

We are creating new value to meet diversified customer demand

by leveraging our Integrated Corporate Strengths derived from a combination of our strong business foundation and various functions.

In the following Topics 1 and 2, we introduce examples through which we have demonstrated our Integrated Corporate Strengths.

Integrated Corporate Strength: Sumitomo Corporation's Core Competence

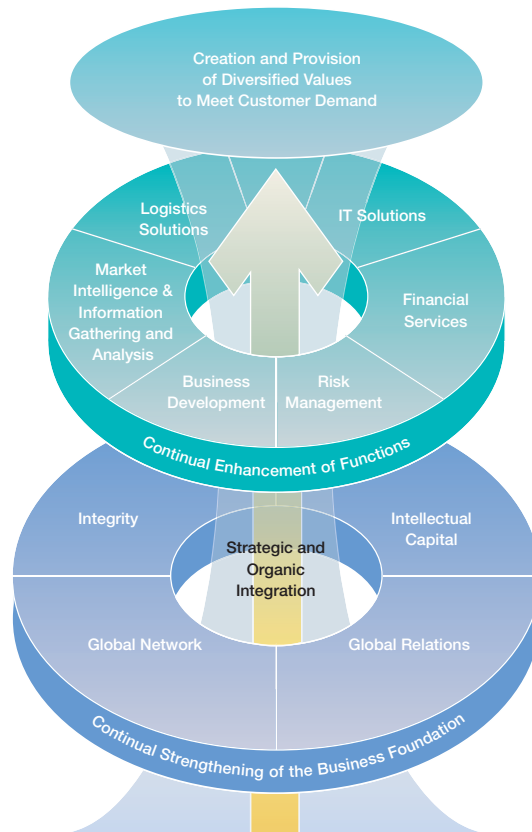
Logistics Solutions: In addition to the ability to provide a wide range of integrated logistic services, we also have the capacity to develop and deploy services to match demand and supply of cargo, trucks, and warehouse space.

Market Intelligence & Information Gathering and Analysis: Through our wide range of business activity, we gather information from every business segment and market. By engaging our deep experience and business know-how, we do comprehensive analysis of this market intelligence, and utilize it in our day to day business activity.

Business Development: We excel in business creation, which involves identifying promising new products, developing new markets and organizing appropriate business operations.

Integrity: Based on the Sumitomo Business Spirit, we have cultivated the trust of our customers over the years. This is the most fundamental and valuable asset of our business. It is important that our customers know they are entrusting their business to safe hands.

Global Network: With around 150 offices and over 800 subsidiaries and associated companies worldwide, our business network provides a basic platform for the prompt and secure transfer of goods, funds, and information.



IT Solutions: This involves the ability to build Supply Chain Management (SCM) systems and to support network business.

Financial Services: This includes fee collection/payment, the provision of capital, project financing, and advanced financing services, such as the securitization of assets.

Risk Management: Only an integrated trading company with decades of business experience can expertly manage the diverse risks associated with credit standing, markets, and enterprise operations.

Intellectual Capital: The wealth of know-how, experience, and information accumulated by our skilled personnel in diverse fields is also an important element of our solid business foundation.

Global Relations: Based on the integrity and global network we have created, our company has established close and multifaceted relations with over 100,000 business partners around the world across all industries. Sumitomo Corporation is promoting cross-cultural communication and mutual understanding with our worldwide business partners based on direct person-to-person contact. These global relations are even more valuable assets now that the focus of the times is on information technology (IT).

Striving toward Accomplishment

Tanjung Jati B Coal-Fired Thermal Power Plant



The Tanjung Jati B (TJB) coal-fired thermal power plant, located on Java Island in Indonesia, is one of the largest power plants in the country. The Sumitomo Corporation Group constructed and owns the plant, and leases it to an Indonesian state-owned electricity corporation. Although the plant's construction was temporarily interrupted by the Asian Currency Crisis, we patiently negotiated with the Indonesian government, which faced difficulty in raising funds. By proposing a new financing scheme, we were able to see the project through to the end. The TJB power plant began operating Unit I in October and Unit II in November 2006, eleven years after we received the order to build it as an engineering, procurement and construction (EPC) contractor.

