



## SPECIAL FEATURES

# Growing Together

Working together to create new value with business partners, customers and employees from around the world is more important now than ever for Sumitomo Corporation to achieve further growth. This Annual Report 2011 features three businesses as examples of how the Company is growing together with stakeholders.

The first feature, “Contributing to Stable Supplies of Mineral Resources and Energy,” showcases how employees and the Company have worked together in various resource business initiatives. The second feature, “Full-scale Entry Into China’s Fast-Growing Pharmaceuticals Market,” examines Sumitomo Corporation’s relationship with business partners in China as it enters the nation’s pharmaceuticals business. While the third feature, “SUMMIT Netsuper: An Online Supermarket for Diverse Lifestyles,” is a portrait of how Sumitomo Corporation kept consumers at heart in developing a new market.



# Contributing to Stable Supplies of Mineral Resources and Energy

Market

Strategy

We are focused on expanding our prime upstream interests and assets, to help ensure a stable supply of mineral resources and energy, to enable the sustainable growth of Japan and the larger global economy.



**Kuniharu Nakamura**

General Manager

Mineral Resources, Energy, Chemical & Electronics Business Unit

## How do you recognize business environment surrounding the mineral resources and energy sector?

In recent years, demand for mineral resources and energy has been increasing against the backdrop of rapid economic growth in China, India, and other emerging markets. On the supplier side, the major players are increasingly dominating the industry. As a result, we are seeing the mineral resources majors strengthen their control over prices. On the customer or demand side, we are seeing moves by customers to secure their own resources interests and bolster their purchasing

power through business integration. In these and other ways, the battle for securing mineral resources and energy interests has become exceedingly fierce.

In this environment, we believe that supply and demand will remain tight. Based on this, we expect prices to continue to gradually trend upwards, despite some short-term price volatility.

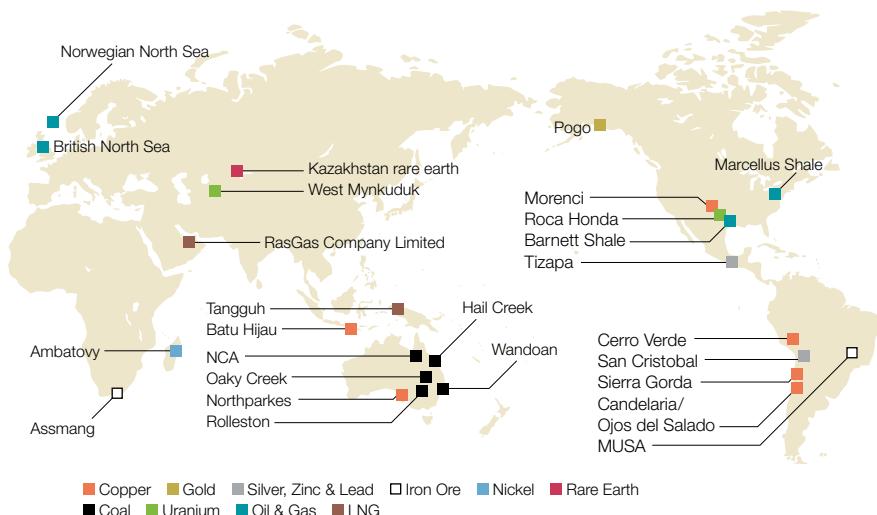
There are high hopes for future increase in supply sources driven by technological innovations such as shale gas. These new supply sources have the potential to fulfill the world's burgeoning demand for resources.

## What is your business mission, basic policies, and investment strategy?

Sumitomo Corporation's mission in the mineral resources and energy business is to help ensure stable supply to enable the sustainable growth of Japan and the larger global economy. While adhering to this mission, our basic policy is to actively expand our upstream interests from a medium and long-term perspective.

Sumitomo Corporation was a late-comer in the mineral resources and energy business relative to other peers. However, we have steadily expanded our upstream interests portfolio. Decisions on building

## Upstream Interests Portfolio in Mineral Resources & Energy



up the portfolio take three factors into consideration: commodity type, region, and time horizon. With commodity types, we see copper, coal, iron ore, petroleum and gas as key strategic commodities, and have augmented our portfolio with zinc, lead, nickel and other mineral resources. In terms of region, our objective is to diversify country risk. As for time horizon, we formulate investment strategies with time spans of up to 5 to 10 years into the future. Here, we take into account the limited operating life of each mine given that mineral resources are finite. Another consideration is that new development projects involve lead time from making investment decisions to commencing delivery of commodity supplies.

