukrainian general agricultural input sales company Spect.* By reinforcing our existing sales channels with the locally focused marketing of these prime local direct sales operators and Sumitomo Corporation’s wide-ranging and global industry networks, we will work to support the sustainable growth of agriculture in their respective regions.

Global rollout of agricultural business

Changing and expanding platforms

Constructing digital platforms using agricultural data to spread co-prosperity along the whole of the value chain

Sumitomo Corporation not only uses the direct sales system to strengthen agricultural material sales in each region but is also working to intensify the comprehensive services it offers: farming finance, purchasing of agricultural products, and solutions to improve productivity by employing agritech such as drones.

To advance these support systems, we will also drive digitization in each region. For example, focusing on markets where we can leverage our strengths in the agricultural input and service business, such as Japan, Brazil and Romania, we intend to explore the potential for instance of utilizing agricultural data and constructing digital platforms. As an example of data utilization, in addition to data and expertise on weather, market prices, agricultural technology, and other factors, we will collect and analyze data from individual farmers on their historic use of materials, including crop protection products, fertilizers, and seeds, as well as historic yields. This will allow us, for instance, to present best practices in terms of what crops to grow and which materials to use when and in what quantity to maximize return. Through effective use of agricultural data in this way, we will pursue innovation in the practice of agriculture, which has tended to rely on experience and instinct, and will construct and develop digital platforms that function as ecosystems promoting co-prosperity among all business operators in the value chain including farmers.

Intensifying support

* Spect-Agro LLC and Spect-Agrotechnika LLC

Changing and expanding platforms
Segment Overview

Businesses That Create Diverse Value

## At a Glance

### Results by Segment

<table>
<thead>
<tr>
<th>Segment Overview</th>
<th>Value Creation Story</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PART 3 Segment Overview</td>
</tr>
</tbody>
</table>

### Basic Profit Cash Flow

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal Products</td>
<td>290.0</td>
<td>16,681</td>
<td>8,054</td>
</tr>
<tr>
<td>Transportation &amp; Construction Systems</td>
<td>145.2</td>
<td>72,642</td>
<td>5,207</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>8,845</td>
<td>5,126</td>
<td>110.3</td>
</tr>
</tbody>
</table>

**Total:** 437.6

### Profit (Loss) for the Year

<table>
<thead>
<tr>
<th>Segment</th>
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<th>FY 2019</th>
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<tbody>
<tr>
<td>Media &amp; Digital</td>
<td>300.0</td>
<td>14,524</td>
<td>12,835</td>
</tr>
<tr>
<td>Living Related &amp; Real Estate</td>
<td>1,243.3</td>
<td>14,524</td>
<td>12,835</td>
</tr>
<tr>
<td>Mineral Resources, Energy, Chemical &amp; Electronics</td>
<td>300.0</td>
<td>14,524</td>
<td>12,835</td>
</tr>
<tr>
<td>Corporate and Eliminations</td>
<td>0.1</td>
<td>0.1</td>
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**Total:** 72,642

### Investments and Loans

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</table>

**Total:** 72,642

### Total Assets

<table>
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</table>

**Total:** 72,642

### Number of Employees (Consolidated Basis)

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<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

**Total:** 72,642

### Key Figures

- **Number of employees (Consolidated Basis):** 8,845
- **Basic profit cash flow:** 290.0
- **Profit (loss) for the year:** 14,524
- **Investments and loans:** 14,524
- **Total assets:** 72,642
- **Number of employees (Non-Consolidated Basis):** 672

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**Note:** Figures are as of March 31, 2020.
**PART 3** Segment Overview

**Metal Products**
- Steel Products Division
- Light Metals & Metal Products for Transportation Division
- Tubular Products Division

Fumihiro Koba
General Manager

**FY2019 Summary**
The Metal Products Business Unit posted a loss of ¥50.0 billion, a ¥90.5 billion decline from the previous fiscal year. The main factors were a profit fall in the tubular products business in North America, sluggish performance of the overseas steel service center business, and impairment losses and write-down of inventory in the tubular products business, mainly in the United States.

**Overview and Analysis of Each Field**

<table>
<thead>
<tr>
<th>Field</th>
<th>Steel Sheet &amp; Other Steel Products</th>
<th>Tubular Products</th>
<th>Non-Ferrous Products &amp; Metals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview</strong></td>
<td>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.</td>
<td>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.</td>
<td>Our participation in the overseas aluminum smelting and rolling business as well as in trading of imports and rolled products highlights our integrated capabilities in the aluminum business.</td>
</tr>
<tr>
<td><strong>Strengths</strong></td>
<td>• Leading market shares in unique segments such as rails, wheels, and axles for railway</td>
<td>• Position as one of the world’s largest handlers of oil country tubular goods (OCTG), and our expanded value chain</td>
<td>• Sharing our global growth strategy with leading partners in the upstream and midstream of aluminum value chain</td>
</tr>
<tr>
<td></td>
<td>• Expertise, solution capabilities, and a strong customer network in automobile-related steel products and tubular products</td>
<td>• Strategic partnerships with energy majors, and service provider development capabilities realized through our global network</td>
<td></td>
</tr>
<tr>
<td><strong>Challenges</strong></td>
<td>• Upgrading existing business models using information and expertise accumulated through steel products trading</td>
<td>• Responding to the Fourth Industrial Revolution, and digitization</td>
<td>• Further strengthening of the aluminum smelting operations, securing stable supplies of bauxite and alumina, and enhancing the added value of aluminum products</td>
</tr>
<tr>
<td></td>
<td>• Creating new business models from the client’s perspective</td>
<td>• Responding to shift to low-carbon societies</td>
<td></td>
</tr>
<tr>
<td><strong>Opportunities</strong></td>
<td>• Metal shifts in developed countries and railway infrastructure development in emerging countries</td>
<td>• Cultivating metal products, equipment, and services used in the energy sector that are closely related to the OCTG market, and extending our business foundations by capitalizing on the Edgen Group network</td>
<td>• Weight reductions in transportation equipment in preparation for low-carbon/recycling-oriented societies, shift to renewables energy, demands to recycle resources</td>
</tr>
<tr>
<td></td>
<td>• Global steady growth of automotive production</td>
<td>• Expanding the business into peripheral metal products and equipment, including new materials</td>
<td></td>
</tr>
<tr>
<td><strong>Risks</strong></td>
<td>• Market volatility due to steel oversupply and trade issues in various countries</td>
<td>• The emergence of protectionism</td>
<td>• Intensifying competition with aluminum products from emerging countries, trade restrictions and market volatility caused by cross-border trading and political issues</td>
</tr>
<tr>
<td></td>
<td>• 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</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**Business Vision**
Creating new value to contribute to the development of society through our metal products-related businesses

Our business unit deals primarily with metal products, which are key materials for a diverse society and a variety of industries. We work to support societies and industries by delivering high-quality, high-performance products all over the world, and by undertaking business activities rooted in local communities with our global partners.

While we have worked consistently to offer solutions to the issues facing society and customers, rapid changes in the social and business environment in recent years means we need to also seek out new roles.

We aspire to fulfill these new roles by creating new businesses and offering solutions to newly emerging social issues.

**Medium-Term Management Plan 2020 (Promotion of growth strategies)**

<table>
<thead>
<tr>
<th>Field</th>
<th>Steel Sheet &amp; Other Steel Products</th>
<th>Tubular Products</th>
<th>Non-Ferrous Products &amp; Metals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increasing the value of existing businesses</strong></td>
<td>• Capture demand for steel products arising from urbanization in emerging countries and infrastructure upgrades in developed countries</td>
<td>• Strengthen the revenue base by implementing DX to upgrade OCTG SCM services and by taking initiatives in peripheral businesses</td>
<td>• Strengthen the revenue base by expanding the aluminum value chain, centered around aluminum smelting businesses in Malaysia</td>
</tr>
<tr>
<td></td>
<td>• Expanding the revenue base by participating upstream manufacturing process in specialty steel business</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Expanding the revenue base by providing unique/integrated services in North American railway infrastructure and equipment businesses</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Creating the next-generation businesses</strong></td>
<td>• Promote next-generation manufacturing and machining processes at companies, such as steel service centers, by utilizing the IoT, AI, and robotics</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Create new businesses by exploiting and commercializing innovative maintenance/repair technologies that enable longer lives for oil and gas wells</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Leveraging cross-business platform</strong></td>
<td>• Create new value in automotive manufacturing-related businesses by utilizing the global materials procurement platform of the Metal Products Business Unit and the upstream value chain of the Transportation &amp; Construction Systems Business Unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Create new value by leveraging our validated OCTG customer base, that enables us to accelerate the above-mentioned DX and new technologies commercialization together with customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Create new value by leveraging business foundations, centered around aluminum smelting businesses in Malaysia together with our unique trading capabilities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**FY2019 Summary**
The Transportation & Construction Systems Business Unit posted profit for the year of ¥30.0 billion. This was a decrease of ¥22.0 billion from the previous fiscal year, mainly due to the weak performance of the ship and automotive-related businesses, which were affected by the sluggish market, and reduced profits in the construction equipment sales business.

