

Sumitomo Corporation's Earnings Base Expansion

—Samples of Business Scale Up and New Entries

We have aggressively promoted investments in businesses with high profitability and growth potential. We will further accelerate our growth strategy under the AG Plan from fiscal year 2005. In all of our business fields, we will upgrade midstream trading functions and enhance our value chain upstream and downstream, while spreading out our already successful business models in other regions. We will enhance and reinforce our assured method of winning by exerting our core competence. In order to expand our earnings base more dynamically, we will also enter new growth areas, create new value by fulfilling our functions, and broaden the business base.

Media Business

Media conglomerate strategies focused on both the infrastructure and content fronts

The Sumitomo Corporation Group has been engaged in the media business since 1989, mainly in the cable television business and the multi-channel program supplying business, and has carved out solid No.1 positions in Japan. We are leveraging these positions to develop multilateral business in such areas as TV shopping and film entertainment. We are also active in video-on-demand (VOD), IP broadcasting, and other new businesses in response to the digitalization of broadcasting and the broadbandization of communication. With these mutually synergistic businesses, we have formed a media conglomerate that has established a competitive status unrivaled in the industry.



J:COM Tokyo

Background

Households viewing multi-channel broadcasts now account for 18% of all viewing households in Japan, a consequence of an increase in households viewing cable television (CATV) and satellite broadcasts. The size of the market has increased to the ¥500 billion level, and currently continues to grow thanks to the digitalization of broadcasting. Anticipating such an environment, we established the CATV multiple system operator (MSO) Jupiter Telecommunications Co., Ltd. (J:COM) in 1995, and the multiple channel operator Jupiter Programming Co., Ltd. (JPC) in 1996, with which we carried out aggressive business development on both the infrastructure and content fronts.

J:COM has opened new CATV operators and acquired others, while simultaneously carrying out aggressive capital investment in the development of digitalization and broadbandization. In March 2005, J:COM was listed on the JASDAQ stock exchange. It currently provides services through 32 CATV operators under 17 franchises, accounting for roughly 30% of all multi-channel CATV paid subscribers in Japan. It has grown into Japan's largest MSO, with a total of approximately 1.96

million households (as of end of June 2005) subscribing to its CATV, Internet, or telephony services.

JPC is Japan's largest multi-channel television program provider. It now has 16 channels under 12 franchises, including Jupiter Shop Channel Co., Ltd., which operates Japan's No. 1 TV shopping channel with annual sales exceeding ¥50 billion, and is No. 1 with respect to channels for movies, sports, documentary, animation, and other genres. JPC provides programs to viewers through J:COM, other CATV companies, and satellite.

Amid the accelerating wave of digitalization, in May 2004, J:COM and JPC jointly incorporated Jupiter VOD Co., Ltd., which launched Japan's first video-on-demand content providing business for CATV. In July 2005, Warner Brothers followed two other Hollywood studios, Buena Vista (Disney) and MGM, to join the lineup. Currently, their movies can be viewed on all J:COM-affiliated operators.

We are also working to respond to diversifying customer needs. For example, in July 2004, in addition to CATV and

satellite broadcasts, we started providing programs via Internet broadband through our On-line TV Co., Ltd.

As for our film entertainment business, we are also carrying out multilateral development that ranges from production investment to film distribution and exhibition. Our investments to date have achieved brilliant results, with five of the films in which we have invested receiving Picture of the Year honors at the

Japan Academy Awards. In 1999, we entered the cineplex business by establishing United Cinemas Co., Ltd., which we made into a subsidiary in 2004. And in 2005, we acquired Japan AMC Theatres, Inc. through United Cinemas. As a result, we have grown into an influential player currently operating 15 theaters throughout Japan.

Future Developments

We will continue to promote aggressive investment and further raise our established standing as a media conglomerate based on three policies: (1) expanding our business base through M&A and business alliances; (2) enhancing content and the provision of new services that our customers and viewers will enjoy; and (3) strengthening collaboration further among our CATV business, multi-channel broadcasting business, and film entertainment business.

In the CATV business, we will advance J:COM's alliance with and investments in neighboring CATV operators. At the same time, we will work to enhance high picture quality and interactive services through digitalization, and raise customer satisfaction.