### What are Sumitomo Corporation's competitive advantages?

Besides the well-balanced upstream interests portfolio, our competitive advantages in the mineral resource and energy business lie in our actively developing and experienced human resources. Our people have gained invaluable experience and expertise by taking the lead in managing the San Cristobal Silver, Zinc and Lead

Mining Project (Bolivia), in which we have assumed full ownership. I am convinced that Sumitomo Corporation will receive stronger evaluations from our business partners by having these talented personnel work on other projects as well.

### What are your strategies for $f(x)$ ? Please describe what will contribute to your future earnings?

Under  $f(x)$ , our new medium-term management plan that began in April 2011, our business unit's strategy is to execute large projects on schedule. These projects include

the Ambatovy project in Madagascar, the MUSA iron ore project in Brazil, and U.S. shale gas projects. Our strategy also calls for continuing efforts to develop new projects in the business unit's four key strategic commodities—copper, coal, iron ore, and petroleum/gas. In addition to these measures, we decided in fiscal 2011 to invest in the Sierra Gorda project in Chile. This project is scheduled to begin contributing substantially to earnings from around 2014–2015. By building up prime interests and increasing equity in production, we aim to steadily fulfill Sumitomo Corporation's mission in this field.

### Whom will your business unit “grow together with” in contributing to society?

Mineral resources and energy projects extend over long periods of time. Therefore, it is essential that we grow together with a broad range of stakeholders, including the regions and countries where we conduct this business and the people engaged in this business. Our business unit's slogan is “Building Up People, Business and Dreams.” Guided by this slogan, we hope to make a meaningful contribution to society.

### Major Recent Investments in the Mineral Resources & Energy Field

- Acquired additional interests of the San Cristobal Silver, Zinc and Lead Mining Project and made it a wholly owned subsidiary (March 2009)
- Acquired additional oil field interests in the British North Sea through the purchase of Oranje-Nassau Energie B.V. (May 2009)
- Acquired additional interests in the Pogo Gold Mine in the U.S. (July 2009)
- Participated in the Barnett shale gas field development project in the U.S. (December 2009)
- Participated in the Marcellus shale gas field development project in the U.S. (September 2010)
- Invested capital in MUSA, an iron ore mining venture in Brazil (December 2010)
- Agreed to participate in the Sierra Gorda copper mine development project in Chile (May 2011)
- Continued development of the Ambatovy nickel project in Madagascar (scheduled for full operation in the year ending March 2014)





The MUSA iron ore mine in Brazil

#### Project Map



#### Earnings

## Iron Ore: Participation in Large-scale Iron Ore Project (Brazil)

Going forward, demand for steel is expected to steadily increase primarily in China, India, Brazil and other emerging countries.

In this climate, Sumitomo Corporation has been actively pursuing investment opportunities in prospective iron ore mining projects in Brazil over the past few years. As a result, in December 2010, we entered into a strategic partnership with Usinas Siderúrgicas de Minas Gerais S.A. (“Usiminas”), a leading Brazilian steel producer. Through this strategic partnership, we have participated in Usiminas’ existing iron ore mining operations and their planned expansion.

This venture will be a fully integrated iron ore project spanning iron ore mines, railway capacity and port facilities. Our total investment in the project will be up to US\$1,929 million, or approximately ¥170 billion.

In fiscal 2011, annual production of these mining operations is projected at around 8 million tons. We plan to expand production to around 30 million tons by 2015, along with developing port facilities.

Because the project involves existing mining operations, iron ore production has already commenced. Therefore, we expect the project to begin contributing to earnings in its first fiscal year. Estimated potentially minable resources are approximately 2.4 billion tons, giving the iron ore mines a long operating life of 30 to 40 years.

In addition, there are several small and medium-sized mines, as well as undeveloped mining deposits, in the surroundings of the project’s iron ore mines. The project offers significant upside potential through the joint development of these mines and mining deposits.

In these ways, Sumitomo Corporation believes that this project is a good fit with our strategy for its upstream interests portfolio in mineral resources. The project involves iron ore mines with relatively stable operations and demand for iron ore is expected to continue growing. Geographically, Brazil is a focus area where Sumitomo Corporation does not yet own interests in mineral resources. In terms of time horizon, the iron ore mines are already operational and are expected to contribute to earnings rapidly, while offering strong prospects for future growth.