**Overview and Analysis of Each Field**

<table>
<thead>
<tr>
<th>Field</th>
<th>Lease, Ship &amp; Aerospace</th>
<th>Automotive</th>
<th>Construction &amp; Mining Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview</strong></td>
<td>While expanding and developing our ship, aerospace, aircraft, and aircraft engine leasing businesses, we will blend our integrated business functions with the core of the general leasing and financing company to realize further value creation.</td>
<td>While expanding and developing the core business of manufacturing, sales and marketing, financial services and mobility services, we aim to build new businesses and new value to respond to the next-generation mobility society.</td>
<td>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.</td>
</tr>
<tr>
<td><strong>Strengths</strong></td>
<td>Japan’s leading general leasing and financing business</td>
<td>A value chain and business portfolio that covers upstream through downstream business fields on a global basis</td>
<td>Strong business management capabilities developed through many years of hands-on management</td>
</tr>
<tr>
<td></td>
<td>World-top-class aircraft leasing business</td>
<td></td>
<td>Talented local management teams in each region</td>
</tr>
<tr>
<td></td>
<td>Ship business that combines shipbuilding, owning, and charter functions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Challenges</strong></td>
<td>Expanding business foundations of general leasing and financing, aircraft leasing, and aircraft engine leasing businesses while developing new businesses in peripheral areas</td>
<td>Innovating business and creating new business models to reflect the mobility society that will emerge from advancing technology</td>
<td>Strengthening and expansion of business foundations in emerging markets</td>
</tr>
<tr>
<td></td>
<td>Upgrading of the defense/aerospace business by strengthening sales, financing, manufacturing and aftermarket functions</td>
<td></td>
<td>Creation of next-generation businesses utilizing advanced technologies</td>
</tr>
<tr>
<td><strong>Opportunities</strong></td>
<td>New development of an electric battery-driven social vessel equipped with an automatic navigation system</td>
<td>Response to the next-generation mobility society by leveraging existing and new business platforms</td>
<td>Increase in construction demand due to population growth and urbanization in emerging countries</td>
</tr>
<tr>
<td></td>
<td>Establishing and commercializing new functions in aircraft aftermarket</td>
<td>Collaboration with start-ups</td>
<td>New business opportunities resulting from the spread of ICT machines and advanced technologies in the construction industry</td>
</tr>
<tr>
<td><strong>Risks</strong></td>
<td>Reduction in demand for aircraft leasing and aircraft engine leasing due to the COVID-19 pandemic</td>
<td>Geopolitical market risks</td>
<td>Cyclical markets</td>
</tr>
</tbody>
</table>

**Business Vision**
Competing to the global environment and society by delivering services to move people and goods under the “new normal”

Contributing to the global environment and society by delivering services to move people and goods under the “new normal”

Our business unit operates in diverse domains mainly relating to mobility. Our particular strengths include the leasing and financing business, the global reach of our value chains in the ship, automotive, construction and mining equipment businesses, and our advanced expertise in the aerospace-related business.

The COVID-19 pandemic has imposed severe restrictions on the worldwide movement of people. Moreover, the movement of goods, in the form of medical supplies, foodstuffs and daily necessities, has become increasingly important as protection for human life and livelihoods worldwide. Under the “new normal” of the coming post-COVID era, instead of a return to old practices, we envisage that the movement of people and goods will develop in a way that breaks with the past.

By anticipating the kind of mobility services needed under the new normal, our business unit will pursue a strategy to achieve evolution and transformation of its existing businesses and creation of new businesses to adapt to the environmental and structural changes in our society. In this way, we will contribute to global environmental protection and social development while realizing sustainable growth.

**Medium-Term Management Plan 2020 (Promotion of growth strategies)**

<table>
<thead>
<tr>
<th>Field</th>
<th>Lease, Ship &amp; Aerospace</th>
<th>Automotive</th>
<th>Construction &amp; Mining Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increasing the value of existing businesses</strong></td>
<td>Strengthening general leasing and financing, aircraft leasing and engine leasing businesses through capital restructuring and asset accumulation</td>
<td>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</td>
<td>Building the resilient business infrastructure with its geographical expansion through enhancing asset efficiency, strengthening after-sales service system and improving operation quality</td>
</tr>
<tr>
<td><strong>Creating the next-generation businesses</strong></td>
<td>Creating new business models gained from access to advanced technologies in the defense, aerospace and their peripheral fields</td>
<td>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</td>
<td>Creating new business models in the areas of ICT construction and precision agriculture by utilizing autonomous and connected technologies, AI and other advanced technologies</td>
</tr>
<tr>
<td><strong>Leveraging cross-business platform</strong></td>
<td>Creating new value by combining the domestic general leasing and financing business with the Sumitomo Corporation Group’s expertise, networks and businesses</td>
<td>Creating new value by combining new technologies and services with our existing business platform, such as auto leasing in Japan, automotive financing in Indonesia tire distribution in the United States and parking lot operations in the Nordic countries</td>
<td>Promoting geographical business expansion and creating new business models in peripheral areas by utilizing the globally developed foundation of the sales and marketing business and the rental business</td>
</tr>
</tbody>
</table>
PART 3 Segment Overview

Infrastructure

• Social Infrastructure Business Division
• Global Power Infrastructure Business Division
• Logistics Infrastructure Business Division

Tsunomo Akimoto
General Manager

FY2019 Summary

In the Infrastructure Business Unit, profit for the year decreased by ¥2.7 billion year on year, to ¥61.7 billion. In addition to progress in construction works on major engineering, procurement, and construction (EPC) projects, the segment saw its power generation business continue to perform well.

Overview and Analysis of Each Field

Field
Social Infrastructure
Global Power Infrastructure
Logistics Infrastructure

Overview
We are engaged in electricity retail businesses in Japan, energy management businesses, 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 an integrated logistics business and development and management of container terminal projects, we also arrange various insurance contracts, develop insurance products, and develop and operate overseas industrial parks.

Strengths
• Project management capabilities backed by an extensive EPC track record
• A wealth of knowledge and expertise, stretching from business development to project management.
• Market presence with communication channels and capabilities and industry networks.
• Knowledge and track record in the global transportation and distribution of a variety of products.
• Insurance risk management capabilities
• Extensive experience in the development and operation of industrial parks, provision of high-quality infrastructure, and operational support to tenant companies.

Challenges
• Identification of market needs, selection of focus areas and markets, and sourcing of appropriate resource allocation.
• Contribution to decarbonization through the energy management businesses.
• Increase in the value of existing businesses and creation of new businesses through the use of new technologies such as AI, IoT, and 5G.

Opportunities
• Expansion of business opportunities in Smart City development, an eco-friendly response to global urbanization.
• Expansion of business opportunities in emerging opportunities in the upstream privatization of airports and other public infrastructure.
• Increase in modal shift in developed countries and vigorous demand for railway infrastructure in emerging countries.

Risks
• Intensified competition from the market entry of other business operators and the rise of emerging countries.
• Increasingly stringent requirements from anti-globalization policies overseas.
• Changes in business structure and business opportunities as a result of the COVID-19 pandemic.

Business Vision

Stay ahead, Shape the future

Our business unit aims to contribute widely to the development of a sustainable society by staying a step ahead of social change and creating new environmental and social value. In FY2020, the final year of our current medium-term management plan, we will pursue active initiatives in the areas outlined below to lay the groundwork for continuing to generate revenue sustainably and at scale under the next plan.

First, we will seek to offer solutions to climate change and other environmental issues through our businesses. We will intensify our focus on our area of strength in the renewable energy power generation business and contribute to more advanced sustainability management through the energy management and recycling businesses.

Second, we will accelerate initiatives in the social infrastructure field. Here, our focus will be on infrastructure projects that resolve issues in local communities, such as water supply and sanitation infrastructure projects, Smart City development, and railway, airport, and port projects.

Finally, we will continue with initiatives that respond to diverse changes in our business environment. We will focus on investing in the distributed power generation business and other new business models, and on utilizing IoT, AI, 5G, and other DX technologies to increase the value of existing businesses and create new businesses.

In infrastructure projects that support the development of local communities and the foundations of people’s lives, a long-term sustainability perspective is essential. Our aim is to develop business facilitating growth in both the people working on our projects and the local community with the theme of “Human Resources Development.”

Medium-Term Management Plan 2020 (Promotion of growth strategies)

Increasing the value of existing businesses

• Expand the electricity retail business in Japan and the machinery and electric trade making use of the Group’s network.
• Further improve efficiency in water infrastructure businesses and expand into peripheral businesses.
• Strengthen the focus markets for railway EPC and take on the best projects after thorough deliberations.

Creating the next-generation businesses

• Participate in new social infrastructure fields utilizing public-private partnership (PPP) and private finance initiative (PFI) opportunities.
• Penetrate in operator businesses with a view that the Smart City development will succeed EPC and promote the development of new social infrastructure businesses.
• Further accumulate high-quality power generation assets.
• Shift emphasis in the power generation asset portfolio to gas and renewable energy.
• In March 31, 2020, acquired a 51% stake in the electricity retail business in Japan, expanding the scope of the Group’s network in the region.

Leveraging cross-business platform

• 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 France as platforms to promote the development of new social infrastructure businesses.
• Make further contributions to development of local communities and to the Company’s presence in the market by engaging 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.
• Place the way for further expansion of the renewable base for the business of this division and other Sumitomo Corporation Group businesses by working to expand and upgrade our globe-spanning logistics network while also incorporating automated warehouse-operation and new technologies such as robotic process automation (RPA).

