

SC

A Quarterly Newsletter
of Sumitomo Corporation

NEWS

No. **180**
Winter
2011

Spotlight
Network Division



Message from Management



Testing Times Require a Strong Will Susumu Kato, President and CEO

How do you see the world economy today?

On top of the unrest in financial markets caused by sovereign debt problems in Europe that began in Greece, and with the slow recovery in employment in both the US and Europe, conditions remain tough for the world economy. Newly emerging economies also face the possibility of a slowdown due to the weakness of economies in developed countries, and the sense of uncertainty about where we go from here can be said to be strengthening.

Problems in Europe are connected in complex ways with the banking and public debt crises in a number of countries there. Political factors firmly hold the key to their solution, and it may take quite some time before these problems can be overcome.

What do you think about the current economic instability?

The world didn't even have to wait three years following the bankruptcy of Lehman Brothers in September 2008 before the current crisis in Europe arose. While these two events

differ in many respects, fundamentally they were both incidents in local economies that instantly erupted and engulfed the globe.

While we have benefited in so many ways from the globalization of the world economy, I think that one price that we will have to pay for that in a sense is exposure to this sort of environment of almost constant economic instability.

How should you think in a tough environment?

The economic environment continues to be extremely difficult, but there's no need to take an excessively pessimistic attitude. In any challenging environment, we can find new business shoots everywhere. The French philosopher Alain said "pessimism is a matter of mood, but optimism is a question of will." Human beings can be frail, and all too prone to being swept up in a mood of pessimism. But I think it's important to be strong-willed, and see opportunity in adversity. As a company that is dependable more than ever precisely because times are tough, Sumitomo Corporation will work together with its partners to achieve strong business growth.

Business Units

Metal Products Business Unit

Planning & Administration Dept.

Iron & Steel Division, No. 1

Iron & Steel Division, No. 2

Iron & Steel Division, No. 3

Tubular Products Division

Non-Ferrous Products & Metals Division

Transportation & Construction Systems Business Unit

Planning & Administration Dept.

Ship, Aerospace & Transportation Systems Division

Automotive Division, No. 1

Automotive Division, No. 2

Construction & Mining Systems Division

Infrastructure Business Unit

Planning & Administration Dept.

Telecommunication, Environment & Industrial

Infrastructure Business Division

Global Power Infrastructure Business Division

Media, Network & Lifestyle Retail Business Unit

Planning & Administration Dept.

Media Division

Network Division

Lifestyle & Retail Business Division

Mineral Resources, Energy, Chemical & Electronics Business Unit

Planning & Administration Dept.

Mineral Resources Division No. 1

Mineral Resources Division No. 2

Energy Division

Basic Chemicals & Electronics Division

Life Science Division

General Products & Real Estate Business Unit

Planning & Administration Dept.

Food Business Division

Materials & Supplies Division

Construction & Real Estate Division

General Construction Development & Coordination Dept.

New Industry Development & Cross-function Business Unit

Planning & Administration Dept.

New Business Development & Promotion Division

Financial Service Division

Logistics & Insurance Business Division

The lines show the sections featured in each article.

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Edited and published by Corporate Communications Dept., Sumitomo Corporation

1-8-11 Harumi, Chuo-ku, Tokyo 104-8610, Japan

URL: <http://www.sumitomocorp.co.jp/english>

Editorial assistance by Toppan Editorial Communications

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Printed in Japan by Toppan Printing Co., Ltd.

On the cover: SCSK Head Office (Toyosu, Koto-ku, Tokyo, left) and opening ceremony for the T-GAIA retail store in Shanghai (right)

Please send us your opinions and comments.
E-mail: koho-web@sumitomocorp.co.jp

Business Model Innovation through Information and Communication Technology

The Network Division is developing business beyond domestic borders in the area of information and communication technology (ICT), a driving force in today's society and economy, by helping corporate customers achieve more sophisticated management and efficient operations. General Manager Tatsujiro Naito discusses the division's growth strategy and outlook.



Tatsujiro Naito

Corporate Officer and General Manager, Network Division

Born in 1957. 1981, joined Sumitomo Corporation. 2002, appointed Vice President of Management Information Systems, Sumitomo Corporation of America. April 2007, appointed General Manager of the IT Planning & Promotion Department. June 2007, appointed board member of Sumisho Computer Systems Corporation (now SCSK), a position he still holds. 2008, appointed General Manager of the Information Technologies Planning & Promotion Department. April 2011, appointed General Manager of the Network Division.