### Together with employees

## Getting Through Negotiations on Acquiring Brazilian Iron Ore Interests

During negotiations, I found myself dealing with a counterpart who spoke Portuguese relentlessly. Without backing down, I rigorously asserted my beliefs. I made a point of shunning vague discussions for the sake of avoiding confrontation. Even so, misunderstandings arose. There were frustrating moments when we could not get our ideas across to one another. However, we developed a stronger understanding of each other’s thinking. We explored a fair and equitable way forward for both parties through logical albeit sometimes heated discussions. When we had exhausted discussions, all that remained were the toughest points to agree upon. Both parties shared their passion for the iron ore business and were able to get through these negotiations because they recognized in each other a true partner. I am now stationed at “MUSA” (Mineração Usiminas S.A., a Brazilian iron ore mining venture), where I continue to embrace challenges to make us more than just a business partner but an integral part of this business. **(Hisahide Kikkawa, “MUSA”)**



Together with MUSA employees  
(Mr. Kikkawa is third from right.)



#### About Shale Gas

Dramatic improvement in exploration and production (E&P) technologies, spurred by technological innovation in the 1990s, has paved the way for the economically viable exploration and development of natural gas trapped in shale. The emergence of shale gas has drastically transformed the U.S. supply and demand outlook for natural gas, and has brought about a sea change in the upstream petroleum gas industry referred to as the "shale gas revolution."

#### Earnings

### Shale Gas: First Japanese Company to Participate in the U.S. Shale Gas Business

In December 2009, Sumitomo Corporation became the first Japanese company to participate in a shale gas development project, through entering into a drilling program at the Barnett Shale Field in the state of Texas, USA. This was followed in September 2010 by participation in a shale field development project with higher potential in the U.S. state of Pennsylvania: the Marcellus Shale Field. Through these measures, we are expanding our natural gas business in the U.S.

In the Marcellus project, plans call for spending total development expenses of around \$1.2 billion (around ¥100 billion) to drill more than 1,100 wells over the next 10 years. Peak annual production is projected to reach 46 billion cubic feet (crude oil equivalent of 8.4 million barrels) in 2018.

In addition to shale gas, the project will produce Natural Gas Liquids (NGL) and condensates as byproducts. With transaction prices for these byproducts linked to crude oil prices, the project also offers upside earnings potential.

Furthermore, we will invest in gas processing operations to separate the extracted shale gas. We are also engaged in the natural gas trading and sales business. In these ways, we are working to establish a natural gas value chain across the U.S.

By taking full advantage of the insights gained in the U.S., we aim to expand our natural gas operations on a global scale going forward.

#### Construction & Mining Systems Division, Transportation & Construction Systems Business Unit

### The Sumitomo Corporation Group's Ever Increasing Presence in Mongolia Fulfilled Large Mining Equipment Order for Oyu Tolgoi, One of the World's Largest Copper and Gold Mines

In January 2011, the Sumitomo Corporation Group received a large mining equipment order for Mongolia's Oyu Tolgoi mine, one of the world's largest copper and gold mines, which is currently under development.

Oyu Tolgoi is located 550km south of Mongolia's capital Ulan Bator in the Gobi desert, which has large temperature contrasts between day and night. Mining equipment must be operated 24 hours a day, year round, and thus requires considerable specialized knowledge in terms of maintenance services and safety management. The key factor in winning this order was the positive evaluation and strong trust earned by Sumitomo Corporation Group from customers for its mining equipment services and operations, which have been cultivated through operations in the remote and harsh

conditions of the Canadian Arctic. The order also recognizes the Group's 20-year track record of business activities in Mongolia.

The Group was also highly commended for its training programs for Mongolian mine development personnel. Mongolia is blessed with abundant, undeveloped underground mineral resources. Following a recent surge in mine development, however, Mongolia now faces a shortage of mining-related engineers. In response to this issue, the Sumitomo Corporation Group has actively assisted with human resources training through measures such as the establishment of a scholarship fund at the Mongolian University of Science and Technology and conducts on-site training together with the Mongolian government. Through these measures, the Group aims to win orders for large new development projects while con-



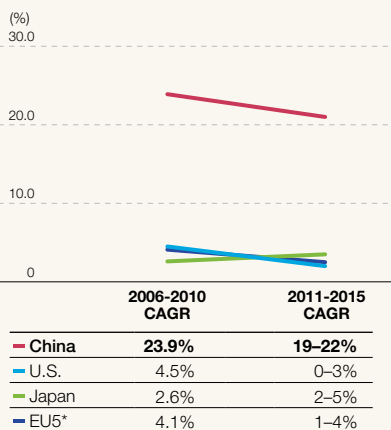
On-site training

tributing to the development of Mongolia.