Social Infrastructure
Global Power Infrastructure
Logistics Infrastructure

Increasing the value of existing businesses

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PART 3 Segment Overview

FY2019 Summary
Profit for the year in the Media & Digital Business Unit declined by ¥9.2 billion year on year, to ¥38.3 billion, despite the solid performance of the main domestic group companies. This was mainly due to the absence of the one-off profit from asset replacement recorded in the year before and a profit fall in the Myanmar telecommunications business because of a change in the accounting period (15 months in the previous fiscal year).

Overview and Analysis of Each Field

<table>
<thead>
<tr>
<th>Field</th>
<th>Media Business</th>
<th>Digital Business</th>
<th>Smart Communications Platform Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td>We engage in cable TV, 5G-related technologies, multimedia programming distribution, movies, and other media businesses, as well as digital media-related, video content-related, and TV shopping businesses.</td>
<td>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.</td>
<td>We will expand the smart communications platform business, focusing on telecommunication infrastructure and value-added services.</td>
</tr>
<tr>
<td>Strengths</td>
<td>• J:COM, with the No. 1 share of the cable TV market&lt;br&gt;• JT Mobile, No. 1 mobile phone distributor in Japan&lt;br&gt;• SCSK, a leading IT solutions provider&lt;br&gt;• Media &amp; Digital: No. 1 mobile phone distributor in Japan&lt;br&gt;• MPT, No. 1 telecom operator in Myanmar</td>
<td>• TCIA, a leading IT solutions provider&lt;br&gt;• Access to advanced technologies on a global basis&lt;br&gt;• T-Goa, No. 1 mobile phone distributor in Japan&lt;br&gt;• MPT, No. 1 telecom operator in Myanmar</td>
<td></td>
</tr>
<tr>
<td>Challenges</td>
<td>• Enhancing J:COM’s comprehensive lifestyle concierge functions&lt;br&gt;• Developing new services adapted to changing lifestyles&lt;br&gt;• Changes in the market environment caused by the acceleration of the fusion between broadcasting and telecommunications&lt;br&gt;• Changes in lifestyle with the changing demographics&lt;br&gt;• Changes in the industry structure due to digital disruption</td>
<td>• Promotion of Sumitomo Corporation Group’s DX&lt;br&gt;• Upgrading of IT infrastructure&lt;br&gt;• Enhancing DX solution services by SCSK&lt;br&gt;• Changes in the industry structure due to digital disruption</td>
<td>• Expansion of value-added services in Myanmar&lt;br&gt;• Access to advanced technologies on a global basis&lt;br&gt;• Building the basis of a smart society&lt;br&gt;• Changes in lifestyle with the changing demographics&lt;br&gt;• Changes in the industry structure due to digital disruption</td>
</tr>
<tr>
<td>Opportunities</td>
<td>• Deregulation of electricity, gas retailing and online medical consultation&lt;br&gt;• Changes in the way that young people consume media&lt;br&gt;• Initiatives in digital marketing platform&lt;br&gt;• New business opportunities with 5G mobile technologies&lt;br&gt;• Acceleration of innovation, such as up-grading of businesses and creation of new businesses through digital evolution</td>
<td>• Deregulation of electricity, gas retailing and online medical consultation&lt;br&gt;• Changes in the way that young people consume media&lt;br&gt;• Initiatives in digital marketing platform&lt;br&gt;• New business opportunities with 5G mobile technologies&lt;br&gt;• Acceleration of innovation, such as up-grading of businesses and creation of new businesses through digital evolution</td>
<td>• Changes in lifestyle with the development of a smart society&lt;br&gt;• New business opportunities with 5G mobile technologies&lt;br&gt;• Acceleration of innovation, such as up-grading of businesses and creation of new businesses through digital evolution</td>
</tr>
</tbody>
</table>

Business Vision
Accelerating DX-based business innovation to become “a Digital Solutions Sogo-Shosha”

Our business unit is working to create new value through DX activities towards the digital and 5G era. We are aiming to create new value propositions and drive companywide innovation by leveraging digital technology to tackle issues and ideas at the forefront of various business activities. To maximize our business value, we will work to build a data platform, develop advanced marketing functions by combining data with AI, and promote DX across all divisions. To implement this strategy, we will strengthen our technology-based capability with tech companies as well as SCSK, and co-create new value with start-ups through global CVC and accelerator programs.

Medium-Term Management Plan 2020 (Promotion of growth strategies)

<table>
<thead>
<tr>
<th>Media Business</th>
<th>Digital Business</th>
<th>Smart Communications Platform Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing the value of existing businesses</td>
<td>• J:COM: Enhance three main services and DX infrastructure services&lt;br&gt;• Jupiter Shop Channel: Expand its business base and prove its customer base by reinforcing sales channels and marketing activities&lt;br&gt;• Sogo-Shosha: Secure competitive edge through co-creation</td>
<td></td>
</tr>
<tr>
<td>Creating the next-generation businesses</td>
<td>• Expand digital media-related businesses and video content-related businesses globally&lt;br&gt;• Initiatives in digital marketing platform&lt;br&gt;• Jupiter Shop Channel: Expand its business base and prove its customer base by reinforcing sales channels and marketing activities&lt;br&gt;• Sogo-Shosha: Secure competitive edge through co-creation</td>
<td></td>
</tr>
<tr>
<td>Leveraging cross-business platform</td>
<td>* Develop various new services using the customer bases of J:COM and MPT as well as Information and communications infrastructure as a platform&lt;br&gt;• Upgrade the Group’s businesses and create new values by integrating “enabler functions” such as finance and logistics with SCSK’s IT technology</td>
<td>• Promote DX at group companies with SCSK by utilizing advanced technologies cultivated through investment in and joint creation with startups&lt;br&gt;• Contribute to the development of local communities and industries by expanding telecommunication infrastructure and value-added services of various services in emerging countries focused on Southeast Asia</td>
</tr>
</tbody>
</table>
PART 3 Segment Overview

Living Related & Real Estate

- Lifestyle & Retail Business Division
- Food & Agriculture Business Division
- Materials, Supplies & Real Estate Division

Nobuki Ando
General Manager

FY2019 Summary
In the Living Related & Real Estate Business Unit, profit for the year increased by ¥9.2 billion from the previous fiscal year, to ¥51.3 billion, on the strong performance of the major domestic group companies and the real estate business.

Overview and Analysis of Each Field

<table>
<thead>
<tr>
<th>Field</th>
<th>Overview</th>
<th>Food &amp; Agriculture</th>
<th>Materials, Supplies &amp; Real Estate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview</strong></td>
<td>We are developing retail businesses such as supermarket chains and drugstore chains, healthcare-related businesses including pharmacies and drugstore chains, and textile businesses such as apparel and uniform manufacturing in response to diverse consumer needs.</td>
<td>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.</td>
<td>We are developing materials &amp; 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.</td>
</tr>
</tbody>
</table>

Strengths
- 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.
- Robust global platform for food distribution and sale.
- Product development and marketing combining customer needs with local features.
- 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
- New retail adjacent business development and new overseas business development.
- Creating growth opportunities and new businesses in the growing healthcare field.
- New business creation based on DX.
- Strengthening and expanding the food business value chain.
- Creation of new businesses and new markets through new technologies, functional foods, etc.
- Establishment of biomass fuel manufacturing businesses.
- Further expansion of timberlands.
- Expand share of overseas real estate businesses in our portfolio.

Opportunities
- 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.
- Promotion of DX in retail companies to realize issues, drive innovation, and introduce new services.
- Diversification of the food culture in response to increasing health awareness.
- Heightened global concerns over SDGs-related issues including food waste and environmental burdens.
- Evolution of production technologies for foods and agricultural produce through cutting-edge technology.
- Greasing demand for imported timber products in China, India, and other countries due to natural forest protection policies and economic growth.
- Rising demand for biomass fuel due to the expansion of renewable energy.

Risks
- Decline in consumer confidence due to by learning economic conditions.
- Labor shortages caused by an increasingly competitive business environment.
- Extreme weather patterns, infectious diseases, and other factors affecting harvest and sales price in recent years.
- Changes in global food supply, production, and logistics.
- Impact on the real estate market caused by capital market fluctuations.
- Volatilizing real estate market conditions due to natural disasters, etc.
- Rise in forest valuations.

Business Vision
Creating new value and lifestyles to enrich people’s daily life
The COVID-19 pandemic is bringing major changes to the way we live. Our business unit has a track record of providing consumer-related products and services essential to daily life. Going forward, we will work to also create new products and lifestyles to match the way we will need to live during this “new normal.”

In the lifestyle & retail field, we are developing supermarket and drugstore chains, textiles, and other businesses. We have also launched DX initiatives at various locations and entered the new healthcare market in Japan and overseas. Through these activities, we help to provide the foundations for comfortable and enriching lifestyles.

In the food & agriculture field, we are working to expand our food distribution business, which focuses mainly on fruits, vegetables, and meat, and to build a stable operational foundation for grains, sweeteners and other foods. In the medium- to long-term, we will be accelerating joint operations with the retail division.

In the materials and supplies field, we operate forest and biomass businesses in an environment-friendly way, and are working to further expand in order to meet the world’s energy needs in a more sustainable manner.

