

To Our Stakeholders

# The Way for Sumitomo Corporation's Next 100 Years

—Aiming for Stable and Sustained Growth—

Sumitomo Corporation has a history spanning nearly 100 years. Eyeing the next century, we will continue to aim for stable and sustained growth going forward.



KUNIHARU NAKAMURA  
President and CEO

[ “Be the Best, Be the One” ]

Sumitomo Corporation aspires to be a company that earns society’s recognition by creating value that cannot be imitated by any other company.

## Appointment as President and CEO

As I take the helm of Sumitomo Corporation as its new president and CEO, I would like to share my perspectives on what kind of company I would like to make Sumitomo Corporation.

The Sumitomo Group, which includes Sumitomo Corporation, has a 400-year history, and Sumitomo Corporation itself has a history of nearly 100 years. In a period of major upheaval and business expansion on a global scale, steering a course for management of Sumitomo Corporation has become increasingly challenging in recent years. Nonetheless, I want to ensure that Sumitomo Corporation remains a company that continues to achieve stable and sustained growth going forward.

I would like to keep the following three perspectives in mind as we work to achieve this goal.

First, we shall reaffirm Sumitomo’s Business Philosophy, which has been cultivated over 400 years, and the Sumitomo Corporation Group’s Corporate Mission Statement. For example, Sumitomo’s Business Philosophy contains the following credo: “Benefit for self and others, private and public interests are one and the same.” This means that “Sumitomo’s business activities must benefit not only Sumitomo’s own businesses, but also society and the nation.” I believe that this credo expresses the fundamental nature of Sumitomo Corporation’s businesses. Furthermore, I believe that Sumitomo Corporation’s identity is marked by our commitment to conducting business activities in line with this philosophy, and will underpin Sumitomo Corporation’s strength.

Second, I believe that we should take a long-term perspective. To do so, it is crucial that we properly develop a vision for the company’s future, and stay focused on this vision.

Sumitomo Corporation formulates a medium-term management plan every two years. Our first priority is to focus on achieving the targets of the current management plan  $f(x)$ . However, when formulating the next medium-term management plan, we will develop a medium-to-long-term vision as our goal. This vision will provide the basis for determining measures that must be implemented in the present.

Third, because we are a trading company, our people mean everything.

I believe that the sum of all the abilities and experiences of every employee represents the true value of the Sumitomo Corporation Group. To improve our value, we must pour our energies into human resources development, while making Sumitomo Corporation Group a group where employees can work energetically while enjoying their duties.

Upon my appointment as president and CEO, I set forth the slogan “Be the Best, Be the One.” Enshrined in this slogan is my aspiration to make Sumitomo Corporation a company that earns society’s recognition by creating value that nobody else can match. The purpose of this slogan is to make the Sumitomo Corporation Group an organization recognized by all stakeholders for its unmatched excellence, by having every employee work with spirit and pride, while demonstrating distinctive strengths befitting Sumitomo Corporation’s identity and uniqueness. By having every officer and employee hold the slogan “Be the Best, Be the One” close to their hearts, I believe that we can pave the way for stable and sustained growth.

### --> Three Management Perspectives

1. Reaffirm Sumitomo’s Business Philosophy and Management Principles
2. Take a long-term perspective
3. The sum total of all the talents and experiences of every employee represents true worth

[ Distinctive Strengths Befitting Sumitomo Corporation's Identity and Uniqueness ]

Sumitomo Corporation has embraced Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement as the fundamental and ultimate value standard of the Company. Positioning these as our management touchstone, we will remain focused on balancing earnings expansion and management stability, as we aim to drive sustained growth.

### Staying True to Sumitomo Corporation's Identity

Sumitomo Corporation's identity is born of efforts to conduct management and business activities in line with Sumitomo's Business Philosophy and Sumitomo Corporation's Corporate Mission Statement, which are the basics of Sumitomo Corporation. We want all of our activities to be consonant with Sumitomo Corporation's identity.

Please turn to  
page **012**  
for details on  
Earnings Expansion.

