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CHAPTER 1

MANAGEMENT STRATEGY

Message From the President: To Our Stakeholders

ENSURING THE STEADY, CONTINUOUS GROWTH OF THE SUMITOMO CORPORATION GROUP

Sumitomo Corporation will celebrate the centennial of its foundation in 2019.

With this major milestone on the horizon, we have set out the Sumitomo Corporation Group's medium-to-long-term vision in "What We Aim to Be in 2019, Our Centennial Year."

Over the seven years until our centennial, we aim to lay a solid foundation for steady, continuous growth for another 50 years, 100 years, and beyond.

What We Aim to Be in 2019, Our Centennial Year

—A Vision Based on Our Corporate Mission Statement—

Be the Best, Be the One

- We aim to be a corporate group that is recognized by society as meeting and exceeding the high expectations directed toward us, creating value that nobody else can match in ways befitting our distinctive identity.
- We aim to build a solid earnings base and aim for an even higher level of profit growth while maintaining financial soundness.

Total assets: ¥9–10 trillion

Consolidated net income: ¥400 billion or more



Kuniharu Nakamura, President and CEO



QUESTION 01

What is the thinking behind the vision of “What We Aim to Be in 2019, Our Centennial Year”?

We want to build a firm foundation for steady, continuous growth for the next 50 years, 100 years, and beyond.

Upon my inauguration as President and CEO of Sumitomo Corporation in 2012, I expressed my desire to make the Sumitomo Corporation Group an organization that, after reaching its centennial in 2019, will continue for another 50 years, 100 years, and on without end. Over the seven years remaining before we reach this milestone, I want to build a firm base to realize this aspiration.

We believe the Sumitomo Corporation Group’s business environment will continue to be marked by dramatic change and uncertainty. Also, our businesses themselves will grow increasingly complex and require longer start-up and development periods, as typified by our operations in the areas

of natural resources and infrastructure.

To attain steady, continuous growth even in this sort of business environment, I see it very important for us, while responding flexibly to current changes, also to look ahead to the major trends of the future, sketch a medium-to-long-term vision of what we aim to be, and steadily execute strategies to achieve this vision.

It is based on this thinking that we came up with our vision of “What We Aim to Be in 2019, Our Centennial Year” and the accompanying slogan, “Be the Best, Be the One.” This slogan embodies our aspiration to be the best in every respect and to be widely appreciated by society.



I believe the first and most crucial step to achieving this objective is to go back to Sumitomo's Business Philosophy, Business Principles, and the Sumitomo Corporation Group's Corporate Mission Statement (including our Management Principles and Activity Guidelines), and promote business activities in line with these core documents.

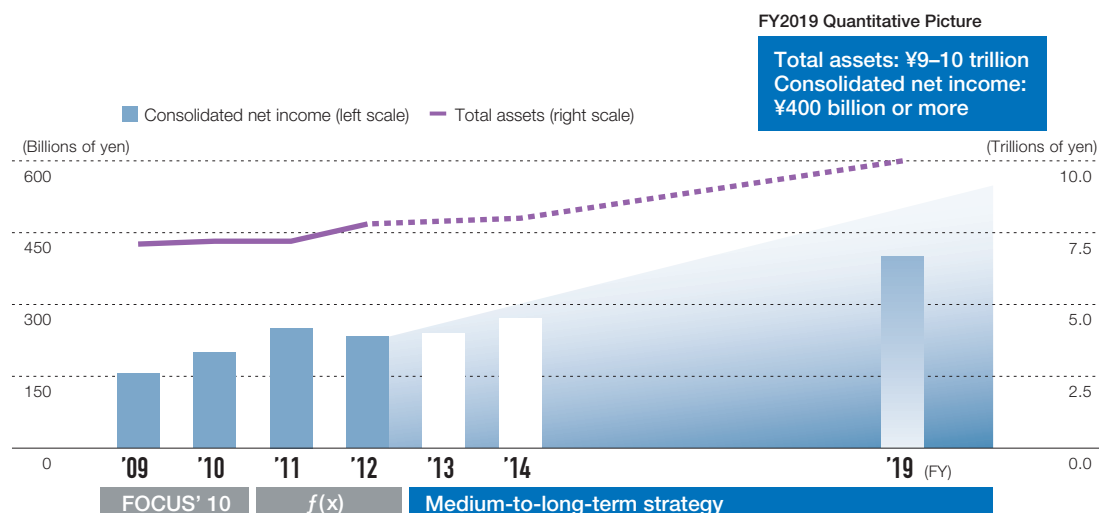
In keeping with their directives to "place prime importance on integrity and sound management" and "never pursue easy gains," we will stay true to our corporate character even as we gauge the changing times, formulate our own plans, and steadily execute our strategies, leveraging the strengths and abilities that we have amassed so far to create value that only we can. And above all, we will operate openly and squarely, rooting our business in activities that not only expand our earnings but also contribute to the nation and society so as to fulfill the tenet of Sumitomo's Business Philosophy, "Benefit for self and others, private and public interests are one and the same," thereby winning broad recognition of the Sumitomo Corporation Group as an essential organization that exceeds the high expectations directed toward us.