In the multi-channel broadcasting business, centering on JPC, we will continue to provide attractive programs. For example, we will start broadcasting PartiTV, Japan's first channel dedicated to viewer participation programming, at the end of 2005. We also invested in one of the terrestrial broadcasting stations to expand our media business. In addition, we are pro-

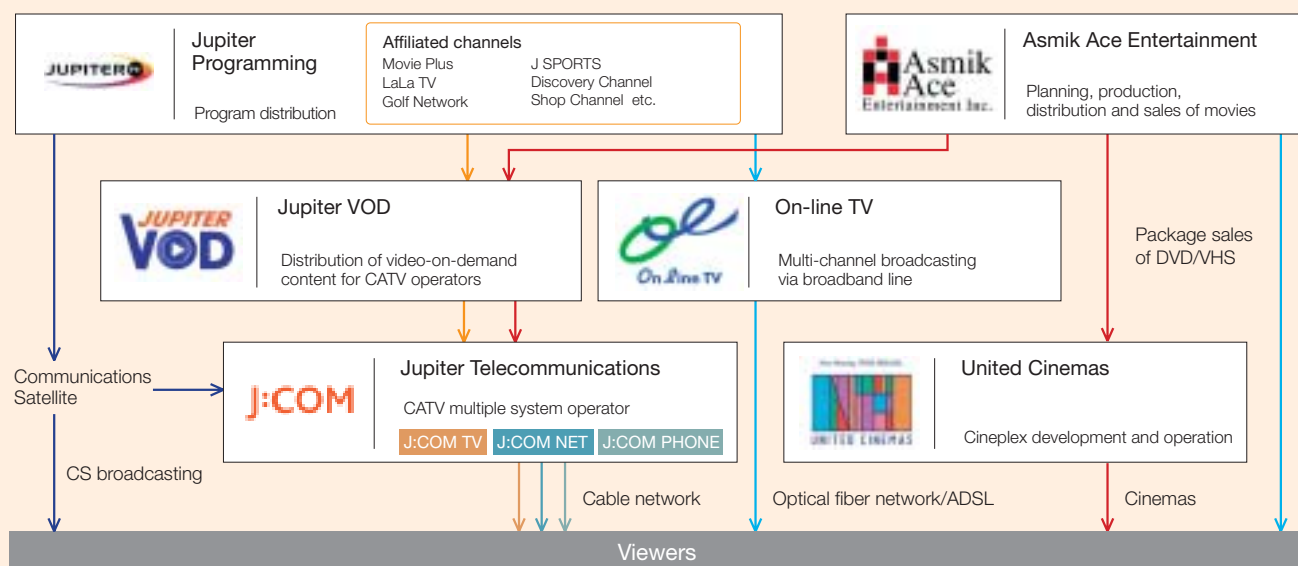
moting new services such as video-on-demand and IP broadcasting.

At Jupiter Shop Channel, which is showing persistently rapid growth, we will improve our logistics system, pursue new product development and program planning enhancement to entertain our customers, and continue to grow.

As for the film entertainment business, we will increase operational efficiency and strengthen competitiveness further in the cineplex business, which supports the growth of the more than ¥200 billion film entertainment market. In order to accomplish this, we will pay much attention to seeking new sites and M&A, and aim at the expansion of our business, with the target to reach the top level in the industry by realizing the operation of 30 sites at an early stage.

By utilizing and linking these assets of the Sumitomo Corporation Group more organically, we will reinforce each of our business bases and fully expand and enhance our media business. Thus, we will continue providing services that further entertain our customers and viewers.

The Expanding Media Business of the Sumitomo Corporation Group



Automobile-Related Value Chain

Upstream/Downstream Expansion of Our Value Chain with a Diverse Earnings Base, Including the Global Development of Our Financing Business

The core competence of Sumitomo Corporation Group's automobile business is the value chain that stretches throughout the vast domain of the automobile industry. In addition to sales of new vehicles, our business covers a wide range of activities that include parts manufacturing, used automobile sales, repair, financing, and insurance. We will expand our earnings base by globally developing a wider business base, from the upstream manufacturing of parts to the midstream wholesale business and the downstream retail and finance businesses.



Used car distribution and financing service in Germany

Background

We have developed our business base in distribution areas such as the export of automobiles, the overseas wholesale (distributor) business, and the retail (dealership) business, as well as downstream areas centered on auto loans, leasing, and other financing. In 2004, we also entered upstream areas with the acquisition of KIRIU Corporation through SC-ABeam Automotive Consulting, a think-tank specializing in the automobile industry. KIRIU is an automotive parts manufacturer that has established unique product development and design capabilities, in particular for brake drums and brake rotors.