In the real estate field, we are working to achieve further efficiency in the management of assets centered on office buildings, retail facilities, condominiums, logistics facilities, and the real estate fund business. We will also seek to leverage these operations as a business platform.

Medium-Term Management Plan 2020 (Promotion of growth strategies)

<table>
<thead>
<tr>
<th>Increasing the value of existing businesses</th>
<th>Lifestyle &amp; Retail</th>
<th>Food &amp; Agriculture</th>
<th>Materials, Supplies &amp; Real Estate</th>
</tr>
</thead>
</table>
| Summit: Accelerate new store openings, establish city-center small-store formats, and enhance ready-made dishes and deli-luxion products offering | **Summit**: Strengthen production and distribution base.
**Summit**: Strengthen and expand the food business value chain. | **Fyffes**: Strengthen production and distribution base.
**Fyffes**: Enhance business by leveraging new store development including M&A opportunities. | **Expand forest products businesses by acquiring higher-quality timberlands.**
**Expand overseas businesses and fund and FESI businesses in the real estate field.** |

Creating the next-generation businesses
- Expand overseas business by leveraging expertise acquired from domestic retail business.
- Create a foundation for healthcare-related businesses both in Japan and overseas.
- Promote online pharmacy.

Leveraging cross-business platform
- Leverage our business foundation such as retail store network of Summit and Tomod’s stores.
- Leverage (SC Foods)’s sales network product planning and proposal capabilities.
- Utilize real estate as a business foundation.
- Leverage new mechanisms for raising funds. |  |  |  |
PART 3 Segment Overview

Mineral Resources, Energy, Chemical & Electronics
- Mineral Resources Division No. 1
- Mineral Resources Division No. 2
- Energy Division
- Basic Chemicals & Electronics Division
- Life Science Division

Shingo Ueno
General Manager

FY2019 Summary
In the Mineral Resources, Energy, Chemical & Electronics Business Unit, results were buoyed by the recovery from an impairment loss recorded in the previous fiscal year in the Madagascar nickel business. However, negative factors including a fall in mineral resource prices led to reduced profits in the silver-zinc-lead mining business in Bolivia and the Australian coal-mining business, resulting in a year-on-year decrease of ¥25.3 billion in profit for the year, which came to ¥43.2 billion.

Overview and Analysis of Each Field

<table>
<thead>
<tr>
<th>Field</th>
<th>Mineral Resources &amp; Energy</th>
<th>Chemicals &amp; Electronics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview</td>
<td>Through upstream development and production of mineral resources and energy, we contribute to stable supply to countries and the development of local communities. In the mid-to-downstream phase, where we engage in trading, processing, electricity, and trading operations, we are developing a variety of businesses by extending the value chain and utilizing derivative functions.</td>
<td>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, textiles, and veterinary medicine, we are developing businesses based on our advanced expertise and global networks to contribute to the enrichment of people's daily life.</td>
</tr>
</tbody>
</table>

Strengths
- Equity interests in upstream resource operations
- Practical management know-how and expertise based on mine operation and business participation
- Business development activities based on understanding of the value chain of mid- and downstream businesses and upstream projects
- Global customer base developed over many years in the mining business
- High degree of specialization, knowledge, and expertise in the businesses such as electronics manufacturing services, agricultural inputs, and pharmaceuticals, fields in which we have a strong competitive advantage
- Sales network for crop protection products in countries worldwide

Opportunities
- Medium-to-long-term expansion in demand for mineral resources, which play an important role in the sustainable growth of the world economy and ESG initiatives
- Securing of safety, enhanced work conditions, and improved operational efficiency through digital mining and other DX applications
- Expansion of opportunities for businesses to help realize a sustainable society, such as decarbonization of energy and CO2-reducing businesses
- 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
- Opportunities for ICT-based agricultural solutions in anticipation of the aging of farming communities
- Increasing consumer interest in organic ingredients for cosmetics

Risks
- Weak demand resulting from slowing economic growth in China and emerging countries
- Risk of oversupply due to factors including competition to increase production among major natural resource companies
- Country risks associated with projects
- Slowdown of economic growth and currency depreciation among emerging countries
- Market downturns due to weather and other external factors

Medium-Term Management Plan 2020 (Promotion of growth strategies)

<table>
<thead>
<tr>
<th>Business Areas</th>
<th>Mineral Resources &amp; Energy</th>
<th>Chemicals &amp; Electronics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing the value of existing businesses</td>
<td>Improve profitability for upstream resource projects and surface cost competitiveness (silver mining and refining business in Madagascar, copper and nickel mining business in Chiriqui silver-zinc-lead mining business in Bolivia, and other businesses)</td>
<td>Strengthen the core business in the Sumitronics Corporation Group, Sumitomo Shoji Chemicals Co., Ltd., and distribution companies of crop protection products (such as Sumitomo Agro Europe)</td>
</tr>
<tr>
<td>Creating the next-generation businesses</td>
<td>In the upstream resource field, leverage our strengths to uncover and acquire new cost-competitive assets taking megatrends into account</td>
<td>Undertake initiatives in solutions businesses based on agricultural IoT (agricultural drones, water-level sensors, etc.)</td>
</tr>
<tr>
<td>Leveraging cross-business platform</td>
<td>Leverage the customer base of domestic LPG retail businesses to promote new businesses such as electricity retail and housing-related operations</td>
<td>Move into the field of development of formulas and proposal to cosmetic companies</td>
</tr>
</tbody>
</table>

Resource Sustainability

Value Creation Story

Governance

Medium-Term Management Plan 2020

Value Proposition

- Promote the horizontal expansion of the agricultural input and service business
- Expand the value chain to the iron making business by leveraging the Sumitronics Corporation Group's business foundation

By engaging in businesses that generate new social value, we support the development of local communities and industries, and help build the foundations for comfortable and enriching lifestyles. In the mineral resources and energy field, based on the improved strategy formulation process for upstream projects, we will proceed with the building of an optimal business portfolio, ensuring a stable supply of mineral resources while responding to climate change and other social issues. In the chemical and electronics field, through further strengthening of the combination of trading and manufacturing, we will increase value, supporting the sustainable development of society additionally through the challenge of relevant new business projects.
PART 4

Governance

Strengthening Our Foundation of Value Creation

As an enterprise, to adapt to the changing business environment and move forward with sustainable value creation, we need to constantly strengthen our corporate governance structure as a solid foundation. Sumitomo Corporation has designated the enhancement of corporate governance as a key initiative and is working on upgrading the relevant structures, including raising the effectiveness of Board of Directors’ meetings.


**PART 4 Governance**

**Value Creation Story**

**Segment Overview**

**Medium-Term Management Plan 2020**

**Value Creation Story**

**Governance**

Messages from Outside Directors

Toward further strengthening our corporate governance, outside directors with extensive knowledge and rich experience in various fields bring diverse perspectives to the discussion.

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**Strengthening governance by adapting to the changing environment**

**Nobuyoshi Ehara**

Outside Director

I have served as an outside director of Sumitomo Corporation for four years. I believe I have developed a close working relationship based on trust with many senior executives. Yet, it has remained of utmost importance to me to be objective and critical, to represent our shareholders’ interests.

In recent years, the Company has focused on energizing the organization and developing dynamic human talents. These themes are actively discussed on the Board, and the Nomination and Remuneration Advisory Committee. After an extensive review conducted by the committee in 2018, the remuneration system was revised to strengthen performance orientation. This change will help enhance the Company’s investment-related decision-making skills and develop its value-added capabilities. As the Company’s business model as an integrated trading firm continues to evolve with increasing investment activities, it is vital for Sumitomo Corporation to upgrade its personnel development program and compensation system.

In 2020, the COVID-19 pandemic has given rise to an unprecedented situation. We must realize that unexpected challenges like this can occur at any time. It is imperative that Sumitomo Corporation further strengthen its corporate governance in order to develop its ability to absorb shocks and adapt to changes in any business environment. My efforts remain committed to realizing this goal.

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**In-depth discussion at off-site sessions to further improve the effectiveness of the Board of Directors**

**Koji Ishida**

Outside Director

For the last few years, an evaluation of the effectiveness of the Board of Directors has been carried out every year by a third-party organization. This consists of a questionnaire-based self-assessment and an interview with each Board member, with any necessary improvements reflected in the Board’s subsequent operation. In the free comment section of the questionnaire and during the interview, a wide range of opinions and suggestions are presented by outside and internal directors and Audit & Supervisory Board members on how to improve the effectiveness of the Board of Directors. These opinions and suggestions are wide-ranging, reflecting the differing backgrounds and circumstances of the Board members, and so they are rather difficult to summarize immediately. Nevertheless, the perception of issues on which these opinions are based can be grouped under several headings.

We have therefore decided to hold a series of off-site sessions for Board members to enable more in-depth discussion of specific perceived issues, including the securing of diversity within the Board of Directors and the strengthening of its supervisory function. These discussions are used to summarize opinions on the future direction of policy, which will be reflected in concrete measures going forward.

As a member of the Board of Directors, I too am taking an active part in these discussions. I look forward to seeing the results of this initiative reflected in policy at an early date, leading to further improvement of the Board’s effectiveness.

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**Diversity is important, not only in personal characteristics but also in experience and expertise**

**Kimie Iwata**

Outside Director

The reason why diversity is sought in the Board of Directors is to promote optimal management decision-making based on active discussion from a variety of perspectives in terms of values, experience, and expertise. The Sumitomo Corporation Corporate Governance Principles also recommend that the Board should have diversity in experience, knowledge, expertise, gender, and other areas.