Taking the best of Japanese-style service to power overseas development

The Network Division is comprised of the Mobile & Internet Business Department and the IT Solution Department. The Mobile & Internet Business Department primarily develops business that deals directly with consumers, such as mobile phone services, e-commerce, and Internet services. The IT Solution Department provides IT management solutions and tailors IT systems and services to the requirements of corporate customers. Through business effectively using ICT, the Network Division exists to help both

Sumitomo Corporation Group companies and corporate customers of many different industries realize more innovative and sophisticated business models.

Among the Network Division, our core businesses are comprised of IT solutions and services (SCSK) and mobile phone retail (T-GAIA). By striving to both fortify these core businesses and create new business, we are attempting to expand the breadth and depth of our activity.

In October 2011 we merged our subsidiary Sumisho Computer Systems Corporation (SCS) with CSK Corporation*, an independent information services provider with a corporate history of over four decades, to form the new company SCSK strengthening our core businesses. With over 12,000 employees and sales exceeding ¥270 billion, SCSK is of the same scale as the industry's second-largest group of information services suppliers.

The SCSK merger was due in part to the changing environment facing the IT industry. While the domestic IT market is approaching maturity, the services being offered to customers are changing, increasing in both diversity and sophistication. New trends towards cloud-based IT services require service providers to have very large systems. This drives the need to operate on a larger scale than before and increase the capacity to make investments.

The integration of the two companies dramatically strengthens the operating foundations, technological capabilities, and human resources. Furthermore, the resulting organizational structure enables a one-stop services ranging from systems development to hardware/software sales and outsourcing of IT-related services. The former SCS, as a subsidiary of Sumitomo Corporation, has a strong capability to support customers globally, while the former CSK Corporation, as a previously independent organization, is known for providing customers with innovative proposals. We will use this merger as an opportunity to enhance our capabilities to provide both high-value consulting and global-level services in line with the shift overseas by Japanese companies, securing our position in the future as the number-two leader of the industry.

In regard to our mobile phone retail business, to promote further expansion of industry leader T-GAIA, we have entered the fast-growing Chinese market and partnered with China Unicom, a major mobile operator in China. We

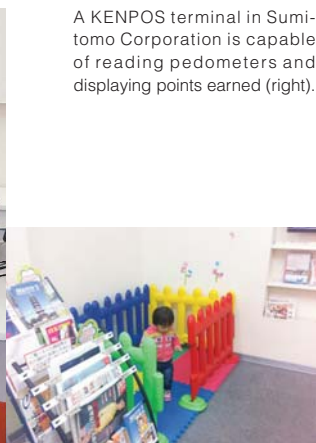
Japan's 10 Largest IT Services Companies
(Figures for FY ending March 2011)

	Company	Sales (¥ billion)
1	NTT Data	¥1,161.9
2	Nomura Research Institute	¥326.3
3	IT Holdings	¥323.2
4	CTC	¥283.1
(5)	SCSK (post-merger)	¥273.2
5	Nihon Unisys	¥253.0
6	NTT Comware	¥212.5
7	Mizuho Information & Research Institute	¥186.0
8	NS Solutions	¥159.7
9	CSK (pre-merger)	¥140.4
10	Fujisoft	¥134.7
11	SCS (pre-merger)	¥132.8

(The companies listed are the ten largest companies which specialize in systems integration)



Japanese-style service is well received at a T-GAIA store in Shanghai (left). Stores are equipped with play areas for children, something which is rarely seen in China (right).



A KENPOS terminal in Sumitomo Corporation is capable of reading pedometers and displaying points earned (right).

opened our first mobile phone retail store in Shanghai last September and our second store in June of this year.

Selling phones in China is quite different from Japan because pre-paid plans are the dominant form of payment. T-GAIA, however, will target China's middle- and high-income buyers, placing emphasis on high-quality customer service like that found in Japan. We will create stores with a relaxed atmosphere, where highly-trained sales staff will offer customers a plan that is right for them, carefully answering every question until they are satisfied. T-GAIA's strength lies in this kind of high-quality service, and it is why T-GAIA will be able to distinguish itself from other local retailers. To achieve this kind of service, T-GAIA is working to raise the skills of its sales staff through training programs developed in Japan. Already this has resulted in outstanding sales performance for the Shanghai area, proving that our business model works in the Chinese market as well.