### Management Touchstone: the Fundamental and Ultimate Value Standard of the Company

Sumitomo's Business Philosophy, which has been cultivated over 400 years, has underpinned Sumitomo Corporation in every age. This 400-year philosophy urges us to anticipate change with an "enterprising spirit," even while emphasizing the principles of "integrity and sound management," "never to pursue easy gains," and "working for the public benefit and public interest," without becoming preoccupied by fleeting changes. Based on this Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement, which sets out the philosophy in a simple and clear structure, our Corporate Vision is as follows: "We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and

contributes broadly to society." The foregoing constitutes not just our management foundations, but also the fundamental and ultimate value standard of the Company.

### Management Focused on Balancing Earnings Expansion and Management Stability

These management foundations also teach us the importance of balancing earnings expansion and management stability. Over the years, Sumitomo Corporation has not blindly implemented measures solely for the sake of expanding earnings. Based on the company's external environment and present standing, management has consistently led the company forward by carefully considering how to achieve sustained growth at every juncture.

Looking ahead, I intend to put a premium on this approach to ensure that we steer the company in the right direction in the years ahead.

### Sumitomo Corporation's Distinctive Strengths

I believe that Sumitomo Corporation's distinctive strengths lie in its strong ability to drive earnings expansion and ensure stable management based on the management touchstones laid down over the years. By continuing to demonstrate these strengths going forward, we will pave the way for Sumitomo Corporation to achieve stable and sustained growth.

Please turn to  
page **023**  
for details on  
Sumitomo's  
Management  
Touchstone.

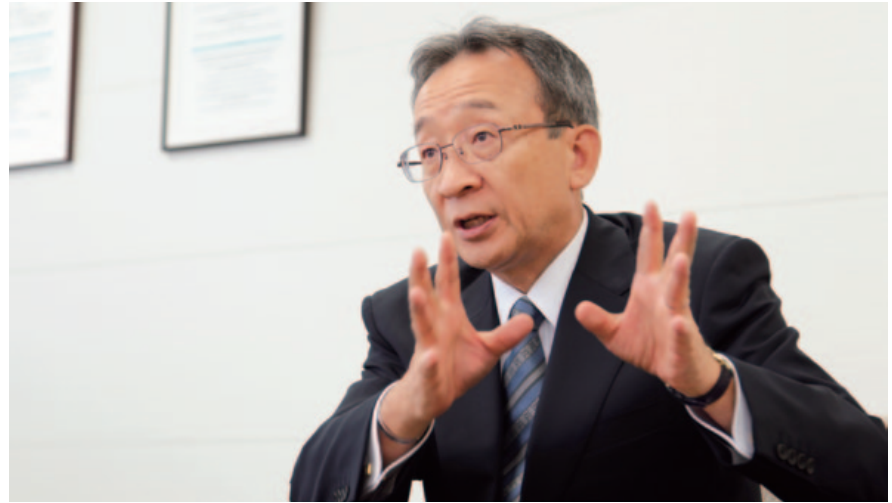
### Ability to Drive Earnings Expansion

Sumitomo Corporation will create businesses and enhance them by grasping shifting business conditions and customer needs through the use of business platforms and functions built over the years. Through these activities, we will initiate new value for society, with the aim of driving earnings expansion.

### Ability to Ensure Stable Management

Meanwhile, management stability is underpinned by Sumitomo Corporation's sophisticated risk management. To date, Sumitomo Corporation has endeavored to raise the sophistication of risk management, while addressing prevailing changes in the business environment and customers' business models at each time. Furthermore, the approach of risk-adjusted return management is fundamental to risk management at the Sumitomo Corporation Group.

This approach is based on two principles, namely, generating returns that justify risk, and avoiding excessive risk taking by keeping risk-adjusted assets within shareholders' equity, which is our risk buffer. These principles are extremely important. Looking ahead, we will continue working to ensure management stability by emphasizing these principles.



## Three Directions for Driving Earnings Expansion

As I have noted so far, Sumitomo Corporation's earnings expansion will be primarily driven by the creation of new value while grasping customer needs. We intend to drive earnings expansion along three directions. I will now explain each in detail.