When we hear the word diversity, we think first of diversity in characteristics such as gender and nationality. Diversity in such characteristics is of course sought because differences here are likely to be reflected in differences in values, experience, expertise, and other areas. Although the Company has two female outside directors including myself, there are no female internal directors or Audit & Supervisory Board members. There are also no non-Japanese directors or Audit & Supervisory Board members. I think that increasing the number of women and overseas nationals to bring more characteristic diversity to the Board of Directors would contribute to realizing diversity among executive officers and employees.

In addition to diversity of personal characteristics, equally or even more important is diversity of experience and expertise. The Company recognizes the importance of this, and as such attaches a skill matrix to the convocation notice for the General Meeting of Shareholders and other communications. The matrix is revised in response to occasional management issues, and I believe this practice should continue.

Going forward, we will further promote diversity within the Board of Directors, thereby raising its effectiveness.

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**The Board of Directors continues to evolve through flexible operation and fast-reacting improvement**

**Hisaishi Yamazaki**

Outside Director

Two years have passed since my appointment as director. Having spent many years in the legal profession, it has been a new experience for me. Although I have struggled with some of the realities of Board meetings, for instance the economics and management terminology, each one has been different and has sparked my curiosity. All the more so since the Board of Directors has been going through changes, some of which I would like to talk about here.

First, the Board of Directors now operates flexibly. Having opinions taken on board promptly and fast-reacting improvements and innovations carried out. Since I first joined the Board, I have been impressed by the free and open exchange of opinions, even though that sometimes led to protracted meetings. Dealing with detailed questions through explanation in advance so that discussion on the day can concentrate on essential points has made the meetings more focused. Also, the seating used to be arranged so that internal directors and outside directors were on opposite sides, but now we draw lots for seats, apart from those of the chairperson and the president. Due to this, the discussion moves in all directions, so you never know where the next comment is coming from, which contributes to a more active discussion. Moreover, the meetings now start with a summary of the Management Council’s discussions, which lays out the issues more clearly. Recently, Board meetings have been followed up with off-site sessions, which provide the opportunity for free discussion of such topical themes as climate change.

Serving on the Board of Directors as it continues to evolve, I want to draw fully on my knowledge and experience to contribute to the development of Sumitomo Corporation, while embracing a part of Sumitomo’s Business Philosophy that really impressed me—“Benefit for self and others, private and public interests are one and the same.”
Working for corporate value increases with business experience and perspectives gathered in the information and telecommunications industry

Akiko Ide, Outside Director

On my appointment as outside director, I received orientations from Sumitomo Corporation’s various business units and corporate groups. It struck me that the business of an integrated trading company has drastically changed and that the Company is acting to accelerate the pace of innovation going forward. As it sets out on a new path for the next 100 years after marking the centenary of its foundation in 2019, I feel excited to be part of this innovation and evolution.

Under Medium-Term Management Plan 2020, the Company is promoting Digital Transformation (DX) to increase the value of existing businesses and create new businesses. This strikes me as having aspects in common with initiatives in the information and telecommunications industry, where I spent more than 40 years. The industry has been trying to create new business models and improve productivity through hybridization between information and communications technology (ICT) and a wide range of other industries as a way of resolving social issues.

The COVID-19 crisis will inevitably have a major impact on the industry and society, but by carrying on Sumitomo’s Business Philosophy—“Benefit for self and others, private and public interests are one and the same”—I hope to see the Company contributing to the resolution of various social issues.

By bringing to management the business experience and diverse perspectives and values I have accumulated, I intend to do all in my power as an outside director to increase the corporate value of Sumitomo Corporation.

Reasons for appointing outside directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for appointment</th>
<th>Term of office as director</th>
<th>Business management</th>
<th>Finance</th>
<th>Legal affairs</th>
<th>Government body</th>
<th>Information and telecommunications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nobuyoshi Ehara</td>
<td>Wide-ranging knowledge and a wealth of experience in finance and business management accumulated during many years of engagement in a major U.S. investment bank and the management of a private equity firm</td>
<td>4 years</td>
<td>● ● ●</td>
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</tr>
<tr>
<td>Koji Hirota</td>
<td>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</td>
<td>3 years</td>
<td>● ● ●</td>
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</tr>
<tr>
<td>Kimie Hottai</td>
<td>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</td>
<td>2 years</td>
<td>●</td>
<td></td>
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</tr>
<tr>
<td>Hironao Yamazaki</td>
<td>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</td>
<td>2 years</td>
<td>—</td>
<td>—</td>
<td>● ● ●</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Akiko Ide</td>
<td>Wide-ranging knowledge and a wealth of experience in information and telecommunications, business management, and corporate governance accumulated during many years of engagement in a major telecommunications carrier, the management of a group company and a full-time audit &amp; supervisory board member of the parent holding company</td>
<td>New appointment</td>
<td>●</td>
<td>—</td>
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</tr>
</tbody>
</table>

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—“Benefit for self and others, private and public interests are one and the same”—I hope to see the Company contributing to the resolution of various social issues.

The COVID-19 crisis will inevitably have a major impact on the industry and society, but by carrying on Sumitomo’s Business Philosophy—“Benefit for self and others, private and public interests are one and the same”—I hope to see the Company contributing to the resolution of various social issues.

By bringing to management the business experience and diverse perspectives and values I have accumulated, I intend to do all in my power as an outside director to increase the corporate value of Sumitomo Corporation.

System and features of corporate governance

Sumitomo Corporation, which has adopted an Audit & Supervisory Board system, seeks to strengthen the supervision and monitoring of management through the appointment of Outside Directors and Outside Audit & Supervisory Board Members, who have an independent stance, and through the establishment of a Nomination and Remuneration Advisory Committee, composed, in the majority, of independent outside Directors. Meanwhile, the introduction of an executive officer system and the establishment of a Management Council are among the measures designed to promote speedier and more efficient decision-making and execution of business as part of the effective corporate governance system we have worked to put in place.

Overview of corporate governance system (As of June 19, 2020)

- **Form of organizational structure**: Company with Audit & Supervisory Board
- **Number of directors**: 11 (of whom, 5 are Outside Directors); 3-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**: 11 (of whom, 3 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)**: https://www.sumitomocorp.com/en/jp/about/governance/detail
- **Accounting auditors**: OPEN AIDA LLC

Corporate governance system (Company with Audit & Supervisory Board)

General Meeting of Shareholders

- **Board of Directors**
  - Outside (Independent)*
  - Non-executive directors
  - Executive directors
  - Audit & Supervisory Board Members

- **Internal**
  - Watchdog

Nomination and Remuneration Advisory Committee

- **Outside (Independent)**
- **Internal**
- **Outside (Independent)*
- **Internal**
- **Outside (Independent)**
- **Internal**

* Qualifications of Directors: Candidates are required to be honest in character, highly insightful and capable and, with a view to bringing in diverse perspectives, must have a track record within their particular area of business, as well as extensive knowledge and experiences such as gender and nationality shall be of no consequence.

* Qualifications of Outside Directors: Candidates are required to be honest in character, highly insightful and capable, and must hold a high degree of specialized knowledge and a wealth of experience in specific fields such as law, accounting, and business management. Factors such as gender and nationality shall be of no consequence.
Part 4: Governance

Corporate Governance

Structures to enhance management efficiency and maintain sound management

Directors and the Board of Directors

Composition of the Board of Directors and appointment of Outside Directors

The membership of the Board of Directors is appropriate in numerical terms to facilitate adequate discussion and speedy and rational decision-making, and provides diversity in terms of experience, knowledge, specialization, gender, and other characteristics. Moreover, of the 11 Directors appointed, five must be Outside Directors to ensure appropriate decision-making from diverse perspectives and to further strengthen the supervisory functions of the Board of Directors. Each Outside Director meets the independence criteria of Tokyo Stock Exchange, Inc. or other relevant body and the in-house rules on Standards for Appointment and Independence of Outside Directors and Outside Audit & Supervisory Board Members.

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

Agenda items for the Board of Directors are carefully selected to promote more focused discussion of management policy and plans and other important matters of relevance to companywide management. To further strengthen its business execution monitoring functions, the Board receives reports from each business unit on the state of progress of its strategy and any associated issues, as well as its response to the issues, with the report followed by a discussion focusing on the relevant issues. The Board also periodically monitors the state of business execution companywide, for instance by receiving reports on the activities of the main corporate committees and portfolio reports covering market fluctuation risk, country risk, and other concentration risks. Moreover, to further enhance the quality of its discussion, the Board of Directors holds off-site sessions for free and frank discussion of important management topics, including management policy and plans and issues in the ESG field.

Separation of roles between the Chairman of the Board of Directors and the President and Chief Executive Officer and limitation of their terms of office

To allow mutual checks and balances, the posts of Chairman of the Board of Directors and President and Chief Executive Officer are in principle separate and not to be held jointly by the same individual. The Chairman of the Board of Directors convenes meetings of the Board of Directors and presides over them as Chairperson, and engages in external relations activities. Furthermore, the Chairman supervises management but does not engage in routine operations and has no representative powers. Additionally, the terms of office of the Chairman of the Board of Directors and of the President and Chief Executive Officer are in principle set at six years in each case. This is to exclude the potential negative influence on governance of long-term absence of turnover in senior management.

