

Toward Sustained Growth

We shifted our strategy

from the active expansion of our earnings base (AG Plan: FY2005–2006)

to the pursuit of “further improvement of quality” and

“expansion of scale” in a balanced manner (GG Plan: FY2007–2008)

The Strength of Sumitomo Corporation

Sumitomo Corporation is Innovative, Balanced and Trustworthy

Innovative: Quest for and Achievement of Management Based on the Risk-adjusted Return Approach

Ahead of its peers, Sumitomo Corporation introduced the “Risk-adjusted Return Ratio,” a management indicator in 1998, and has been implementing management reforms ever since.

The businesses of an integrated trading company are diverse and they all carry risks. The first step we took was to quantify individual risks. We then used the ratio of the returns on those quantified risks, the risk-adjusted return ratio, as a common company-wide yardstick to evaluate the profitability of all of our businesses.

We have worked this concept into our management activities, employing it as a standard for the selection of businesses. Since the implementation of the Reform Package started in 1999, we have steadily improved our earning power and profitability through the continuous selection and concentration of businesses and the replacement of assets. Under the AG Plan, ended in fiscal 2006, the risk-adjusted return ratio rose to 15.8%, having created greater value exceeding shareholders’ capital cost, namely a risk-adjusted return ratio of 7.5%.

Risk-adjusted Return Ratio (%) = Net income ÷ Risk-adjusted assets

Risk-adjusted Assets: The value of maximum losses that could be incurred if all the potential risks were actually to occur during the accounting period.

Balanced: Established a Stable Earnings Structure

Our business portfolio comprises 10 segments, which consist of eight Business Units and two regional segments covering domestic and overseas operations. Through steady growth by taking advantage of business opportunities in each field and region, we are cultivating core businesses in each segment.

Currently, our earnings structure has multiple pillars such as Metal Products, Transportation & Construction Systems, Mineral Resources & Energy and Overseas Subsidiaries and Branches. In geographical terms, 40% of our basic profit is from Japan and 60% from overseas. Thus, our business portfolio is well-balanced and not over-dependent on specific fields or regions.

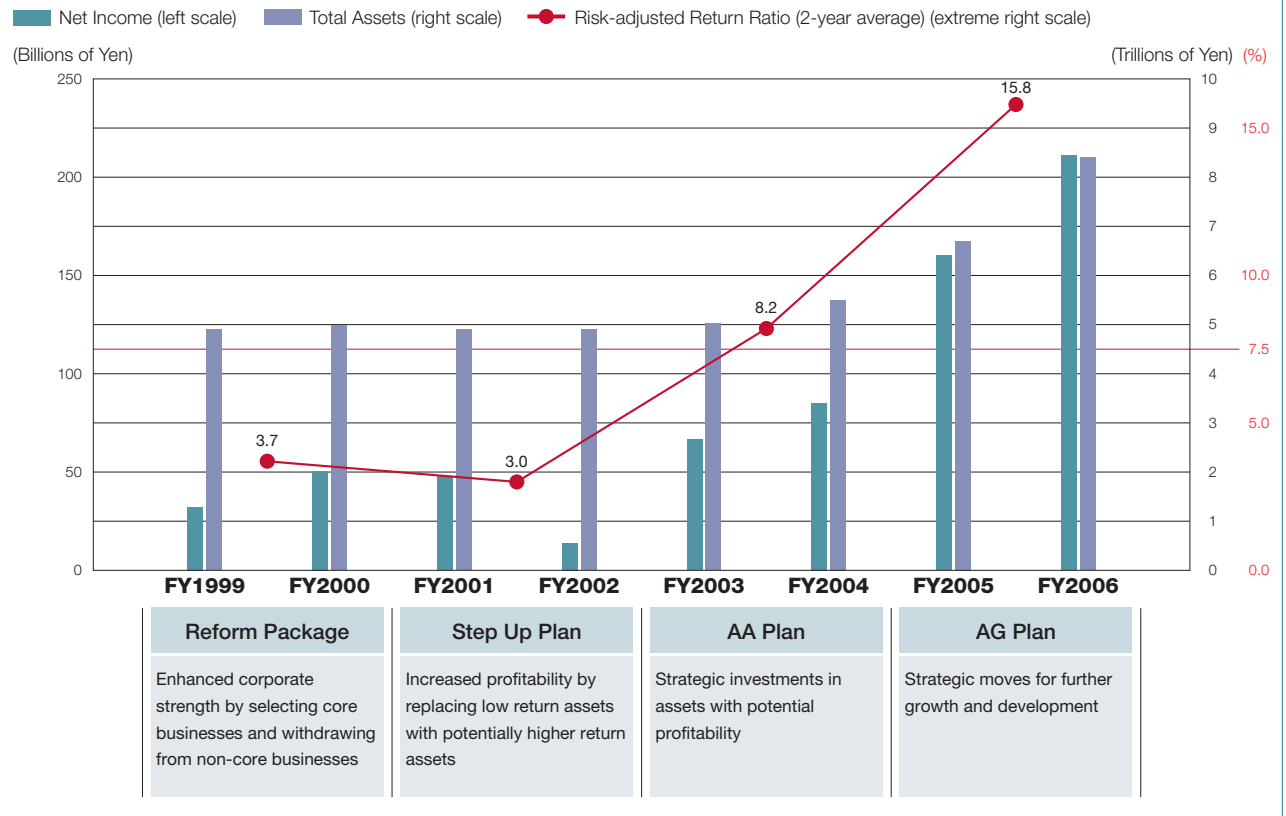
Even though the business environment may fluctuate, our earnings structure enables us to generate stable profits.