The Challenge of Building One of the World's Largest Coal-Fired Thermal Power Plants

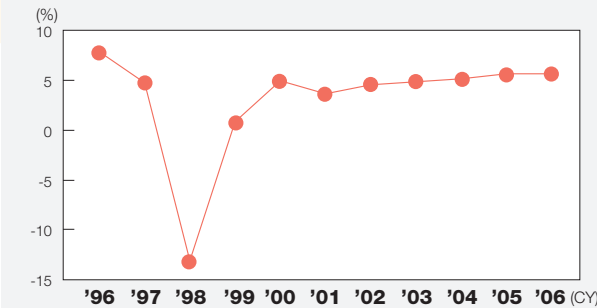
At the beginning of the 1990s, with a fast-growing economy, Indonesia was hard pressed to deal with the electric power shortages caused by industrialization and a growing population. At the time, Indonesia's national budget was about one-fortieth that of Japan, and the government had limited resources for building power plants. As a solution to this problem, the government fostered the creation of independent power producers (IPP) using private-sector funds.

PT CEPA Indonesia, an independent power producer that signed a thirty-year contract with the Indonesian state-owned electricity corporation, was planning to

construct the 1,320MW TJB coal-fired thermal power plant, one of the world's largest plants at the time, and opened the tender as construction contractor in 1994.

Having handled various power plant construction projects in Indonesia, we began preparations by selecting superior partners from the viewpoint of their supply record and ability to reduce costs through local production. We offered a quick turnaround and cost-competitive conditions by forming a consortium with Japanese and Canadian manufacturers after carefully selecting partners to provide turbines, boilers and other equipment. Nevertheless, we did not prevail in the first right of negotiation. However, we patiently continued negotiations with Hopewell Holdings Ltd., a CEPA shareholder based in

Indonesia's Real GDP Growth Rate



Source: National Accounts Main Aggregates Database (UN)

Hong Kong, and finally succeeded in closing the deal on the power plant contract in September 1995, about one year after the bidding started. For such a large-scale project, this marked the official start of power plant construction with the shortest delivery times ever seen—the Unit I and Unit II generators were to be delivered in 34 and 37 months, respectively.

Construction Suspended by Asian Currency Crisis

One hardship of this project was to raise funds for its construction. For such a huge project costing a total of about \$1.8 billion, project finance secured by the project's assets from a bank syndicate was necessary. We helped the project by providing its own financing and syndicating finance from commercial banks.

Thailand suddenly plunged into a currency crisis in July 1997, just when the construction was proceeding without a hitch. Affected by this, in 1998, after years of stable economic growth, Indonesia's real GDP growth rate turned

negative. The value of the rupiah, Indonesia's currency, plummeted, and commercial banks that were financing the project put a freeze on their loans. We did not have any other choice but to stop construction. In accordance with the terms of the agreement, we notified partner companies of the halt in construction.

At the time, orders had already been placed for turbines and other machinery with suppliers in Japan and overseas to meet the limited delivery time.

We immediately began to preserve the already ordered equipment and parts. We arranged to store them in the most appropriate manner by confirming with thousands of suppliers. At the construction site, where buildings were already under way and products were already delivered, our staff gave on-site directions exerting themselves to preserve buildings and products—an exercise that took almost an entire year.

An Unprecedented Proposal—Finance Lease Scheme

Suspending a project of this scale was a never before experienced event for us and rarely seen anywhere in the world. Project funds were cut off, and with Hopewell Holdings itself confronted by a lack of funds, we were forced to consider withdrawing from the project.