* CSK Corporation was made a subsidiary of Sumitomo Corporation in April 2011 through a tender offer.

Internet business as a foundation for future earnings

We are focused particularly on new Internet-based business. One such business central to this effort is Soukai Drug, an e-commerce website that sells about 70,000 different items, comprised chiefly of everyday household consumables such as mineral water, health food, beauty, and cleaning products. With easy ordering, low prices, and quick and reliable home delivery, Soukai's continued growth outpaces the 15% average growth rate of the domestic e-commerce market. In 2012, Soukai plans to expand into China, with its rapidly growing e-commerce market, and Indonesia, a market with strong potential for future growth. Soukai Drug aims to expand its business abroad by leveraging its e-commerce platform developed in Japan and the brand power of Japanese products.

We are also concentrating on services for company employees to address the growing business-to-employee market. As companies continue to outsource employee welfare programs, Ewel, one of Sumitomo's equity investments, developed the employee welfare services platform WELBOX to suit their diverse needs. We are working to ex-

pand this business further by combining our expertise and Soukai Drug's product lineup with the WELBOX website to give customers a one-stop shop for booking and ordering services in a wide range of categories including travel, leisure, nursing care, childcare, education, health, personal development, and housing.

Another effort of ours is KENPOS, a website that helps motivate company employees to start and maintain healthy living habits. After a one-year internal trial, we have now begun offering the service to other corporate customers. Employees earn points through behavior that leads to better health, such as walking or not smoking, which can be exchanged for rewards. Employees interested in healthy living can also connect with like-minded colleagues via KENPOS's community site, promoting active communication among employees.

Achieving further growth over the decade ahead

Throughout its evolution, information and communication technology has brought major changes to society. As an important piece of infrastructure that supports the growth of companies, ICT will continue to advance forward.

Similarly, with SCS now beginning anew as SCSK, I have witnessed the company's continual growth since I joined Sumitomo Corporation 30 years ago. Every ten years, the company has entered a new phase in its overall development. In 1981 when I first joined, SCS had about 200 employees, but by 1991, it was successfully listed on the First Section of the Tokyo Stock Exchange. Although SCS started as a subsidiary to manage the information systems of Sumitomo Corporation, when the Network Division launched in 2001, SCS was placed under its management and designated as the foundation of its profit generation. The merger with CSK in 2011 has given us an operating base for the next stage of growth. Going forward we will continue to improve employee training and strengthen our ability to meet customer requirements.

In the decade ahead, the Network Division will work together not only to achieve growth of SCSK and the rest of our businesses, but also to make larger contributions as an organization that supports the growth of the entire Sumitomo Corporation Group.

What's up in the Sumitomo Corporation Group

Below we introduce some of the activities of the Sumitomo Corporation Group from September through November 2011. To find out more about these and other activities, please visit our website.

September 9

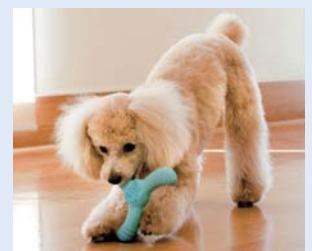
- KENPOS, a website promoting company employee's health begins providing service
- New LANCEL Boutique opens in Ginza
- Execution of joint venture agreement of the Sierra Gorda Project in Chile
- Barneys New York opens a flagship store in Fukuoka, Kyushu (see p. 8)
- A donation is made to the University of Alaska Fairbanks Mining Engineering Research Endowment Fund



Lancel Ginza store

October 10

- Harumi Triton Square celebrates its 10th anniversary (see p. 7)
- Enhancing seamless tubular products business in the US (see p. 8)
- Construction begins for a car manufacturing plant in Mexico (see p. 7)
- Dust Mitigation Dome constructed at the San Cristobal mining site in Bolivia
- Hartz® begins selling new products for the Japanese market for Fall
- "The Senri Residence" was awarded the 2011 Good Design Award



Hartz®'s new product "Dura Play™"