First, we must accelerate global business expansion. With the onset of rapid economic globalization, the global economy's center of gravity is shifting from the developed world to emerging countries. We must properly grasp these changes and capitalize on growth opportunities in emerging countries. I believe that this is essential to the Sumitomo Corporation Group's growth.

### --> Three Directions for Driving Earnings Expansion

1. Accelerate global business expansion
2. Further promote business model innovation
3. Deepen partnership strategies

#### SUMITOMO CORPORATION'S DISTINCTIVE STRENGTHS AND DIRECTION

Ability to drive earnings expansion  
(create new value)

Ability to ensure management stability  
(sophisticated risk management)

Touchstone  
(Management Principles)  
(Sumitomo's Business Philosophy)

1  
Accelerate global business expansion

2  
Further promote business model innovation

3  
Deepen partnership strategies



Second, we must further promote business model innovation. Amid continuing technological innovation in a variety of fields and economic globalization, shifts in the industrial structure, highlighted by industrial restructuring and the emergence of new industries, have proceeded at a relentless pace. In this external environment, customers now expect Sumitomo Corporation as a general trading company to provide increasingly diverse and sophisticated functions. To properly answer these sorts of customer needs, I believe that it is imperative that we steadily implement business model innovation.

Third, we must deepen our partnership strategy. The world has a large number of companies that possess unique strengths, along with those that are well versed in matters such as regional characteristics. Among these companies, it is vital that we build relationships of trust over the long term whereby we can share one another's values, such as philosophy, ambitions and approaches. I believe that building such relationships of trust will help us to further accelerate global business development and further promote business model innovation.

## Making Sumitomo Corporation a Lasting Enterprise

Throughout my career with Sumitomo Corporation, I have worked on the frontlines of many business sites. Over the years, I have developed the conviction that business cannot be sustained based on the logic of corporations

alone. To ensure the sustained growth of companies, we must respect the interests of customers and various other stakeholders, as we strive to build good relationships with them. Having Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement as management touchstones gives the Sumitomo Corporation Group a huge advantage in this respect.

In addition, as I noted earlier, Sumitomo Corporation's ability to expand earnings will be primarily driven by its ability to create new value. To develop and amass these strengths, we must enhance our integrated corporate strength across the boundaries of organizations and companies. Developing human resources to accomplish this task will become an increasingly crucial priority. Going forward, I would like to allocate time and management resources to the priority of developing people who can stand in other people's shoes and act across the boundaries of organizations and companies.

My ambition is to make Sumitomo Corporation a company that survives the next 100 years, and becomes a lasting enterprise. To this end, we must first develop a medium-to-long-term vision for the company.

Such a vision is like those highway mirages we see in the summer, with the next vision of water always moving one phase ahead of us. As businesses progress, one starts to see further beyond to the next phase of the vision. By continuing to flexibly adjust course as we strive to realize our vision for the company, I believe that we will become an enterprise that can deliver stable and sustained growth.

Looking ahead, Sumitomo Corporation will continue to fortify and enlarge each of its businesses, while considering the need to maintain a balanced business portfolio, with the goal of achieving sustained growth. I hope that you share in my excitement and anticipation for the Sumitomo Corporation Group's initiatives in the years to come.



August 2012  
Kuniharu Nakamura, President and CEO



## Column 1

Progress on  $f(x)$ 

In fiscal 2011, Sumitomo Corporation reported record net income of ¥250.7 billion. This result was far higher than the quantitative net income target for  $f(x)$  of ¥220 billion. While partly a reflection of tailwinds such as buoyant resource prices, this strong performance also signifies that our iron ore project in Brazil has started contributing to earnings, and that core businesses in non-resource fields, which Sumitomo Corporation has long focused on, are developing in line with expectations.

In fiscal 2012, the global economy should continue to see moderate growth overall. By region, European economies will see the sovereign debt crisis continue to cast a shadow over the global economic outlook, but the U.S. economy should remain firm thanks to a continuation of a monetary easing policy. Emerging economies are projected to grow steadily, supported by robust internal demand.