Establishment of an advisory body to the Board of Directors

The Nomination and Remuneration Advisory Committee, which is composed, in the majority, of Outside Directors and chaired by an Outside Director, operates as an advisory body to the Board of Directors. The committee is charged with the following items and reports the results thereof to the Board of Directors: (1) Policy and procedure for the appointment and dismissal of the President and Chief Executive Officer; (2) Policy and procedure for the appointment and dismissal of the Chairman of the Board of Directors; (3) Nomination criteria for Directors and Audit & Supervisory Board Members; (4) Appointment and dismissal of the President and Chief Executive Officer (including nomination of successor); (5) Nomination of candidates for Director and Audit & Supervisory Board Member (including deciding representative and executive directors); (6) Appointment of Management Council members; (7) System and level of remuneration and bonus payments for Directors and Executive Officers and remuneration range for Audit & Supervisory Board Members; and (8) Consultation on the advisor system.

Composition of the Nomination and Remuneration Advisory Committee

On-site observation at automotive parts manufacturer Kiriu Corporation for Improvement of effectiveness of the Board of Directors (PDCA cycle)

Initiatives to further improve effectiveness of the Board of Directors (PDCA cycle)

On the first day of each month, the Chairman of the Board of Directors holds an off-site meeting with Outside Directors and a representative of the Executive Officers to discuss the Board’s activities. In addition, the Board of Directors, each year Directors and Audit & Supervisory Board Members analyze the results of the third-party consultant’s summary of the results. The evaluation results are then reported to the Board of Directors, and the Board seeks to improve its functioning on the basis of these results.

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

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. Additionally, Directors and Audit & Supervisory Board Members are provided with the opportunity to receive training from specialist outside organizations.

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 an overseas facility at least once a year.

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.

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 the effectiveness of the Board of Directors and its results for FY2019 is summarized below:

On-site observation at automotive parts manufacturer Kiriu Corporation for Improvement of effectiveness of the Board of Directors (PDCA cycle)

<table>
<thead>
<tr>
<th>Plan</th>
<th>Main issues in FY2018</th>
<th>Do</th>
<th>Main initiatives in FY2019</th>
<th>Check</th>
<th>Evaluation of effectiveness in FY2019</th>
<th>Act</th>
<th>Main recommendations and issues in FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Further enhance reporting on business unit strategies and their state of progress</td>
<td></td>
<td>Focus briefing and discussion on issues in implementation of Medium-Term Management Plan 2020 and associated response policy</td>
<td></td>
<td>Enhance discussion by concentrating on key points</td>
<td></td>
<td>1. Composition of the Board of Directors</td>
</tr>
<tr>
<td></td>
<td>Improve explanatory materials</td>
<td></td>
<td></td>
<td></td>
<td>1. Evaluation method*</td>
<td></td>
<td>• Increase diversity</td>
</tr>
</tbody>
</table>

**Plan**

- Further enhancement reporting on business unit strategies and their state of progress
- Improve explanatory materials

**Do**

- Focus briefing and discussion on issues in implementation of Medium-Term Management Plan 2020 and associated response policy
- Enhance discussion by concentrating on key points
- Clarify main discussion points in meeting materials (e.g., provide executive summary), give enhanced briefing on advance of Board of Directors’ meetings and promote enhanced exchange of opinions at off-site sessions
- Explain specialist terminology, e.g., in footnotes to meeting materials

**Check**

- Evaluation of effectiveness in FY2019
- Overall, the Board of Directors was found to generally function effectively
- FY2019 initiatives were found to be resulted in improvement

**Act**

- Main recommendations and issues in FY2019
  - 1. Composition of the Board of Directors
  - • Increase diversity

**Footnotes**

* Evaluation items including: (1) Composition of the Board of Directors; (2) Administration of the Board of Directors; (3) Enhancement of discussions at meetings and reinforcement of the monitoring function of the Board of Directors; (4) Systems for providing support, including information provision, to Outside Directors; (5) Own initiatives; and (6) Evaluation, etc., of previous fiscal year’s improvement measures. Space provided for free comment.
PART 4 Governance

Corporate Governance

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.

Audit & Supervisory Board Members and the Audit & Supervisory Board

Enhancement of auditing capabilities
The Audit & Supervisory Board consists of five members: two internal full-time members and three outside part-time members. Of the outside members, two are legal experts with experience, respectively, as Prosecutor-General and President of the Osaka High Court, and the third is a certified public accountant with corresponding knowledge of finance and accounting. All Outside Audit & Supervisory Board Members meet the independence criteria of Tokyo Stock Exchange, Inc. or other relevant body and Sumitomo Corporation’s internal standards for independence.

Ensuring audit effectiveness
Audit & Supervisory Board Members investigate the status of the operations and finances of the Head Office and the main business locations by attending meetings of the Board of Directors and other important meetings, receiving reports from Directors and employees on the state of execution of their duties, asking for explanations as necessary, and inspecting important decision-making and other documents. In addition, they actively communicate and exchange information with directors and auditors at subsidiaries, and receive reports from subsidiaries on their business operations as necessary.

As a dedicated body to support the work of the Audit & Supervisory Board Members, the Audit & Supervisory Board Members’ Administration Department has been established with a staff of four. Audit & Supervisory Board Members are engaged in the personnel evaluation and personnel transfers of the department’s staff to ensure the independence of the staff from Directors.

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.

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.

Company not only discloses statutorily required information on business management policy and business activities, the Board of Directors deliberates on the results of deliberation by the Nomination and Remuneration Advisory Committee regarding the appointment, compensation, and dismissal of the President and Chief Executive Officer, and the respective Audit & Supervisory Board Members are determined based on consultation with the Audit & Supervisory Board Members, within the upper limit resolved at the General Meeting of Shareholders.

Basic policy
In order to retain and acquire superior management personnel who will drive the Group’s sustainable growth and increase its corporate value over the medium- to long-term, competitive remuneration levels shall be established.

Senior Advisors, Honorary Advisors

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.

Remuneration of Directors and Audit & Supervisory Board Members

Process for determining executive remuneration
Remuneration of Directors (excluding performance-linked bonus) is resolved by the Board of Directors within the limit resolved at the General Meeting of Shareholders. Upon the resolution of the Board of Directors, the details are deliberated by the Nomination and Remuneration Advisory Committee, an advisory body of the Board of Directors a majority of whose members are Outside Directors, and the results thereof are reported to the Board of Directors as part of our efforts to further enhance transparency and objectivity.

As the degree of linkage with business performance is high for the performance-linked bonus, approval for its award and for the upper limit of the award amount decided by the Board of Directors is obtained each year at the General Meeting of Shareholders. The amount of the award is calculated based on a consolidated results-linked formula decided by the Board of Directors. The award of the performance-linked bonus to the individual corporate officers is decided through individual interview with the President, who reports the result to the Nomination and Remuneration Advisory Committee. The remuneration, etc. of Audit & Supervisory Board Members is deliberated by the Nomination and Remuneration Advisory Committee, and the amount of remuneration to be paid to the respective Audit & Supervisory Board Members is determined.

Basic policy and structure of executive remuneration
In order to determine the remuneration, etc. of Directors and Audit & Supervisory Board Members, the Company has formulated the following basic policy, etc. to realize a remuneration plan designed to reinforce the Group’s governance and increase its corporate value over the medium- to long-term, and promote the Company’s sustainable growth in line with its management strategy.

Basic policy
• In order to retain and acquire superior management personnel who will drive the Group’s sustainable growth and

For details on the Corporate Disclosure Policy, please visit the following website.
https://www.sumitomo.co.jp/en-/media/flash/help/about/governance/detail/disclosurepolicy160701.pdf
Directors, Audit & Supervisory Board Members, and Executive Officers
(As of June 19, 2020, Executive Officers: As of July 1, 2020)

<table>
<thead>
<tr>
<th>Directors</th>
<th>Audit &amp; Supervisory Board Members</th>
<th>Executive Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuniharu Nakamura</td>
<td>Chairman</td>
<td>Masayuki Hyodo</td>
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<tr>
<td>Toshikazu Nambu</td>
<td>Representative Director</td>
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Cross-shareholdings

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.

Benefit pension plans

The Company has adopted a defined benefit corporate pension plan (contract type) and deploys personnel with financial market and investment experience as investment managers to monitor the management 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 CAO 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.