November 11

- Sumisho Global Logistics Europe received the ECO-VC Silver Award from Panasonic
- Terrace Mall Shonan, one of the largest mall in the Shonan area, opens
- Start preparations to establish a battery charging service company for electric vehicles
- Summit Fertilizer (Foshan) Co., Ltd. established a new chemical compound fertilizer plant in China
- Signing an early work agreement for a fertilizer plant in Angola
- Entering the motorcycle and auto auction business in Indonesia



Receiving the ECO-VC Silver Award from Panasonic

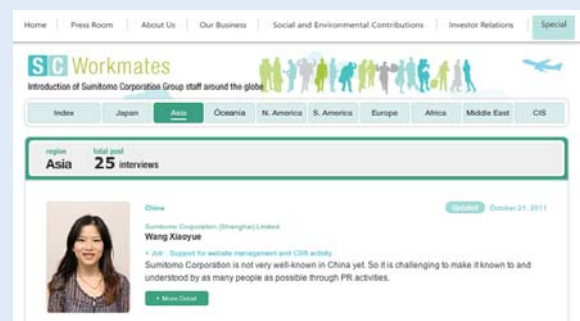
Sumitomo Corporation Website <http://www.sumitomocorp.co.jp/english/>



Sumitomo Corporation's Global Business: Africa

The homepage introduces Sumitomo Corporation Group's globally expanding businesses through special feature articles. Watch videos introducing our activities in Africa and read the newest reports from our employees based in African nations.

Featured Contents



SC Workmates

http://www.sumitomocorp.co.jp/english/special/sc_workmates/

Employees of the Sumitomo Corporation Group worldwide are introduced here where they discuss how their work is rewarding, life at their office and their hobbies. The contents broadly convey the charm of "Sumitomo People" working around the world.

Construction begins for a car manufacturing plant in Mexico

Sumitomo Corporation and Mazda Motor Corporation have set up Mazda Motor Manufacturing de Mexico S.A. de C.V., a joint venture company that will manufacture cars and assemble engines in Mexico.

On October 11, 2011, a ceremony to mark the start of construction was held in the city of Salamanca in the state of Guanajuato. The event was attended by some 400 guests from both Japan and Mexico, including Mexico's Secretary of Economy Bruno Ferrari, the governor of Guanajuato, the mayor of Salamanca, and Japan's ambassador to Mexico.

The plant is set down for completion in 2013, and sometime during 2014 it will start producing 140,000 cars a year, including the Mazda2 and Mazda3 (known in Japan as the Mazda Demio and Mazda Axela), for markets in North, Central, and South America.

Sumitomo Corporation has been building a relationship with Mexico for more than five decades. SC has wide-ranging experience of doing business in Mexico's automotive sector, particularly in its automotive components industry. It has especially accumulated know-how on taxation, labor, and procurement in Mexico, and will be playing an active role in these areas for this new partner company as well. In addition, several of SC's Business Units will provide assistance with risk management, logistical operations, and building IT infrastructure, in order to support their new partner's success. SC will be drawing on its entire integrated corporate strength to help with processes involved, from getting the plant up and running to managing its day-to-day operations.

Mexico has signed free trade and economic partnership



At the plant's groundbreaking ceremony. From left to right: Mexico's Secretary of Economy Bruno Ferrari, Mazda's Representative Director and Chairman of the Board, President and CEO Takashi Yamanouchi, SC's Executive Vice President Kazuo Ohmori, and Guanajuato's Governor Juan Manuel Oliva

agreements with 45 countries and jurisdictions which have a combined car market of 30 million, which goes to indicate the unlimited yet relatively undiscovered potential for car manufacturing in Mexico.

—Automotive Manufacturing Business Dept.

Local Media Reaction

Many articles appeared in Mexico's media welcoming Mazda and SC's car manufacturing venture. In one such article, the financial newspaper *El Economista* in its edition of October 12 reported on SC's Executive Vice President Kazuo Ohmori's speech at the groundbreaking ceremony, where he emphasized the depth of the mutual trust that existed between SC and Mexico: "What gave this country a strong edge over the numerous other countries we considered as candidates for the plant's location was the great confidence we have acquired in the Mexican people in the course of our investing and doing business in this country since 1954." The article also stated that the new plant would create new jobs for 3,000 people.