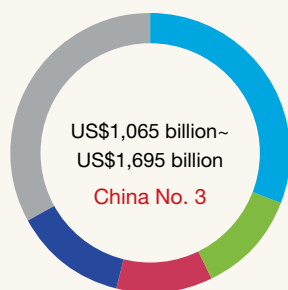
The mining equipment business is a field where the Sumitomo Corporation Group can take full advantage of its integrated corporate strengths through cooperation among Construction & Mining Systems Division, Mineral Resources and Energy Divisions and regional organizations with a global reach. It is a field where Sumitomo Corporation Group can drive substantial growth by extending our success in Mongolia to other regions around the world.

# Full-scale Entry Into China's Fast-Growing Pharmaceuticals Market

## Pharmaceuticals Market Growth Rate by Country



## 2015 Projected World Pharmaceuticals Market Size



- 31% U.S.
- 12% Japan
- 11% China
- 13% EU5\*
- 33% Other

\* EU5 is the combination of five countries: Germany, France, Italy, Spain and U.K.

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"Global Use of Medicines: Outlook Through 2015"  
(IMS Institute of Healthcare Informatics) Reprinted with Permission.

### Market

## China Projected to Become World's 2nd Largest Pharmaceuticals Market by 2020

China's pharmaceuticals market is a cradle of growth that has been expanding at an annual rate of nearly 20%. From its standing as the world's ninth largest pharmaceuticals market in 2005, China became the world's third largest pharmaceuticals market after the U.S. and Japan in 2010 with a market size of approximately US\$41 billion. Whereas annual market growth rates in Japan, the U.S. and Europe are expected to remain at around 4% going forward, China should continue to see annual growth of at least 20%, driven by an increase in high income earners and the development of public health insurance systems. In 2015, the Chinese market is projected to have a value of approximately US\$120 billion and in 2020 is projected to surpass Japan to become the world's second largest pharmaceuticals market.

Currently, generic drugs sold mainly by local companies account for around 70% of China's market on a selling price basis and 95% on a volume basis. The remainder consists of original brand-name drugs of foreign pharmaceuticals companies and others. In China, the market share of original brand-name drugs is thus lower than that in developed countries and regions such as Europe, the U.S. and Japan. Therefore, the original brand-name drug market is anticipated to expand further in step with China's economic development.

### Strategy

## Supply Pharmaceuticals to China in Partnership with C&O

Eying the potential of China's pharmaceuticals market, particularly the original brand-name drug market, Sumitomo Corporation acquired in December 2010 a 29% equity interest in C&O Pharmaceutical Technology (Holdings) Limited ("C&O"), a Chinese pharmaceuticals company. This acquisition marked Sumitomo's full-scale entry into China's pharmaceuticals market.

Sumitomo started out in the pharmaceuticals business in the 1970s with the trading of pharmaceutical ingredients. Through this trading, Sumitomo has supplied high-quality pharmaceutical ingredients worldwide. As the life sciences boom took hold in the 1980s, Sumitomo signed a sole agency agreement with the U.K.'s national research organization "Medical Research Council" and other organizations and put in place a framework for finding the seeds of innovative new drugs for the future. In the mid-1990s, Sumitomo started providing comprehensive R&D support services, ranging from alliance services for drug discovery research, license arrangement, contract manufacturing to distribution of pharmaceuticals and diagnostic agents. In the 2000s, Sumitomo acquired Oxford Finance Corporation, a financing company specializing in life science ventures in the U.S., and expanded business to the licensing of new drugs and new technologies from borrowers.