In this business environment, in fiscal 2012, Sumitomo Corporation expects to achieve its quantitative net income target for  $f(x)$  of ¥260 billion, which would be another all-time high. Growth should be driven by the Metal Products and Infrastructure segments in emerging countries, and non-resource fields such as the Media, Network & Lifestyle Retail segment, despite projected lower earnings year on year in resource fields based on external factors such as falling resource prices. Sumitomo Corporation also expects to achieve  $f(x)$ 's target for the Risk-adjusted Return Ratio of at least 15% in fiscal 2012.

--> Net income reached a record  
¥**250.7** billion in fiscal 2011.  
This is forecast to increase and reach  
¥**260.0** billion in fiscal 2012.

PROGRESS QUANTITATIVE TARGETS TO MEDIUM-TERM MANAGEMENT PLAN:  $f(x)$ 

	Medium-term Management Plan: $f(x)$ at onset		As of start of FY2012		Reference
	FY2011 plan	FY2012 plan	FY2011 results	FY2012 plan (revised)	FY2010 results
Net Income (billion yen)	220.0	260.0	250.7	260.0	200.2
Risk-adjusted Return ratio	— 15% or more		16.5%	15% or more	13.9%

## Progress on Asset Replacement

Under  $f(x)$ , we are promoting strategic resource management from a Company-wide perspective in an effort to achieve business model innovation in fields where higher growth potential and profitability can be expected. To replace the portfolio with even better assets and improve the quality of assets, we plan to acquire and enhance assets by an additional ¥1,150.0 billion, while maintaining total assets at the same level by offsetting the asset acquisitions and enhancements with the same amount of asset divestitures and reductions.

In fiscal 2011, we acquired and enhanced assets by an additional ¥570.0 billion, but also offset this by executing the same amount of asset divestitures and reductions. In this manner, we have made steady progress on the replacement of assets.

--> Sumitomo increased assets by  
¥**570.0** billion, while executing the **same amount** of asset sales and reductions.

TWO-YEAR PROGRESS IN BALANCE SHEET REFORMS TO THE MEDIUM-TERM MANAGEMENT PLAN:  $f(x)$ 

(billion yen)	Medium-term Management Plan: $f(x)$ at onset		As of start of FY2012	
	2-year total	FY2011 results	FY2012 plan (revised)	2-year total (forecast)
Acquisition & Enhancement (new investments included)	+1,150.0 (+580.0)	+570.0 (+220.0)	+430.0 (+360.0)	+1,000.0 (+580.0)
Divestiture & Reduction	-1,150.0	-570.0	-580.0	-1,150.0

## New investment and finance

In fiscal 2011, we actively executed investment and finance in non-resource fields, focusing on core businesses in each field and businesses where growth is expected, in order to achieve steady growth in each of these fields. Additionally, in the resources field, we acquired prime new interests and expanded existing projects. As a result, we executed new investment and finance of ¥220 billion in fiscal 2011, marking steady progress against our total investment and finance target of ¥580.0 billion over the 2-year period. In fiscal 2012, as new investment opportunities increase due to the impact of the European sovereign debt crisis, we plan to execute new investment and finance of ¥360.0 billion in each field. While uncovering prime assets, we will steadily proceed with this new investment and finance without relaxing our investment rules.

## Column 2

### Returning Profit to Shareholders

We intend to maintain our policy on returning profit to shareholders by adhering to our approach to date. To improve the return of profit to shareholders, we believe that it is important to balance improvement in corporate value with the enhancement of dividends. Naturally, improving corporate value entails retaining earnings to fund investments in future growth. On the other hand, we also believe that it is important to directly return profits generated in step with expanding earnings to shareholders by paying dividends. Based on this perspective, the Sumitomo Corporation Group has decided to target a dividend payout ratio in the range of 20% to 30%. During fiscal 2011 and fiscal 2012, the 2-year period of the  $f(x)$  plan, we expect to achieve a dividend payout ratio of 25%.

For fiscal 2011, Sumitomo Corporation paid a record-high annual dividend of ¥50 per share, an increase of ¥14 from the previous fiscal year. For fiscal 2012, we plan to pay an annual dividend of ¥51 per share, provided that we achieve our net income target of ¥260 billion.

The dividend payout ratio in fiscal 2012 is again

25%.