In addition, we have established a quantitative picture of what we aim to be as we approach our

centennial, aiming to build a solid earnings base and to achieve an even higher level of profit growth while maintaining financial soundness. Specifically, we envisage total assets of ¥9–10 trillion and consolidated net income of at least ¥400 billion in fiscal 2019 (April 2019 to March 2020). Our goal is to construct a solid earnings base for another 100 years of achieving steady, continuous growth while staying financially healthy.

Our centennial is just one milestone on our way. When we consider how we should conduct our operations after that in order to continue to play a vital role in society and keep growing steadily, we come back to Sumitomo's Business Philosophy. The Sumitomo Group has been in business for four centuries. This is a record matched by few organizations anywhere in the world. And I believe that it has been made possible by putting Sumitomo's Business Philosophy into practice.

I think that if each of our employees constantly considers whether their actions are in line with Sumitomo's Business Philosophy and the Sumitomo Corporation Group's Corporate Mission Statement and exercises Sumitomo Corporation's distinctive strengths, we can attain our goal to "Be the Best, Be the One."



QUESTION 02

Could you please sum up what was achieved under the medium-term management plan *f(x)* and what challenges remain?

We met our quantitative targets and made good progress on asset replacement and balance sheet management. However, we still need to work on increasing our earning power.

Sumitomo Corporation formulates a medium-term management plan every two years. *f(x)*—pronounced “f-cross”—the plan for the two years ended March 31, 2013, set a quantitative target of net income totaling ¥480 billion over the two-year period. Consolidated net income reached an all-time high of ¥250.7 billion in fiscal 2011. While the figure was only ¥232.5 billion in fiscal 2012, mainly due to the impact of falling resource prices, we still attained our two-year target. The risk-adjusted return ratio was 15.2% over the two years, also beating the target of 15%.

Investment and loans over the two years totaled ¥560 billion, broadly in line with the planned ¥580 billion. This included ¥205 billion for the resource field and ¥355 billion for the non-resource field. We worked to build a balanced business portfolio without too much exposure to any one business area as we made investment and loans to expand our future earnings base.

At the same time, we divested assets to the tune of ¥860 billion during the two years of *f(x)*. With this, we recovered about ¥380 billion in cash, and we believe we have made solid progress on

balance-sheet management. We sold stakes in some of our subsidiaries, notably Sumitomo Mitsui Auto Service Company, Limited and Jupiter Shop Channel Co., Ltd. with the aim of reinforcing our revenue base from a medium-to-long-term perspective through alliances with strategic partners. In addition, we made headway divesting unpromising businesses, including ones that were unlikely to achieve major growth due to changes in the operating environment and other factors, and ones that did not meet our initial earnings expectations.

However, there are still challenges to be tackled. For one, we need to steadily raise the value of our investment and loans. We must quickly increase the value of those major investment and loans that are not generating earnings in line with the initial business plans. Also, in the context of the ever-changing business environment, we need to continue downsizing and divesting businesses with poor earnings and growth potential, while shifting even more corporate resources, including personnel, into strategic fields to enhance our earning power.