Topics

Harumi Triton Square's 10th birthday celebrations

April 2011 saw the 10th anniversary of the opening of Harumi Triton Square, the high-rise office, retail, and residential complex where Sumitomo Corporation has its head office. Harumi Triton Square consists of several office and apartment buildings, built around an interior retail mall intended to evoke a southern European streetscape, where the functions of recreation, work, and home are equal. The complex has been designed to promote a more participatory type of business and residential community, one which draws in both local residents and office workers alike, whose distinctive appeal is enhanced through events that emphasize on personal experience and interaction.

In October, Triton Square held numerous events to mark its 10th anniversary. In addition to the Harumi Music Festival, with performances by talented classical music artists, and Tales of Harumi Past and Present, a museum-style exhibition looking back on Triton Square and its community over the past decade, there was also Infiorata, where a boardwalk alongside Harumi's canal was decorated with artistic "tapestries" made from actual rose petals, and PET



"Infiorata" created with local residents

Bottle Art, where a 6-meter high model of Triton Square was built out of used PET bottles that they brought along for the purpose. These were some of the highly popular events organized for the public to participate in.

With the aim of becoming an inherent part of its community, Harumi Triton Square has set its sights on becoming a pleasant, safe, and relaxed urban space that will attract people for many years to come.

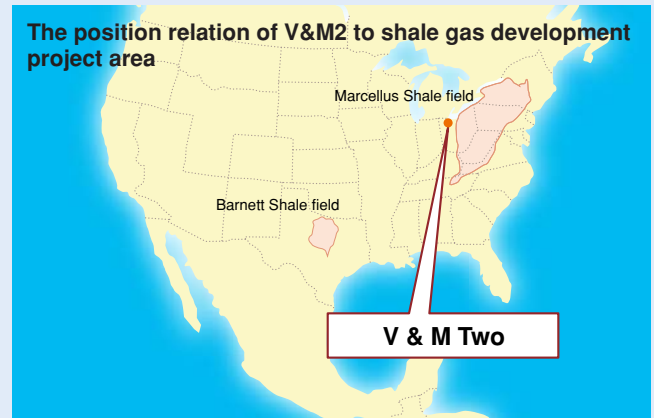
—Building & Overseas Real Estate Business Dept.

Strengthening US seamless tube business for shale oil and gas

Sumitomo Corporation has acquired a 19.47% interest in V&M Two LLC (V&M2), a manufacturer of small diameter seamless pipes used principally in shale oil and gas production, from Vallourec, a leading French steel pipe manufacturer.

V&M2 is currently building a production facility at a total planned cost of \$650 million on a property adjacent to the premises of V&M Star, another Ohio-based manufacturer of medium diameter seamless pipe in which Sumitomo Corporation also owns a 19.47% interest. V&M2 is set to go into production in the first half of 2012 and is expected to have an annual output of 350,000 tonnes. The production facility is located within close proximity to the Marcellus shale, home to some of the most prolific shale gas fields in the US. Sumitomo Corporation has also invested in a shale development project in the area.

Shale oil and gas, also referred to as “unconventional” energy resources, are contained within dense layers of shale which requires special technology, such as hydraulic fracturing, for extraction. Due to improved technologies in recent years, shale oil and gas development in the US have accelerated rapidly, causing production volumes of both shale oil and gas to grow exponentially. This production boom has triggered a substantial increase in demand



for seamless pipes needed for drilling and production.

It is widely expected in the US that concerns over energy security and employment opportunities will enhance the shale oil and gas development over the medium to long term. Sumitomo Corporation is committed to expanding sales of V&M2’s products by making full use of its extensive sales network, which commands around one quarter of the US oil well casing market. SC will also aim to expand and bolster the value chain for its US tubular products business while striving to deepen its partnership with Vallourec in order to achieve mutual growth.

—Tubular Business Development Dept.

Topics

Barneys New York Fukuoka Store opens: Our first flagship store for Kyushu

Barneys Japan, a joint equity venture company of Sumitomo Corporation and Tokio Marine Capital, opened its Barneys New York Fukuoka Store on September 16, its fifth store in Japan and its first flagship store for Kyushu. Following the first day, when more than 500 people lined up outside even before the doors opened, the store has got off to a good start, drawing large crowds day after day in excess of expectations.