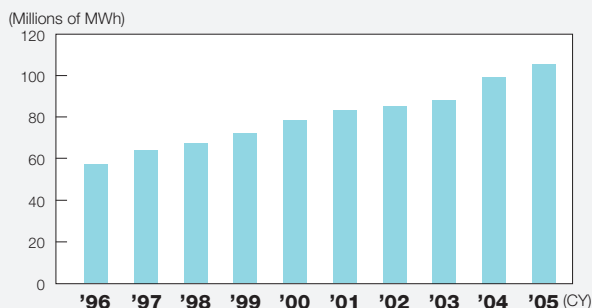
Despite the dire conditions, our two decades of experience in electric power projects in Indonesia played a large role in our decision. Based on the political environment and our analysis of future demand for electric power in Indonesia, we decided to go forward with the project.

Seeking to once again get things moving, we started to negotiate with the Indonesian state-owned electricity corporation about purchasing the power plant asset itself.

The Status of Electric Power in Indonesia

About 130 million out of Indonesia's total population of 220 million is concentrated in Java. Java's power generation capacity is only 18,000MW, which is not even one-tenth of the generation capacity of Japan despite having a population of under 130 million. Over the 10 years through 2005, Indonesian power consumption increased an average of 8% annually. Since demand for electric power is expected to continue growing, electricity shortages are increasingly seen as a major social problem.

Indonesia's Electricity Consumption



Source: International Energy Annual 2005

During this period, however, the Indonesian government could not increase external debt and was not in a position to raise funds for construction. Needing to find a way to fund the project through to completion, we began searching for an alternative solution. We worked together with the various divisions involved in our company, looking for an answer. In the end, we opted for a finance-lease scheme that entailed enlisting the help of the Japan Bank for International Cooperation and Nippon Export and Investment Insurance. Although the original plan was to hand over the power plant after construction was accomplished, the new plan was for us to retain ownership and lease it to the Indonesian state-owned electricity company. After completing the power plant, our affiliate would become the plant owner, and the Indonesian state-owned electricity corporation would operate and maintain the plant. The lease fees would be collected based on fluctuations in electricity rates. This mutually reinforcing relationship would enable the fulfillment of each function and address the status of cash flow.

The Indonesian government was unfamiliar with this kind of finance-lease scheme. We had to promote understanding among the relevant government authorities and so sent around our most experienced managers in legal affairs, risk management, finance, accounting, transportation and insurance. Through this massive effort, we were able to obtain all the approvals needed from each government authority.

In 2003, we finally resumed construction, five years after it was suspended.



Power plant under construction (prior to work suspension)

Steps Taken to Create a New Business

Due to the financial crisis, a total of 27 electric power plant construction projects were suspended in Indonesia. With the exception of one project that was near completion when the crisis hit, our TJB project was the only one that resumed.

Three points were key to the success. First, we were able to resume work thanks to the support of our partner companies, which helped to carefully store the products and parts. Second, we created the new finance-lease scheme, taking into consideration the Indonesian government's situation. Third, we accurately forecasted demand for electricity in Indonesia and made appropriate decisions.

Electric power shortages persist today in Indonesia owing to stable economic development. At TJB, we are preparing to launch a second project along with the Indonesian government. We hope that the electricity supplied from this new power plant contributes to the further development of Indonesia

A Challenge to Store Equipment

When the TJB construction project was suspended in 1998, the scale of securing and storing equipment was unprecedented for us. After issuing the construction suspension notice, we made a list of all products, parts and materials that included all necessary data, from whether they had yet been ordered, state of completion and their present location. Of the items that required storage, there were 270,000 tons of steel components, including turbines and boilers, that needed temporary homes. For example, the turbines that were being assembled had to be transported to a warehouse in Yokohama bay area, where they were covered with plastic and filled with nitrogen gas to prevent rust and preserve them in a perfect condition. To put the total weight of steel components in perspective, 270,000 tons is equivalent to 300,000 cars weighing 900kg each. For the TJB project, we went to great lengths to store such massive amounts of parts and materials for five years.



Unloading of main transformer

Taking on New Business Challenges

Jupiter Shop Channel



Jupiter Shop Channel Co., Ltd. (JSC) is the number one company in the TV shopping market, boasting an approximately 30% share in Japan. Drawing on its global network and business relationships as a trading company (*sogo shosha*), Sumitomo Corporation has promoted the TV shopping business model of the United States in Japan. Creating basic infrastructure such as studios, call centers and distribution centers along the way, we established a 24-hour, all-year-round live broadcasting business model, disseminating this new form of TV shopping in Japan.