Results

- Executed new investment and loans in accordance with the plan
- Generated cash and made progress in balance-sheet management by actively promoting asset replacement
- Deepened cooperation with strategic partners in our core businesses

Challenges for the future

- Steadily increase value of the investments made in recent years
- Carry out further reductions and divestitures of assets in businesses with low profitability or low prospects for growth
- Shift more human resources to strategic fields

FY2013–2014 Medium-term Management Plan: **Be the Best, Be the One 2014**

Heading for an even higher level of profit growth by thorough enhancement of our earning power

QUESTION 03

What are the aims of the new medium-term management plan “Be the Best, Be the One 2014” (BBBO2014)?

P20

Please refer to page 20 for details of the new medium-term management plan.

◀◀ **We will further pursue Sumitomo Corporation’s strengths and thoroughly enhance our earning power. We want to make this our first step toward realizing our vision of what we aim to be as we approach our centennial.**

Thoroughly enhancing our earning power is essential for achieving profit growth at a higher level than before—raising our consolidated net income from the current ¥230–250 billion to the level of at least ¥400 billion set forth in our vision of what we aim to be. To this end, under “Be the Best, Be the One 2014” (BBBO2014) we will aim for consolidated net income of ¥240 billion in fiscal 2013 and ¥270 billion in fiscal 2014 by “pursuing and combining our strengths and capabilities” and the “stimulating the metabolism of our business portfolio from a medium-to-long-term perspective.”

Specifically, we will allocate corporate resources on a prioritized basis to the businesses that constitute our current earnings pillars in order to strengthen them even further. We are planning to make more new investment and loans than ever before, with a total budget of ¥750 billion over the course of BBBO2014. We will designate “primary fields” in each operating segment. These are areas where we have advantages and know-how, and that will underpin earnings in the future. We will set clear priorities for these primary fields and further tighten the focus of our investment activity so as to steadily build up a portfolio of prime assets.

We will also pursue profit opportunities during these two years by identifying the targets for “strategic industrial focus” and “strategic regional

focus”—business fields and regions where there is strong medium-to-long-term growth potential and where we can capitalize on our strengths and capabilities—and strategically allocating corporate resources to them. With respect to recent investments that have not become as profitable as initially planned, we will intensively deploy human resources and know-how to the businesses in question, focus on attaining steady value gains, and strengthen earning power.

Accomplishing this will require effective utilization of our finite corporate resources. Accordingly, we will take steps to scale back or exit from businesses with weak prospects for revenues and growth in response to changes in the environment. Through these measures, along with balance-sheet control via strategic tie-ups with major partners, we are planning asset divestitures and reductions totaling ¥770 billion over the two years of BBBO2014.

These moves will enable us to activate the metabolism of our business portfolio by shifting corporate resources, including human resources, to medium-to-long-term growth areas. We will operate this cycle with greater speed than before, and we look to build a stronger earnings base while maintaining financial soundness.

QUESTION 04

What are your views on corporate social responsibility (CSR)?

For the Sumitomo Corporation Group, CSR is nothing other than putting our Corporate Mission Statement into practice.

Fulfilling our responsibilities to society and the environment is deeply related to Sumitomo’s Business Philosophy, which I touched on before. The concept of “Benefit for self and others, private and public interests are one and the same” (meaning that Sumitomo’s business activities must benefit not only Sumitomo’s own business, but also society

and the nation) is connected to the precepts of the Sumitomo Corporation Group’s Corporate Mission Statement: “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,” and “To achieve prosperity and realize dreams through sound business activities.” For the

Sumitomo Corporation Group, CSR is nothing other than putting our Corporate Mission Statement into practice. We see the fulfillment of our responsibilities as something to be accomplished through the conduct of sound business activities and through the planning and implementation of business strategies based on consideration of what we can and should do as a corporation to help solve social issues, accompanied by dialogue with various stakeholders.