### Outside Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Company</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nobuyoshi Ebara</td>
<td>Outside Director</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
<tr>
<td>Koji Ishida</td>
<td>Outside Director</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
<tr>
<td>Kimie Iwata</td>
<td>Outside Director</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
<tr>
<td>Hisashi Yamazaki</td>
<td>Outside Director</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
<tr>
<td>Akiko Ide</td>
<td>Outside Director</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
<tr>
<td>Kei Sato</td>
<td>Senior Audit &amp; Supervisory Board Member</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
<tr>
<td>Toshiki Muri</td>
<td>Audit &amp; Supervisory Board Member</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
<tr>
<td>Haruo Kasama</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
<tr>
<td>Yoshitaka Kato</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
</tbody>
</table>

### Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Company</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michihiko Hosono</td>
<td>Senior Audit &amp; Supervisory Board Member</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
<tr>
<td>Toshiki Muri</td>
<td>Audit &amp; Supervisory Board Member</td>
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</tr>
<tr>
<td>Haruo Kasama</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
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<tr>
<td>Yoshitaka Kato</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>Sumitomo Corporation</td>
<td>14/16</td>
</tr>
</tbody>
</table>

### Executive Officers

#### President and Chief Executive Officer
- **Masayuki Hyodo**
  - President and CEO, Sumitomo Corporation
  - Chief Executive Officer, Sumitomo Corporation

#### Senior Managing Executive Officers
- **Fumihiko Koba**
  - Senior Managing Executive Officer, Global Products Business Unit
- **Shigehiro Usui**
  - Senior Managing Executive Officer, Media & Digital Business Unit
- **Shoichiro Oka**
  - Senior Managing Executive Officer, Transportation System Business Unit
- **Tatsuro Tamura**
  - Senior Managing Executive Officer, Infrastructure Business Unit
- **Hideki Yamano**
  - Senior Managing Executive Officer, Chief Strategy Office

#### Managing Executive Officers
- **Kiyoshi Sunobe**
  - Managing Executive Officer, Global Products Business Unit
- **Hideo Ogawa**
  - Managing Executive Officer, International Business
- **Daisuke Mikogami**
  - Managing Executive Officer, China Business
- **Masato Ishida**
  - Managing Executive Officer, Asia (excluding Japan)
- **Koji Tamefuwa**
  - Managing Executive Officer, Risk Management
- **Takayuki Shisheba**
  - Managing Executive Officer, Corporate Strategy
- **Masaki Nakajima**
  - Managing Executive Officer, General Affairs
- **Keigo Shiomi**
  - Managing Executive Officer, Asia (excluding Japan)
- **Koji Morooka**
  - Managing Executive Officer, Corporate Strategy
- **Hisakazu Sugiyama**
  - Managing Executive Officer, Corporate Strategy
- **Yoshikazu Sugiyama**
  - Managing Executive Officer, Corporate Strategy
- **Hiroyuki Kato**
  - Managing Executive Officer, Corporate Strategy
- **Hiroyuki Kato**
  - Managing Executive Officer, Corporate Strategy

#### Executive Officers
- **Kumi Kato**
  - President and CEO, Sumitomo Corporation
- **Hiroyuki Higashino**
  - Managing Director, Corporate Strategy
- **Haruo Matsuhashi**
  - Managing Director, Corporate Strategy
- **Hiroyuki Kotake**
  - Managing Director, Corporate Strategy
- **Tatsuro Yamada**
  - Managing Director, Corporate Strategy
- **Kazumasa Watanabe**
  - Managing Director, Corporate Strategy
- **Yoshitaka Kato**
  - Managing Director, Corporate Strategy
- **Kazunari Kato**
  - Managing Director, Corporate Strategy
- **Haruhiko Arimoto**
  - Managing Director, Corporate Strategy
- **Yoshitaka Kato**
  - Managing Director, Corporate Strategy
- **Hiroyuki Higashino**
  - Managing Director, Corporate Strategy
- **Masahiko Yokohama**
  - Managing Director, Corporate Strategy
- **Tetsuro Ozaki**
  - Managing Director, Corporate Strategy
- **Nobuhiko Yoshida**
  - Managing Director, Corporate Strategy
- **Takashi Yamada**
  - Managing Director, Corporate Strategy
- **Tatsuro Yamada**
  - Managing Director, Corporate Strategy
- **Kanji Tojo**
  - Managing Director, Corporate Strategy
- **Kazumasa Watanabe**
  - Managing Director, Corporate Strategy

#### Outside Directors
- **Nobuyoshi Ebara**
  - Outside Director
  - Shares in Sumitomo Corporation: 14/16
- **Kojo Ishida**
  - Outside Director
  - Shares in Sumitomo Corporation: 14/16
- **Kimie Iwata**
  - Outside Director
  - Shares in Sumitomo Corporation: 14/16
- **Hisashi Yamazaki**
  - Outside Director
  - Shares in Sumitomo Corporation: 14/16
- **Akiko Ide**
  - Outside Director
  - Shares in Sumitomo Corporation: 14/16
PART 4 Governance

Internal Control

Internal control: Basic principles and system
In order to realize sustainable growth and development for the Sumitomo Corporation Group by enhancing the operational quality of each of the Group companies, we stipulate basic regulations for internal control, develop and conduct appropriate internal control, and access the effectiveness and take action to improve it.

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.

Compliance
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.

To provide a clear understanding of this basic policy, we established the Sumitomo Corporation Group Compliance Policy, and work for its acceptance and full application groupwide through ongoing education and awareness activities.

Compliance management system
Sumitomo Corporation appoints a 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.

Speak-Up System
Continuous improvement of the Speak-Up System
In the event of a compliance issue emerging, we operate a Speak-Up System providing direct internal and external reporting through an operational Speak-Up System.

Initiatives to ensure compliance
Appropriate responses to compliance violations and preventive measures
In the event of a compliance issue emerging, the Legal Department, Legal Compliance Department, and other relevant departments take the lead role in promptly establishing the facts and clarifying the cause, appointing external specialists if necessary. Based on their findings, corrective action is taken, disciplinary sanctions imposed, and measures to prevent recurrence are applied.

The Compliance Committee analyzes compliance violations occurring within the Group, including the number of cases and the preventive measures taken, as reference for future policy measures. The results of the analysis are reported 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 anti-trust, security trade control, and anti-bribery/corruption, are explained in the Compliance Manual issued to all officers and employees of Sumitomo Corporation.

Additionally, we provide training consisting of seminars and e-learning programs for new employees, newly appointed general managers, and other personnel grades.

In 2019, all officers and employees attended a harassment prevention seminar, which was made available to employees posted overseas by video streaming.

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.

The Sumitomo Corporation Group Anti-Corruption Policy, which summarizes the Group’s approach and policies outlined above, sets out the Group’s basic principles in this area and explains the Group’s anti-corruption system and initiatives, in which we request the understanding and cooperation of 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 | Maintain Risk-weighted Assets within the buffer (shareholders’ equity) |
| Strengthen financial base | Maintain corporate reputation |
| Maintain corporate reputation |


https://www.sumitomocorp.com/en/jp/about/governance/compliance
### 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 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 discussions regarding the strategic positioning of the project, and importance of the project.

### 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 clarifying 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 the value of existing businesses, 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)

**Phase I Consideration of project – Execution of investment**

1. **Consideration of project**
   - Deliberation by consideration stage committee
     - Confirmation of consistency with strategy
     - Clarification of investment theme
     - Confirmation of level of return
     - Discussion of significant risks and countermeasures

2. **Decision-making and approval**
   - Deliberation by execution stage committee
     - Confirmation of adequacy of stand-alone value, synergies, and management strategy
     - Analysis of downside scenario
     - Discussion of countermeasures to deal with significant risks
     - Formulation of proposals for governance/monitoring system

3. **Post-investment follow-up**
   - Drawing up, execution, and regular reviews of the 100-day plan
   - Development of management infrastructure including governance system
   - Setting of monitoring of optimal KPIs
   - Drawing up of revised medium-term plan

4. **Business management**
   - Monitoring of investment targets and support for execution
     - Identification and evaluation of management status based on quantitative criteria
     - Investments judged to have further potential: draft and execute concrete strategy to maximize business value of investment targets; Investments with limited growth potential move toward withdrawal

5. **Drafting and implementation of medium-term plan**
   - Reduction of risk
   - Introduction of focused follow-up system
   - Introduction of Full Potential Plan investment monitoring system

**Phase II Post-investment follow-up**

**Management system**

- Stage-by-stage multi-aspect scrutiny of major projects
- 2-stage scrutiny: initial consideration and execution stages
  - Scrutiny by Business Unit Investment Committee and Company Investment Committee
- Setting of quantitative criteria for investment entry

**Information security**

**Basic policy and system**

Sumitomo Corporation’s Information Security Committee, chaired by the CIO, plays the lead role in formulating the Information Security Policy and other relevant regulations as part of its activities to ensure information security and the appropriate management of information assets. For personal information, we operate a Privacy Policy and have put in place relevant regulations and organizational structures to ensure appropriate protection.

We also take steps to minimize the risk from unexpected situations involving information security, such as external attacks aimed for instance at theft or destruction of corporate information. In addition to system-based safeguards, these include continuous training and drills for officers and employees and system monitoring and upgrades covering our major subsidiaries and other group entities.

**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 and the Audit & Supervisory Board Members.

The department conducts audits on all aspects of internal control, comprising asset and 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.