Fukuoka is Kyushu’s largest commercial center, and it’s also Japan’s gateway to Asia. Barneys New York Fukuoka Store has opened as the anchor tenant of Resola Tenjin, a new shopping complex in the Tenjin area in Fukuoka. Spread over four floors, at any one time the store will carry over 400 brands of items from the US and Europe, including Italian brands in particular.

Remaining true to its motto of “Taste. Luxury. Humor.” which has guided it consistently since it was first established, Barneys New York has established its position as an unprecedented specialty store by constantly expressing a new creative engagement, not just with the luxurious ensemble of sophisticated products that it has artfully assembled with its characteristic taste, but also with its store interiors, window displays, and exterior designs. Barneys New York Fukuoka Store aims to build up a base of loyal customers to become a longtime favorite store among locals.



Barneys New York Fukuoka store decorated with sophisticated interior designs

Barneys New York Fukuoka

Address
2-5-55 Tenjin, Chuo-ku,
Fukuoka-city

Store Hours
11:00-20:00
(closed irregularly)

Sumitomo Corporation will expand and develop businesses that have the potential to become platforms for growth for its Group’s numerous brands. To that end, SC aims to pursue multi-channel retail strategies tailored to consumers’ values and lifestyles, in order to keep pace with the changing times.

—Brand Business Dept.

Sumisho & Mitsubussan Kenzai Co., Ltd.

Delivering Added Value through Wooden Buildings Construction



The Summit HR Construction System was used for a building at Kameyama Seki Junior High School in Mie using local cedar timber.

From distribution to “functional business”

Sumisho & Mitsubussan Kenzai (SMKC) handles all kinds of building materials and timber products for the residential housing sector, ranging from interior and exterior decorative materials such as flooring and exterior walls, to equipment systems and appliances for kitchens, toilets and bathrooms. While distribution services account for the greater part of sales, we worked to build up a “functional business” to add value to our existing business.

This is best demonstrated in the construction of large-scale wooden structures. We use wood to achieve large open spaces in buildings with no partitions that in the past could only be built using reinforced concrete, and buildings that incorporate curves based on more unconventional design principles.

What made this possible is the “Summit HR (Holz Rahmen) Construction System.” Laminated wood (engineered wood), which provides a guaranteed level of strength, is reinforced with rods and hardened with resin in factories off-site, enabling it to be used for posts and beams. The laminated wood has no exposed metal joints, allowing buildings to be constructed that also display wood's warmth and heat insulating properties.



Katsunori Takamitsu
President

Alongside a re-evaluation of building in wood from an environmental perspective over the past few years, Japan's Act on the Promotion of the Utilization of Wood in Public Buildings, a legislation designed to promote the use of domestic timber materials, have stimulated developments under the banner of local production of timber products for local consumption. The Summit HR Construction System has won praise for the design qualities of the products and is enjoying growing demand from elementary schools and other public facilities.

The Summit HR Construction System is implemented at every stage of a building project, from design to the procurement of materials and the management of construction. For that reason SMKC is encouraging employees to acquire

relevant qualifications, and out of around 290 employees, a total of 102 are now accredited Level 1 or Level 2 structural engineers or construction management engineers.

Added value for home builders

SMKC also does business with large home builders. Houses are built by assembling as many as 50,000 to 60,000 components one by one. SMKC is partially responsible not just for shipping those components, but also for warehousing and assembling—that is, for managing those components on behalf of those companies.

Establishing a compliance system early on meant that our customers are able to rely on us with greater confidence. We will expand our business in this area by continuing to add greater value in the future.

The environmental possibilities of wood

Our company's wood business is bound with achieving harmony with the environment. Our unique products are made from replanted or regrown eucalyptus trees growing in sustainable forests, and have also made capital investments in companies that manufacture products made from recovered construction waste materials. The Summit HR Construction System also helps with efforts to achieve local production for local consumption, for example by allowing public facilities to be constructed using locally-sourced timbers and contracts to be given to local companies.

SMKC doesn't just transport products from one place to another. It adds value that only SMKC can provide, which not only keeps our customers happy but also protects the environment and brings jobs and businesses to local regions. SMKC will continue to meet the challenges involved in expanding its business in this area.

Company Profile

Company name: Sumisho & Mitsubussan Kenzai Co., Ltd.