For instance, when we are developing businesses in other countries, we must give prime consideration to the question of how to put down roots in the community and contribute to local society. Mining development projects are a typical example. We do not simply mine resources. Naturally, we give

our utmost consideration to environmental protection. We also engage in extended dialogue with stakeholders, including mine workers, local residents, and national and regional government officials. In addition to contributing to the economy by making tax payments and creating jobs, we set up physical infrastructure used by industry and in everyday life, as well as support its management. In this way, we play a role in regional economic, industrial, and social development. Further, we plan to lend a hand to the development of communications infrastructure, railways, and industrial parks in Myanmar, where major economic development is expected. We want our business operations in the country to lead to better local living standards and a more vibrant economy.



QUESTION 05

Please share your thoughts on shareholder returns.

We aim to increase dividends per share through medium-to-long-term profit growth.

We see balancing corporate value improvement and dividend enhancement as an important factor in increasing returns to shareholders. Our basic dividend policy is to continue steady payouts over the long term, and we aim to raise dividends per share in line with medium-to-long-term profit growth.

During the two years of BBBO2014, we look to apply a dividend payout ratio of 25%, taking into account relevant factors such as the economic environment and our investment plans. Based on this, we expect to pay dividends per share of ¥47 in fiscal 2013 if consolidated net income reaches the planned level of ¥240 billion.

QUESTION 06

In closing, do you have a message for Sumitomo Corporation's stakeholders?

I am determined to do whatever it takes to realize our vision of "What We Aim to Be in 2019, Our Centennial Year."

I recognize that we must overcome multiple hurdles to put profit growth on a higher level than before. But through the discussions we held with each business unit as we were finalizing our vision of what we aim to be, I gained a renewed awareness that the Sumitomo Corporation Group has countless business opportunities. I am confident that we will attain our vision if we steadily execute all of our strategies.

I believe it is important that our employees each hold firm aspirations for the sort of company they want to make of Sumitomo Corporation in

the context of their respective workplaces, think about where they want our operations in each business field to be in 2019 and beyond, and tackle the necessary tasks one by one to make their own vision a reality.

I want to start by bringing the entire organization together to achieve the goals in "Be the Best, Be the One 2014" as the first step toward realizing our vision of what we aim to be.

I invite you to look forward to the initiatives of the Sumitomo Corporation Group in the period ahead.

Feature I: New Medium-term Management Plan

Be the Best, Be the One 2014

HEADING FOR AN EVEN HIGHER LEVEL OF PROFIT GROWTH BY THOROUGH ENHANCEMENT OF OUR EARNING POWER

The Sumitomo Corporation Group has set forth its vision of “What We Aim to Be in 2019, Our Centennial Year.” The first two years of our journey to achieve this vision will be covered by our medium-term management plan for fiscal 2013 and 2014 (April 2013 through March 2015), titled “Be the Best, Be the One 2014.” We are positioning the two years covered by this plan as the stage for advancing to an even higher level of profit growth. By thoroughly enhancing our earning power and strengthening the management base that supports it, we will construct a solid earnings base while maintaining financial soundness.

Thorough Enhancement of Our Earning Power

Under BBBO2014 we will take steps to realize the thorough enhancement of our earning power, which was an issue under $f(x)$, our previous medium-term management plan. Our strategies for achieving this are “Pursue and combine our strengths and capabilities” and “Stimulate the metabolism of our business portfolio from a medium-to-long-term perspective.”

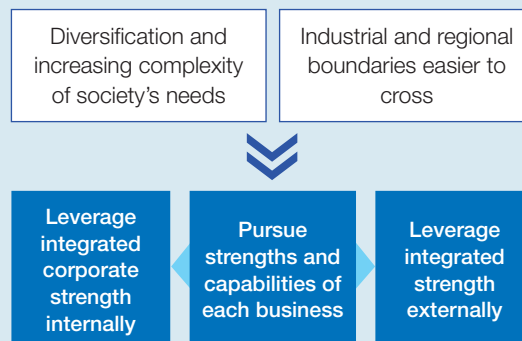
(1) Pursue and combine our strengths and capabilities

Society's needs are diversifying and becoming more complex, and industrial and regional boundaries are becoming easier to cross. To enhance our earning power in this environment, we must mobilize various types of know-how and capabilities across the boundaries of business units and regional organizations to create new value and meet society's needs.