### Corporate Profile

Official Name: C&O Pharmaceutical Technology (Holdings) Limited  
Established: 2003 (listed on the Singapore Stock Exchange in 2005)  
Scope of Operations: R&D, manufacturing, import and sales of pharmaceuticals  
Business Results: Annual turnover of approx. JPY 7 billion  
Net income of approx.: JPY 1.7 billion (fiscal year ended June 30, 2010)  
No. of employees: Approx. 1,300  
Network:



Through these activities, Sumitomo has developed expertise and a track record in the supply of pharmaceutical ingredients and the new drug licensing business. Based on this expertise and experience, Sumitomo set out to enter the pharmaceutical manufacturing business as the next phase of its strategy. Specifically, it began exploring ways to establish a pharmaceuticals manufacturing platform in China's pharmaceuticals market.

C&O is a medium-sized comprehensive pharmaceuticals company that has steadily grown into a drug maker capable of integrated development, manufacturing and sales of pharmaceuticals. C&O was looking for a partner because it believed that licensing in new drugs and original brand-name drugs from overseas markets was essential to driving new growth.

This alliance constitutes a win-win relationship for both companies because each will benefit from the functions sought from one another. Based on this relationship, the alliance will enable the two companies to develop a pharmaceuticals business centered on original brand-name drugs in the fast-growing Chinese market.

### Earnings

## Contributing to People's Quality of Life

C&O has a staff of approximately 800 medical representatives (MRs) responsible for directly providing information about pharmaceutical products to hospitals. Through its network of roughly 2,000 distributors, C&O supplies pharmaceutical products to approximately 300,000 hospitals and pharmacies throughout China.

Sumitomo intends to provide pharmaceuticals developed by drug makers in Japan, the U.S. and Europe to the Chinese market through C&O and its aforementioned distribution network. At the same time, Sumitomo plans to export pharmaceuticals produced by C&O to Southeast Asia and other overseas markets. In this way, Sumitomo aims to increase C&O's annual turnover to around ¥15.0 billion, roughly double the current level, over the next 5 years. Furthermore, Sumitomo will increase C&O's lineup of high-quality, safe pharmaceuticals by supplying the highest-quality and most-competitive pharmaceutical ingredients from around the world to C&O. By doing so, Sumitomo will help to improve people's quality of life.



Together With Our Partners

### Driving New Growth by Licensing in Pharmaceuticals From Around the World

Double-digit growth driven by healthcare reform and other factors is expected to continue for the next few years in China's emerging healthcare market. Working hand in hand with Sumitomo Corporation provides us with new business opportunities and introductions to new products through their extensive worldwide networks. Our partnership with Sumitomo Corporation also increases C&O's reputation in the pharmaceutical industry and improves our investors' and business associates' confidence in us.

Internally, there is a lot we can learn from Sumitomo's expertise that will help improve C&O's corporate management, while sharing their experience and management philosophy will better equip us, enabling us to become bigger and stronger in the emerging China market.



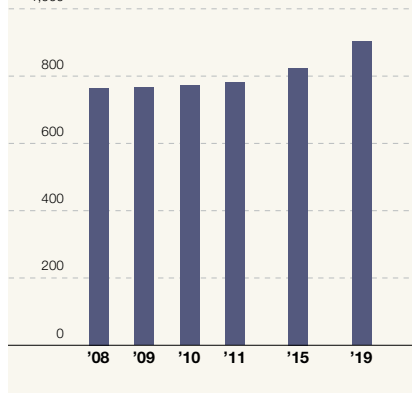
C&O Pharmaceutical Technology (Holdings) Limited  
CEO **Gao Bin**



# SUMMIT Netsuper: An Online Supermarket for Diverse Lifestyles

## Size of the Food Delivery Market in Metropolitan Tokyo

(Billions of Yen)  
1,000



Source: Data from 2008 through 2011 modified by Sumitomo Corporation based on the Yano Research Institute's "Food Home Delivery Market 2011." Data from 2015 onward are Sumitomo Corporation estimates based on the average annual growth rate from 2008 through 2010.

## Mission Statement of SUMMIT Netsuper

**SUMMIT Netsuper,**  
by making the most of  
Internet media, directly delivers  
to customers food and beverages  
needed for daily life, products  
that enrich their lives and  
impeccable customer service  
at all times.

## Market

### The Fast-growing Market for Online Supermarkets

The market for food delivery services in the Tokyo metropolitan area is currently estimated at around ¥770 billion, including individual and joint delivery from consumer cooperatives, online supermarkets and ready-made food delivery services. The market is expected to continue growing, with projections exceeding ¥900 billion in the next five to ten years.