We introduce about 500 to 700 unique items a week that are carefully selected from around the world. The driving force behind our growth is our desire to discover unique items that are attractive to customers.

How did Sumitomo Corporation get the TV shopping business on track?

We established JSC in 1996, initially launched as a part of a multichannel content business for cable TV (CATV) that we began in 1984. In this context, our mail-order business, which we introduced with a German company in 1986, had grown and we were looking for other business fields in which to apply this successful experience and knowledge concerning call centers and distribution systems. We decided to launch a TV shopping business in partnership with Tele-Communications, Inc. (now Liberty Global Inc.), our partner in the CATV business, and Home Shopping Network, a major TV shopping channel in the United States.

The purpose of establishing JSC was to expand our retail business and increase CATV subscribers by providing attractive programs. However, our initial foray into TV shopping did not work out as expected because we merely showcased hot-selling products in the United States and did not show live broadcasting programs long enough.

We changed our strategy in 1998, introducing unique products that were more suited to the tastes of Japanese consumers while extending the airtime for live broadcasts. In the following year, 1999, we moved into a new office building outfitted with our own studio and call center. These new facilities enable us to adjust the studio setup and product lineup in response to product sales and the

opinions of consumers. The facilities also allow us to produce programs utilizing interactive communication between customers and the CAST (Creative Advisers to the Shopping Tour) by phone.

Since then, we have gradually expanded live broadcasting hours, which has put JSC on a path of growth. In 2001, we began broadcasting live 24 hours a day—a real first in Japan—and thereafter increased the number of days with 24-hour live broadcasts. Since completing construction of the new studio building in September 2004, we have continued to broadcast 24-hour live programs.

As the importance of direct communication with customers had increased, we built additional call centers and implemented a new IT system that enhanced the call center's responsiveness.

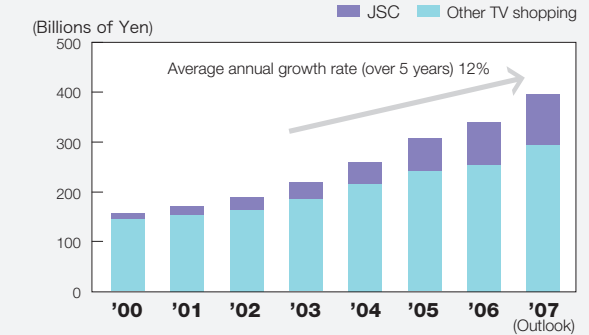
In addition, our automated distribution center started operations in 2007, making it possible to deliver right after receiving large orders without any mistakes.

Meanwhile, we began to sell merchandise on the Internet in 2003 and started streaming the TV show 24-hours a day on-line in 2004.

Moreover, we are reinforcing our quality assurance system in order to achieve the trust of customers.

In this way, JSC is continually making progress in various ways toward further customer satisfaction.

Growth in TV Shopping Market



Sources: Report by FUJII KEIZAI Co., Ltd. and data of Sumitomo Corporation

What Sumitomo Corporation Brought to the TV Shopping Genre

Looking back on the expansion process of JSC, the driving power behind growth has been our perpetual inquisitive nature toward the discovery of interesting products for customers' delight and the creation of amusing programs.

The best-selling products on TV shopping have common features in that they are unique, suitable for demonstration and valuable.

We have discovered and nurtured buyers not only from the merchandise industry but also from all manner of industries while searching the world over for attractive products in a way that only a trading company can.