BBBO2014 will leverage the full power of our integrated corporate strength by having each business unit and regional organization thoroughly analyze and pursue its strengths and capabilities, combine them across organizational boundaries, and share strategies and business models. But bringing out our integrated corporate strength internally is not enough. Collaborating with external partners is also critical to strengthening our business. We will strive to bolster strategic

partnerships by expanding the scope and facets of our ties with existing partners, as well as cultivating new partners with whom we can share a common philosophy and strategies. In this way, we will also leverage our integrated corporate strength externally with strategic partners.

Collaborating and Sharing Strategies and Business Models Across Organizational Boundaries



Quantitative Targets

Net income

FY2013 **¥240.0** billionFY2014 **¥270.0** billion

Risk-adjusted return ratio

Approx. **12%**

ROA

3% or more

Basic Policy

AN EVEN HIGHER LEVEL OF PROFIT GROWTH

Aims of “Be the Best, Be the One 2014”

Thorough enhancement of our earning power

Stimulate the metabolism of our business portfolio from a medium-to-long-term perspective

Pursue and combine our strengths and capabilities

Management base that supports earning power

Strengthen management abilities for business investment

Strengthen foundations of overseas regional organizations

Maintain financial soundness

Develop and deploy human resources required to achieve our vision

(2) Stimulate the metabolism of our business portfolio from a medium-to-long-term perspective

To take profit growth to the next level, we must raise the organization's overall profitability while identifying the role of each of our various businesses. Our key focus here is how to effectively use limited corporate resources—personnel and funds.

BBBO2014 aims to thoroughly enhance our

earning power by stepping up the metabolism of our business portfolio on the four fronts described below, which are critical to corporate growth.

- 1) First, we have designated businesses that are currently our earnings pillars, and where we have strengths and know-how, as “primary fields.” We will prioritize allocation of corporate resources to these areas so that they remain earnings pillars in the future.

STIMULATE THE METABOLISM OF OUR BUSINESS PORTFOLIO FROM A MEDIUM-TO-LONG-TERM PERSPECTIVE

Enhance existing earnings pillars

Preferentially allocate corporate resources to our strong fields

Primary Fields

Improve profitability of existing investments

Achieve greater value for the investments made in recent years

Develop future earnings pillars

Specify fields and regions that have high potential for growth and provide support at the company-wide level

Strategic Industrial/Regional Focus

Shift corporate and human resources

Carry out reductions and divestitures of businesses that show little potential for profit or growth

Promote further asset replacement of businesses with low profitability and/or low growth

- 2) Also, we have identified business fields and regions where we can leverage our strengths and capabilities, and where there is great medium-to-long-term growth potential, designating them as areas for “strategic industrial focus” and “strategic regional focus” and strategically allocating corporate resources to them. We will also promote development from a medium-to-long-term perspective at the company-wide level, such as by forming company-wide, cross-organizational project teams.
- 3) In addition, we will concentrate personnel and know-how in major projects, including upstream resource businesses in which we have recently invested. Here we will focus on value enhancement and steady completion of projects.
- 4) Meanwhile, we will continue to reduce and divest assets while controlling our balance sheet by downsizing or withdrawing from businesses with poor earnings and growth potential and by pursuing strategic tie-ups with strong partners. With this, we will redirect financial and human resources to bolstering and developing operations in primary fields, strategic industrial and regional focus areas, and existing major projects.

■ Plan for New Investment and Loans

During the two years of BBBO2014, we plan to make new investment and loans totaling ¥750 billion—a record high.

We have earmarked ¥650 billion of this investment plan for the primary fields noted above and

¥100 billion for the areas of strategic industrial focus and strategic regional focus.