Head office: Harumi Triton Square Office Tower W, 1-8-8 Harumi, Chuo-ku, Tokyo

President: Katsunori Takamitsu

Founded: 1966. Following a merger in February 2002 with the Building Materials Division of Mitsui & Co., Ltd., Sumisho Building Materials Co., Ltd. changed its name to Sumisho & Mitsubussan Kenzai (SMKC).

Business: Purchases and sales of building materials; construction of interior and exterior decorative materials and equipment incidental to those building materials, complete new home construction packages; home improvement works



A eucalyptus plantation in Tasmania, Australia. Earmarked for processing into plywood and other timber products, the trees have been planted with biodiversity in mind and are harvested in a planned manner.

World Report from SCRI: Russia

Sumitomo Corporation Research Institute (SCRI) prepares reports on developments in countries around the world and releases them to in-house and external media. Here we introduce a recent report on Russia



Russian's Thriving Internet Companies

Anton Goroshnikov,
International Research & Analysis Dept.



A rapidly expanding Internet market

Ten years ago Russia's Internet market had just three million users, most of whom only used dial-up services. Since then the number of Russians accessing the Internet has grown some fifty-fold, and the market is now the second biggest in Europe after Germany. Russia's Internet infrastructure has also been improved, with around one in four households in the country now able to access broadband services. In addition more and more websites are being published in Russian, the language common to former Soviet countries such as Belarus, Kazakhstan, and Ukraine, and the Internet-related industry is becoming an important sector in the Russian economy.

The rise of Russian's Internet companies

Russia's Internet market is characterized by the very limited role played by major foreign companies and the robust competition between domestic Internet ventures. This rise of a home-grown Russian Internet sector is a remarkable development, and has taken place entirely independently of the large industrial conglomerates that arose out of the privatization of the country's Soviet-era state-owned businesses.

Behind this phenomenon is said to lie the strong education system in subjects like math and physics that the country

Points of Interest

Online shopping has continued to grow rapidly in Russia in recent years, becoming an \$8 billion industry in 2010 after annual growth of around 40%. Ozon.ru, the country's largest online retailer, has been courted greatly by overseas investors, attracting an investment of \$100 million in September 2011 from three investment funds and Rakuten, Japan's leading e-retailer. It was the largest equity investment made to date in Russia's online shopping sector. Ozon was founded in 1998, and while it started out selling books like Amazon in the US, gradually it branched out into home appliances, footwear, cosmetics, low-cost air tickets, and overseas travel reservations.

Top 10 Websites in Russia

1	Yandex	Search
2	Mail.ru	Mail, News
3	Google.ru	Search
4	V Kontakte	SNS
5	Google.com	Search
6	YouTube	Video Sharing Services
7	Odnoklassniki	SNS
8	Facebook	SNS
9	Wikipedia	Search
10	LiveJournal.com	Blogs

Local companies
Source: Alexa.com

Popular venture corporations

Ozon.ru
E-malls, called the Amazon of Russia, is one of the largest in the country

KupiVIP
Online shopping site for brand products

Head Hunter (hh.ru)
Search engine for jobs

Darberry.ru (Groupon Russia)
Coupon site

Molotok.ru
Online auction site

Mamba
Dating site

The site is based on the Boston Consulting Group, Russian Forbes of September 2010

fostered in Soviet times. Most of the individuals who founded Russia's Internet companies have a background in science and received their education under the Soviet Union. These people have researched Western business models well and successfully imported them into their home country.

At the same time, many major foreign Internet companies gave little attention to the Cyrillic script (the writing system used in Russian), and also refrained from entering the Russian market for a long time. It was these domestic and foreign factors that allowed entrepreneurs in Russia to build up their own brands in the country's Internet market.

Benefiting from government and private efforts

Russian Internet companies' IPOs on overseas bourses have also attracted much attention. The Mail.ru group, Russia's biggest free email service provider, launched successfully on the London Stock Exchange in November of last year, and this year in May the search engine company Yandex listed on the US NASDAQ exchange.

The Russian government has also been devoting efforts to expand Internet use within the country. Since 2002 it has been implementing a plan to promote e-government, as part of which it has set up portal sites for government agencies and furthered the use of systems for filing applications digitally. In addition a national institute, the Skolkovo Innovation Center, was set up near Moscow last year, which has been tasked with nurturing and developing the country's IT and innovation industries, and which is currently directing its efforts into promoting Internet technologies and software development. What sort of impact will IT and Internet-related industries have on Russia's politics and economy? This is an area to watch in the future.