Trustworthy: The Principles of Our Business Activities

Underlying Sumitomo Corporation’s business activities is the “Sumitomo Business Spirit,” which is founded upon a respect of trust and has been cultivated and passed down over 400 years. Our Management Principles and Activity Guidelines were formulated by incorporating the Sumitomo Business Spirit to suit the business environment of today. These principles are shared and fully understood by all our officers and employees, and we intend to adhere to them in the future.

Pursuing profitability, growth, and stability, we will further enhance our relationship of mutual trust with our stakeholders by maximizing our corporate value through the achievement of the targets we have set.

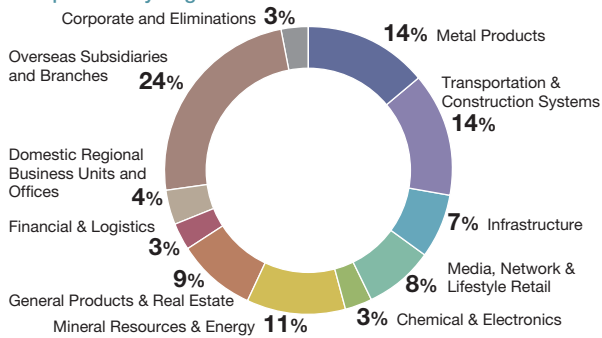
Medium-Term Management Plans



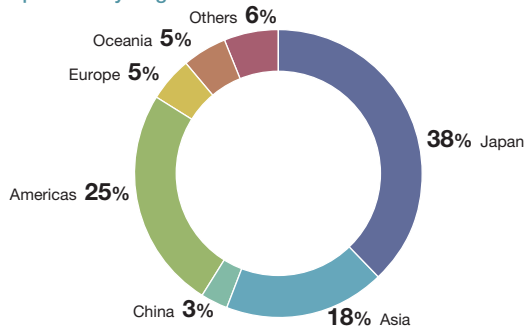
Basic Profit

FY2006 : **¥202.9** billion

Composition by Segment



Composition by Region



Basic Profit = (Gross profit - Selling, general and administrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate) + Equity in earnings of associated companies, net [Tax rate: 41%]

The Principles of Our Business Activities