Under BBBO2014, we will set clear priorities for use of this budget in line with the primary fields in each business unit, making investments to build up our portfolio of prime projects.

At the same time, we will be flexible in implementation. We will continuously monitor each business unit's progress and if there are business units making slow headway, we will take measures like reallocating funds to other business units that are progressing more rapidly.

Primary Fields

- In the Mineral Resources, Energy, Chemical & Electronics Business Unit, we will invest in tight oil development in North America, the Sierra Gorda copper mine in Chile, and other projects under development, as well as expansion of established projects.
- In non-resource fields, we will focus investment on the Metal Products Business Unit's North American tubular products business, expansion of the Transportation & Construction Systems Business Unit's automotive value chain; the Environment & Infrastructure Business Unit's overseas independent power producer (IPP) business; and the Media, Network, Lifestyle Related Goods & Services Business Unit's real estate operations and overseas media business development. In this way we will maintain the balanced portfolio for which we are known.

New Investment and Loans Plan (Two-year Total)

	Amount of Investment and Loans (Billions of Yen)	Primary Fields
Metal Products	80.0	Tubular Products Business
Transportation & Construction Systems	160.0	Automotive Business
Environment & Infrastructure	90.0	Power Infrastructure Business
Media, Network, Lifestyle Related Goods & Services	130.0	Media Business, Real Estate Business
Mineral Resources, Energy, Chemical & Electronics	190.0	Upstream in Mineral Resources and Energy Business
Strategic Industrial/Regional Focus	100.0	—
Total	750.0	

Strategic Industrial Focus

• Unconventional energy-related businesses

We aim to develop LNG exports and create value chains involving petrochemical products building on our shale gas and tight oil development business in North America.

Besides this, we will put our integrated corporate strengths into play to pursue the abundant business opportunities in fields related to the unconventional energy business, including tubular products and infrastructure.

• Retail business in Asia

We will work to grow our retail business earnings base by tapping into the robust consumption demand in other Asian nations, drawing on the strengths and functions that we have amassed through our Japan-centered retail operations, along with the experience, know-how, and personal networks that we have built up in Asia, and deploying successful business models from Japan to gain a foothold for development of our Asian business.

• Food business

In the context of medium-to-long-term growth in the global population and in demand for food, we will identify global supply and demand imbalances, and focus mainly on advancing food operations overseas.

» For information on unconventional energy-related businesses and food operations, please refer to Feature II starting from page 26.

Strategic Regional Focus

• India, Brazil, Myanmar, Turkey, Sub-Saharan Africa (six countries)

In India and Brazil, we will take our operations to the next level by focusing initiatives on areas where we can exert our strengths. In Myanmar, Turkey, and six sub-Saharan African countries (South Africa, Nigeria, Angola, Tanzania, Mozambique, and Ghana), we will first work to ascertain where business opportunities lie and where to focus business development.

■ Asset Divestiture & Reduction Plan

BBBO2014 targets asset divestitures and reductions amounting to ¥770 billion, on par with new investment and loans totaling ¥750 billion. In addition to shrinking or exiting from businesses with poor earnings and growth potential, we will reduce assets while controlling the balance sheet through strategic alliances with strong partners inviting them to take shares in our existing businesses.

Asset Divestiture &
Reduction Plan
(Two-year Total)

Total Assets
– ¥770 billion



**Shift corporate and human resources
to growth fields**

Strategic Industrial Focus

- Unconventional energy-related businesses
- Retail business in Asia
- Food business

Strategic Regional Focus

- India
- Myanmar
- Sub-Saharan Africa
(six countries)
- Brazil
- Turkey

Management Base That Supports Earning Power

To thoroughly enhance our earning power, new investment and loans and business divestitures are not enough; we must also strengthen the management base that supports our earning power. Under BBBO2014, we will further reinforce the management base supporting front-line operations. These initiatives will be taken on four key fronts: (1) strengthen management abilities on business investment; (2) strengthen foundations of overseas regional organizations; (3) maintain financial soundness; and (4) develop and deploy the human resources required to achieve our vision.