The social landscape is going through many changes, including an increasing number of the elderly and working women, a large number of households with high-speed Internet, and evolution in Internet applications, bringing about more diversity in consumer lifestyles. In this context, even the delivery of fresh food, considered to be the last frontier of the food delivery market, is undergoing change, as online supermarkets are attracting attention as an innovative retailing format.

The market for online supermarkets in the Tokyo metropolitan area has grown rapidly over the last few years. Although the market was only about ¥30 billion in fiscal 2010, we believe online supermarkets have the potential to make up a majority of the food delivery market in the next five to ten years.

Sumitomo Corporation commenced operation of SUMMIT Netsuper in October 2009, making it the first online supermarket based on Central Product Delivery in the Tokyo metropolitan area. Through company-owned dedicated processing and delivery centers for fresh food, produce, and general merchandise, SUMMIT Netsuper can make deliveries directly to customers. This model has several advantages over online supermarkets which make deliveries from local stores and deal with space constraints. For example, it is easier for centralized online supermarkets to scale up their order processing capacity and prevent items from going out-of-stock, as well as provide a diverse set of additional services in terms of product lineups, delivery and more.

## Strategy

### Achieve Full-scale Market Entry With a Centralized Online Supermarket Service That Leverages Our Integrated Corporate Strength

The Media, Network & Lifestyle Retail Business Unit is currently pursuing a cross-media retail strategy for expanding consumer reach and maximizing earnings opportunities. This includes providing products and services to individual consumers through various channels, including brick-and-mortar retailers, TV, the Internet and mobile phones. The online supermarket business, which combines food supermarkets and the Internet, is seen as an integral component to the new strategic operation of cross-media retail business.



## Service Highlight

### Delivery Drop-off Service

This convenient delivery drop-off service eliminates worries about missing deliveries when away from home.



We highly recommend this service to customers who cannot accept deliveries because they are at work during the day. Even when you are away from home, products will be delivered and placed on your doorstep or other place of choice in a secure condition.



Photograph of a delivery center. Delivery centers receive daily shipments of fresh food and produce from the central processing facility, which are then parceled with other foodstuffs and sundries for delivery to customers.

The operation of an online supermarket based on central delivery requires a broad array of expertise in perishable food processing and management, as well as product development skills and direct marketing expertise in the areas of sales promotions, customer service, IT, logistics, relevant laws and regulations and risk management. With knowledge cultivated from our cross-media retail strategy, and the expertise in managing and processing perishable foods from our supermarket business, Summit, Inc., we will take full advantage of the integrated corporate strength of the entire Sumitomo Corporation Group to operate and grow this business.

## Earnings

### Long-term Initiatives to Build Social Infrastructure

One of SUMMIT Netsuper's signature strengths is its ability to promptly deliver fresh food, made possible by the operational efficiency of its dedicated centers, from online order acceptance to final delivery. In addition, many valuable services are also provided. For example, SUMMIT Netsuper offers original premium merchandise, value-priced outlet products and other special items, while accepting many different forms of payment. Other special services include options for discounted delivery fees, email notifications of expected delivery times, and a delivery drop-off service that fits customers' lifestyles by enabling them to accept deliveries without being at home.

Going forward, we will continue to upgrade and extend high value-added products and services that take advantage of centralized online supermarkets and fit the lifestyle needs of customers. Accordingly, we aim to develop online supermarket services that are more convenient and familiar to customers, and that will become an integral part of the social infrastructure. In the future, we will look to partnerships with food supermarkets other than Summit, as we expand the business over the long-term. Our current target is to grow sales from online supermarket operations to the ¥100 billion level.



## Together with Customers

### Customer Feedback

- "Before, I found it difficult to carry groceries from the supermarket to my home. Now, SUMMIT Netsuper's home delivery services have made life a lot easier."  
**(Woman in her 70s)**
- "I look forward to every delivery of the *Kodawari Yasai Set* (Premium Vegetable Assortment). It offers a rich variety of vegetables and includes items I usually would not buy on my own."  
**(Woman in her 50s)**
- "Since I spend a lot of time away from home, I am very pleased with SUMMIT Netsuper's comprehensive delivery services, such as delivery drop-off."  
**(Woman in her 30s)**
- "Going out to shop for groceries is not easy when you have small children with you. SUMMIT Netsuper makes shopping a breeze because I can order in my spare time and have my order delivered right to my doorstep."  
**(Woman in her 20s)**