**Further information on financial reporting and group governance is available on our corporate website.**

https://www.sumitomocorp.com/en/ja/about/governance/eic/
Corporate Profile (As of March 31, 2020)

Trade Name: Sumitomo Corporation

Establishment Date: December 24, 1919

Paid-in Capital: ¥2,196.6 billion

Fiscal Year: From April 1 of each year through March 31 of the following year

Number of Employees: 5,376* (Consolidated Base: 72,642)

Number of Consolidated Subsidiaries: 663 (Overseas 554, Domestic 119)

Number of Associated Companies [Equity Method]: 294 (Overseas 240, Domestic 54)

Number of Consolidated Affiliates: 957 (Overseas 240, Domestic 717)

Number of Issued Shares: 1,250,985,467 (including 1,702,929 treasury stock)

Paid-in Capital: ¥219.6 billion

Establishment Date: December 24, 1919

Head Office: OTEMACHI PLACE EAST TOWER
3-2 Otemachi 2-Chome,
Chiyoda-ku, Tokyo 100-8601, Japan

URL: https://www.sumitomocorp.com/en/yp

Stock Information (As of March 31, 2020)

Stock Listings: Tokyo, Nagoya and Fukuoka

Securities Identification Code: 8053

American Depository Receipts:
- Exchange: OTC (Over-the-Counter)
- Symbol: SSUMY
- CUSIP Number: 865613103

Depository and Registrar: Citibank, N.A. Depositary 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)

Shareholder Composition

Rank Name Number of Shares Shareholding Ratio (%)*
1 The Master Trust Bank of Japan, Ltd. (trust account) 109,579 8.77
2 Japan Trustee Services Bank, Ltd. (trust account) 95,533 7.15
3 BNY MELLON / WELLS FARGO OMNIBUS 86,840 6.82
4 Sumitomo Life Insurance Company 82,310 6.47
5 Mitsu Sumitomo Insurance Company, Limited 81,790 6.21
6 JP MORGAN CHASE BANK 78,130 5.86
7 Japan Trustee Services Bank, Ltd. (trust account) 76,860 5.77
8 Japan Trustee Services Bank, Ltd. (trust account) 76,860 5.77
9 Japan Trustee Services Bank, Ltd. (trust account) 76,860 5.77
10 STATE STREET BANK WEST CLIENT TREATY 505234 72,520 5.43

* 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 (1,702,929 shares) from the total number of issued shares—and rounding to the second decimal place.

Shareholder Composition (As of March 31, 2020)

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial Institutions</th>
<th>Securities Firms</th>
<th>Other Corporations</th>
<th>Overseas</th>
<th>Individuals and Others</th>
<th>Treasury Stock</th>
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<tbody>
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<td>2020</td>
<td>37.2</td>
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<td>7.6</td>
<td>34.1</td>
<td>17.1</td>
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<td>5.0</td>
<td>7.8</td>
<td>33.4</td>
<td>15.6</td>
<td>0.2</td>
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<tr>
<td>2018</td>
<td>38.3</td>
<td>2.4</td>
<td>7.9</td>
<td>37.0</td>
<td>13.7</td>
<td>0.2</td>
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</table>

* The total of the shareholding ratios may not equal 100% because of rounding to the first decimal place.

Stock Price and Trading Volume*

<table>
<thead>
<tr>
<th>Year</th>
<th>High and Low (left)</th>
<th>Closing Price (left)</th>
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</thead>
<tbody>
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<td>1,589/1,568</td>
<td>1,646/1,623</td>
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<tr>
<td>1995</td>
<td>1,592/1,584</td>
<td>1,633/1,613</td>
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<td>1996</td>
<td>1,686/1,713</td>
<td>1,767/1,725</td>
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<td>1997</td>
<td>1,698/1,739</td>
<td>1,754/1,717</td>
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<td>1998</td>
<td>1,623/1,649</td>
<td>1,692/1,675</td>
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<tr>
<td>1999</td>
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<td>1,675/1,650</td>
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<td>2000</td>
<td>1,303/1,339</td>
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<td>2001</td>
<td>1,289/1,314</td>
<td>1,286/1,262</td>
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<td>2002</td>
<td>1,290/1,315</td>
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<td>1,314/1,314</td>
<td>1,314/1,293</td>
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</tbody>
</table>

* The prices are rounded to the nearest yen.
Organization (As of April 1, 2020)

Corporate Group

- General Meeting of Shareholders
- Management Council
- Board of Directors
- CEO
- Audit & Supervisory Board
- Audit & Supervisory Board Member
- Corporate Planning & Coordination Dept.
- Global Coordination Dept.
- Corporate Communications Dept.
- Corporate Sustainability Dept.
- IT Governance & Administration Dept.
- Secretarial Dept.
- Human Resources Dept.
- Employee Relations & Compensation Dept.
- Global Human Resources Management Dept.
- Corporate Legal & General Affairs Dept.
- Legal Dept.
- Legal Compliance Dept.
- Logistics Management Dept.
- Disaster Response & Safety Management Dept.
- Finance Dept.
- Structured Finance Dept.
- Asset Management Dept.
- Accounting Controlling Dept.
- General Accounting Dept.
- Risk Management Dept. No. 1
- Risk Management Dept. No. 2
- Risk Management Dept. No. 3
- Risk Management Dept. No. 4
- Risk Management Dept. No. 5
- Treasury Services Dept.
- Market Transactions Administrative Dept.
- Accounting Dept., Corporate Group
- Accounting Dept., Metal Products Business Unit
- Accounting Dept., Transportation & Construction Systems Business Unit
- Accounting Dept., Infrastructure Business Unit
- Accounting Dept., Mining Business Unit
- Accounting Dept., Energy Business Unit
- Accounting Dept., Chemical & Electronics Business Unit
- Accounting Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit
- Accounting Dept., Media, ICT, Lifestyle Related Goods & Services Business Unit
- Accounting Dept., Construction Systems Business Unit
- Risk Management Dept., Media, ICT, Lifestyle Related Goods & Services Business Unit
- Risk Management Dept., Chemical & Electronics Business Unit
- Risk Management Dept., Energy Business Unit
- Risk Management Dept., Mineral Resources Business Unit
- Risk Management Dept., Mining Business Unit
- Risk Management Dept., Infrastructures Business Unit
- Risk Management Dept., Transportation & Construction Systems Business Unit
- Risk Management Dept., Infrastructure Business Unit
- Project Management Dept., Mining & E&P
- Mineral Resources Division No. 1
- Mineral Resources Division No. 2
- Energy Division
- Basic Chemicals & Electronics Division
- Life Science Division
- Tubular Products Division
- Construction & Mining Systems Division
- Logistics Infrastructure Business Division
- Global Power Infrastructure Business Division
- Infrastructure Business Unit

Business Units

Metal Products Business Unit
- Planning & Coordination Dept., Metal Products Business Unit
- Steel Products Division
- Light Metals & Metal Products for Transportation Division
- Tubular Products Division

Transportation & Construction Systems Business Unit
- Planning & Coordination Dept., Transportation & Construction Systems Business Unit
- Late, Ship & Aerospace Business Division
- Automotive Manufacturing Business Division (co-control with Metal Products Business Unit)
- Automotive Sales & Marketing Business Division
- Automobile Business Division
- Construction & Mining Systems Division

Infrastructure Business Unit
- Planning & Coordination Dept., Infrastructure Business Unit
- Social Infrastructure Business Division
- Global Power Infrastructure Business Division
- Logistics Infrastructure Business Division

Media & Digital Business Unit
- Planning & Coordination Dept., Media & Digital Business Unit
- Media Division
- Digital Business Division
- Smart Communications Platform Business Division

Living Related & Real Estate Business Unit
- Planning & Coordination Dept., Planning & Coordination Dept., Living Related & Real Estate Business Unit
- Lifestyle & Retail Business Division
- Food & Agriculture Business Division
- Materials, Supplies & Real Estate Division

Mineral Resources, Energy, Chemical & Electronics Business Unit
- Planning & Coordination Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit
- Project Management Dept., Mining & E&P
- Mineral Resources Division No. 1
- Mineral Resources Division No. 2
- Energy Division
- Basic Chemicals & Electronics Division
- Life Science Division

IR/SR* Activities (As of March 31, 2020)

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.

* IR: Investor Relations  SR: Shareholder Relations

Fiscal Year 2019 (FY2019) IR/ SR Activities

<table>
<thead>
<tr>
<th>Month</th>
<th>General Meeting of Shareholders</th>
<th>Announcement of Annual results</th>
<th>Announcement of 1st quarter results</th>
<th>Announcement of semi-annual results</th>
<th>Announcement of 3rd quarter results</th>
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<tbody>
<tr>
<td>Apr.</td>
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</tbody>
</table>

Number of individual meetings with institutional investors in FY2019

<table>
<thead>
<tr>
<th>Region</th>
<th>Japan</th>
<th>Overseas</th>
<th>Europe</th>
<th>Asia</th>
<th>The Americas</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Japan</td>
<td>188</td>
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<td></td>
<td>66</td>
</tr>
<tr>
<td>Overseas</td>
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<tr>
<td>Europe</td>
<td>21</td>
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<tr>
<td>Asia</td>
<td>20</td>
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</tr>
<tr>
<td>The Americas</td>
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<tr>
<td>Total</td>
<td>66</td>
<td></td>
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</tbody>
</table>

Number of participants in briefing meetings for individual investors in FY2019

<table>
<thead>
<tr>
<th>Location</th>
<th>Japan (9 locations in 7 cities)</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,294</td>
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</tr>
<tr>
<td>Overseas</td>
<td>1,004</td>
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</tr>
<tr>
<td>Total</td>
<td>2,398</td>
<td></td>
</tr>
</tbody>
</table>

Our range of information disclosure tools

Sumitomo Corporation acts as a single unit using a range of tools to carry out effective information disclosure to all stakeholders. As one of these tools, an integrated report is intended to function as the access point for the full range of disclosure materials, presenting a well-balanced selection of data.