Strengthen management abilities on business investment



Strengthen business investment management abilities to ensure increased value for businesses

Given the tendency for the amount of risk-adjusted assets per project to rise, notably in connection with resource investments and participation in manufacturing, we will strengthen our business investment management ability so as to increase the value of major investment and loans as soon as possible.

Strengthen foundations of overseas regional organizations



Strengthen overseas regional organizations' foundations to tap into growth markets' vitality and business opportunities

Overseas economic growth trends are expected to continue, chiefly in emerging countries. We will therefore strengthen the foundations of our overseas regional organizations, which are familiar with local political and economic affairs and business practices.

Maintain financial soundness



Maintain and secure a sound financial structure to enable steady, continuous growth

While actively investing, we will maintain a sound financial structure not overly reliant on interest-bearing liabilities.

Develop and deploy the human resources required to achieve our vision



We will strengthen human resource development, emphasizing diverse experience in the field, while promoting measures to develop and deploy talent globally

We will focus on developing human resources to lead the thorough enhancement of earning power that we need to achieve profit growth on a higher level.

Maintaining Financial Soundness

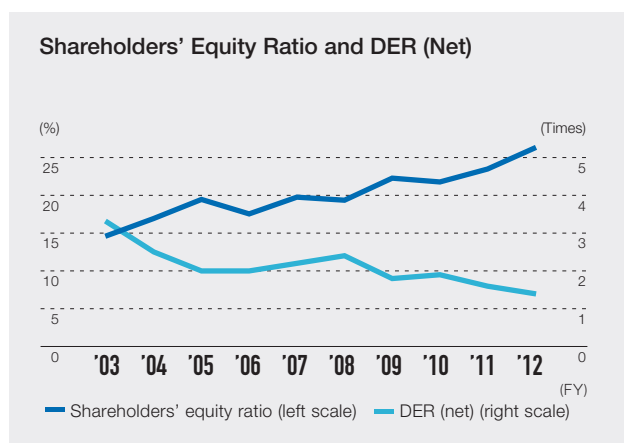
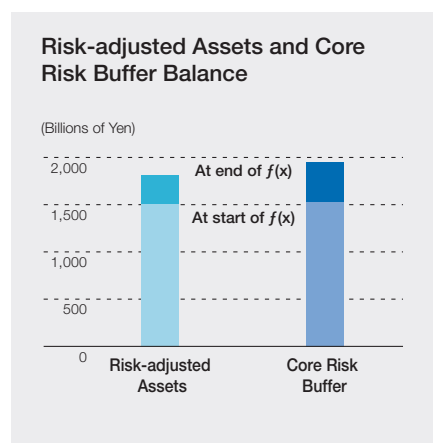
From the perspective of stable management, our basic management policy is to keep risk-adjusted assets, which are our maximum possible losses, within our core risk buffer^{*1}, which is shareholders' equity.

» See "Risk-adjusted Return Management" on page 77.

In addition, we manage our balance sheet from the perspectives of ensuring liquidity, maintaining an appropriate debt-equity ratio (DER), and controlling the scale of total assets, while giving consideration to current financial market conditions. In this way, we have conducted operations without excessive dependence on interest-bearing liabilities.

As of the end of fiscal 2012 (March 31, 2013), we had retained high liquidity, with cash and deposits of ¥931.1 billion against total assets of ¥7,832.8 billion. Shareholders' equity had increased to ¥2,052.8 billion, so that the shareholders' equity ratio was 26.2%, and the net DER improved to 1.4.

^{*1} Core Risk Buffer = Common stock + Retained earnings + Foreign currency translation adjustments – Treasury stock, at cost



Enhancing Basic Profit Cash Flow^{*2} Monitoring and Boosting the Core Risk Buffer

Under BBBO2014, we intend to aggressively invest in augmenting our earning power while remaining financially sound.

To make new investment and loans while managing total assets at an appropriate level and steering clear of overexposure to interest-bearing liabilities, as we have done so far, we will need to maintain the financial capacity for investment. With basic profit cash flow as a new benchmark under BBBO2014, we will secure this financial capacity by recouping cash via dividends from associated companies, as well as working to recover cash by replacing assets and generating value from existing projects.