Rehabilitating Peatlands to Mitigate Global Warming

CO₂ is emitted into the atmosphere when forests burn in wildfires or are destroyed through clearing. People may not be aware that more and more CO₂ is emitted this way each year. This article looks at a project to tackle this issue through the rehabilitation of an area of peatlands in Indonesia, where our company is conducting certain studies.

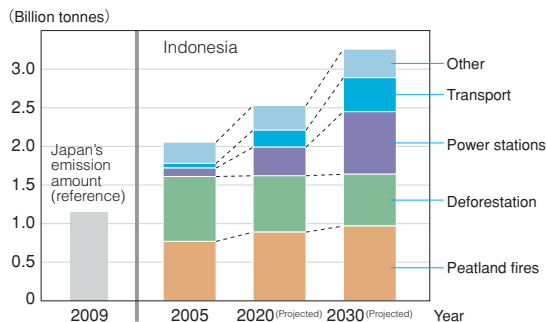
Background

Peatlands: Natural CO₂ sinks at risk

Peatlands are areas that has accumulated decayed vegetation matter. It is estimated that the world's peatlands store up to 2 trillion tonnes of organic carbon, which represent as much as 70 years of CO₂ emissions from burning fossil fuels.* Due to the sogginess of their soil, peatlands are not normally prone to fires. In peatlands in Indonesia's Central Kalimantan province, however, drainage canals were once dug for an earlier rice farming project. These canals have fallen into disrepair, causing the water table to drop and the soil to dry out, which resulted in more large-scale fires. The issue is not just CO₂ emissions—certain negative economic impacts have also been identified from burning peatlands smoke, such as human health hazards and air traffic disruption.

The post-Kyoto Protocol framework places importance on measures to combat the clearing of forest. Since CO₂ emitted through such clearing exceeds that

Amount of CO₂ emissions in Indonesia



Based on data / material from Indonesia's National Council for Climate Change (DNPI) and the National Institute for Environmental Studies (NIES)

emitted by all the cars, planes, and ships in the world put together, effective measures for halting destruction of vegetation cover will be an inexpensive means for achieving large CO₂ emissions reductions.

*From a 2006 report by Wetlands International

SC Initiatives

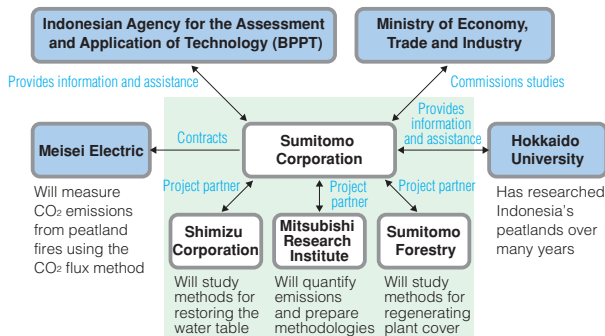
Annual reduction target of 70 million tonnes

The Ministry of Economy, Trade and Industry commissioned Sumitomo Corporation to conduct its "2011 Feasibility Study for joint greenhouse gas reduction projects and bilateral offset credit mechanism" to solve the problem. We will conduct a study for a project in Central Kalimantan province, where fire issues will be tackled by dealing with water problems caused by dilapidated drainage canals. Native plant species will be planted in peatlands, and their effectiveness in reducing CO₂ emissions will be analyzed. That information is essential to generate emission reduction credits.



There are frequent fires around peatlands in Indonesia

Project Structure



Shimizu Corporation will investigate work on the drainage canals, and Sumitomo Forestry will look at methods and processes for re-planting vegetation cover, referring to the results of research into the peatlands carried out by Hokkaido University. The project may reduce future CO₂ emission by 70 million tonnes a year, which is equivalent to around 6% of Japan's annual emissions.

Preserving peatlands is not just a means for tackling global warming. It will also protect biodiversity and manage wildfires. Sumitomo Corporation's business in Indonesia delivered positive achievements over many years, and aim to draw on this record to bring this project to fruition.

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SCENEWS

No. 180

Winter
2011

A Quarterly Newsletter of Sumitomo Corporation
Edited and published by Corporate Communications Dept., Sumitomo Corporation