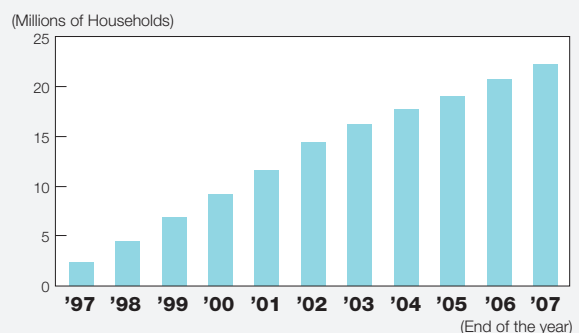
Broadening Viewership Through Multi-Channel Programming Service

Multichannel broadcasting service has been spreading to more households in recent years, providing a tailwind for earnings growth at JSC. Viewership had grown to 22.12 million households as of 2007, representing more than one third of the total households in Japan.

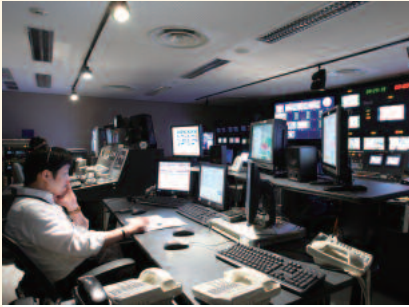


The company's proprietary studio, shooting live 24-hour broadcast

Households Viewing Jupiter Shop Channel



Source: Jupiter Shop Channel Co., Ltd. materials



Sub-control Room, the nerve center of program broadcasts



Call center for customer communication



Automated distribution center

For example, we are producing programs featuring such Asian countries as Thailand or Vietnam, that include live broadcasts straight from Bangkok introducing local Thai products. This corresponds to Thailand's "One Village, One Product Movement." It has been quite popular among our viewers.

The cyclonic cleaner, cosmetics, seasonal fruits and *osechi ryori* (Japanese traditional New Year's food) are examples of hit products specifically suited to the TV shopping format that sell several hundreds of million yen a day. Horseback riding exercise machines have also become a big hit, although when first introduced, they were an attractive product only to people in the know. On the shopping channel, however, we were able to highlight the appeal of its origin and function visually.

A Market Trial Aimed at Expanding Our Customer Base

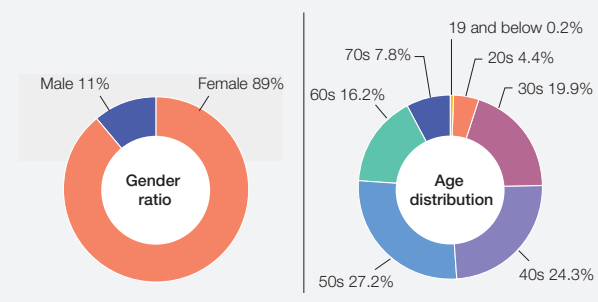
JSC has created a number of hit products, and sales have grown dramatically while gaining the trust of our customers. However, we recognize that widening the range and age bracket of customers and strengthening late-evening sales are challenges to overcome. Aware of these issues, in April 2008 we formed a partnership with Xavel, Inc., a company that organizes and runs the fashion event "Tokyo Girls Collection" and is strong in mobile commerce, and introduced that company's products on TV. Our

efforts to tap into Xavel's customer base, specifically the 20-to-30 age bracket, as late-evening active shoppers, yielded results that exceeded our initial expectations. We are deepening our partnership with Xavel further.

These are examples of how Sumitomo Corporation has leveraged the functions of a trading company to spur growth in the TV shopping business. Looking ahead, placing JSC as a core business, we aim to expand business scale by promoting cross-media retail businesses through TV, the Internet, mobile phones, printed media and retail shops.

Customer Profile of Jupiter Shop Channel

JSC's main customers are women over 30. In order to expand the range of customers, we are starting new projects such as the tie-up with Xavel.



Jupiter Shop Channel's New Challenge

New Program "Let's meet Japan"

We started the new program "Let's meet Japan" on July 7, 2008. This program sells unique local products live from their place of origin. It is a completely new trial, introducing the local culture, traditions and also the charms of local people while selling their products live on the air.

The first broadcast was from Okinawa. Okinawa's governor, Hirokazu Nakaima, was on the program by VTR. We will broadcast from Hokkaido in August, and Kobe in September and also plan a total of five broadcasts during the year.