As for financing, Sumisho Auto Leasing Corporation offers comprehensive services in Japan, including not only leasing but also maintenance and insurance. As a result of aggressive M&A, it is further cementing its No. 2 status in the Japanese auto leasing industry where reorganization is progressing. Overseas, we strengthened our business bases of the Indonesian auto financing company P.T. Oto Multiartha and the two-wheeled vehicle financing company P.T. Summit Oto Finance. In fiscal year 2004, we entered the financing business in Jordan and Slovakia, and built a new business model in Germany—an operation that combines used car distribution with the financing and insurance business.

In these ways, Sumitomo Corporation is addressing the needs and business environment of automobile markets around the world as we develop a global value chain.

Future Developments

We seek to expand our value chain and continue to invest our management resources in building new business bases in Asia and other growing markets, aiming to become “a group of continually evolving, distinctive automobile professionals.”

Domestically, we made Sumisho Auto Leasing a wholly owned subsidiary and will promote integrated operations with Sumitomo Corporation to further upgrade and differentiate services by leveraging the Group's integrated corporate strength. In addition, we seek to expand its scale of operations through further M&A to solidify its market position and raise efficiency. As to the upstream areas of our value chain, we will also seek to acquire other automotive parts manufacturers, following on the acquisition of KIRIU.

Overseas, we will utilize the expertise we have accumulated to newly develop value chains in Vietnam and other ASEAN countries, as well as in China and India. We will also seek to expand the financing business specialized for two-wheeled vehicles that we launched in Indonesia in fiscal year 2003. In Europe, we will promote vertical and horizontal development of the new business model we initiated last year in Germany.

We will keep a constant and close watch for business opportunities from our foothold within the greatly expanded automobile industry, and continue to build a stronger and broader-ranging value chain.

Pet Care Business

Entering a New Growth Area

In order to establish a new earnings base in a growing market, the Sumitomo Corporation Group entered the well-developed pet industry in the United States. Utilizing our integrated corporate strengths, we have been working to rationalize raw material procurement systems, as well as to strengthen product lineups to raise our market share in the existing business and cultivate new sales channels. As a result, our pet care business has already started contributing to Group earnings.

Going forward, we will develop our pet care business globally in markets such as Japan, Asia, and Europe, and work to further expand earnings.



Continued growth expected in the pet industry

Background

In June 2004, we acquired The Hartz Mountain Corporation (Hartz) of the U.S. for approximately US\$400 million, thus securing a position in the pet care industry. Hartz is a long-standing business that was established in 1926. It manufactures, distributes, and sells all kinds of pet care products (around 1,500 Stock Keeping Units) for dogs, cats, and other pets. In the U.S. market, the company ranks first or second in the five main pet product categories (health & beauty care, dog & cat accessories, bird & small animal food & treats, rawhide chews & natural treats for dogs, and aquarium fish food).

Hartz products sell especially well in the over-the-counter market, such as at mass retailers including Wal-Mart and supermarkets. In particular, Hartz's flea and tick exterminating products have gained an overwhelming 75% share of the U.S. over-the-counter market.

In January 2005, Hartz purchased grooming product-related technology, assets, and intellectual property from Rapid Brands Corporation. In March, it purchased the pet rawhide chews manufacturer Harper Pet Products, Inc., and in May it acquired pet toy product marketer My Pet, Inc. By strengthening its product lineup in these ways, Hartz has set out to enlarge its share of the mass market and pet specialty stores.

Future Developments

By combining Sumitomo Corporation Group's integrated corporate strength with Hartz's business base, we will aggressively pursue M&A to expand our business and strengthen our earning power.

While stable growth in the U.S. pet market is expected to continue in the future, intense competition for expansion is being played out among a small group of influential players who are actively acquiring smaller companies with strong product development capabilities. In this environment, Hartz will aggressively promote effective M&A in addition to new product development, and will seek to raise its share of the U.S. market by further enhancing its product lineup and expanding its sales channels. At the same time, Hartz will introduce a system integrating procurement of raw materials, production, and inventory, and pursue efficiency.

The Sumitomo Corporation Group will also utilize our logistics functions and networks to establish the Hartz brand in the Japanese, Asian, and European markets, and foster Hartz as a global pet care company. For the Japanese market, we have started sales through Jupiter Shop Channel, a TV shopping company in our group. We are also considering expanding sales to home improvement retailers and establishing other platforms suitable to Hartz, as the No.1 U.S. pet care brand. We will also actively pursue growth in China, the Republic of Korea, and other emerging markets in Asia with high potential.