Also, while upholding our basic policy of keeping risk-adjusted assets within the core risk buffer, we will secure financial capacity for investment by augmenting our core risk buffer and building a more solid financial base; for this purpose we will see to it that our business investments produce profits matching their business plans.

Maintaining Financial Soundness

- Keep risk-adjusted assets from exceeding the core risk buffer
- Manage total assets at an appropriate level to avoid excessive dependence on interest-bearing liabilities



Securing Financial Capacity for Investment

- Cash flow perspective
⇒ Basic profit cash flow
- Boost core risk buffer
⇒ Increase profitability

^{*2} Basic profit cash flow = Basic profit – Share of profit of investments accounted for using the equity method + Dividends from associated companies

Basic Profit = (Gross profit + Selling, general and administrative expenses (excluding provision for doubtful receivables) + Interest expense, net + Dividends) x (1 – Tax rate) + Share of profit of investments accounted for using the equity method

Feature II: Aim for an Even Higher Level of Profit Growth

EXPANSION IN SCOPE OF THE
UNCONVENTIONAL ENERGY BUSINESSESCombining Strengths and Capabilities in Pursuit of
New Value in a Growth Field**Shale Revolution:
A Global Energy Market Game Changer**

The U.S. energy situation changed overnight with the successful extraction of shale gas. Until the mid-2000s the U.S. had been expected to become the world's largest importer of natural gas, but with the revolution of shale gas the country is now poised to become an exporter of liquefied natural gas (LNG).

Shale is a rock formed from hardened horizontal layers of mud, and shale gas is a hydrocarbon gas stored within spaces in the shale. It has long been known that shale gas exists throughout the world. However, commercial production had not been feasible because previous

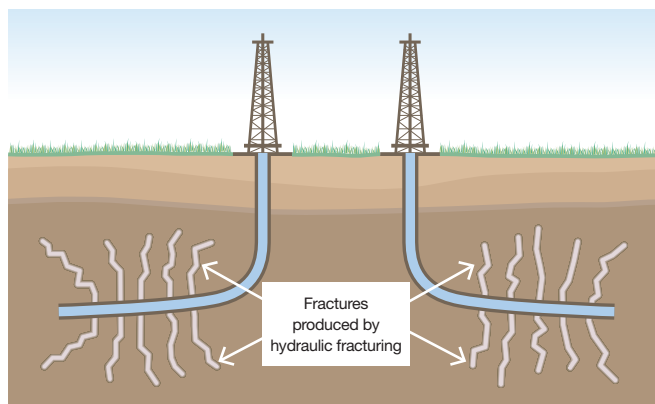
drilling technologies alone were not really up to the task of bringing shale gas to the surface. The U.S. was the first to successfully develop technology for the job. Entering the 2000s, horizontal drilling and hydraulic fracturing technologies were established that vastly improved shale gas productivity. From around 2006, full-scale commercial production of shale gas began. Before shale gas development was achieved, natural gas suppliers were concentrated in the Middle East. The advance of shale gas development throughout the U.S. has since been transforming the global natural gas market landscape.

Horizontal Drilling and Hydraulic Fracturing**Two Key Technologies****Horizontal Drilling** (Lead time of around 1 to 2 weeks)

- Broad expanses of natural gas can be recovered economically by drilling wells in parallel to the horizontal shale layers.

Hydraulic Fracturing (Lead time of around 2 weeks)

- Highly pressurized water is pumped underground to fracture the shale layers.
- Next, sandy grains of proppant are gradually mixed into the water to hold fractures in the shale open.
- Natural gas is produced by extracting it from fractures held open by the proppant.





◀ A drilling rig in the Marcellus Shale Fields

From Shale Gas Development to Tight Oil Development

Sumitomo Corporation's exploration and production (E&P) business had until now been focused on oil fields in British and Norwegian zones of the North Sea as core assets. In pursuing the possibility of building up our prime assets further, we began seeing great potential in shale gas, as it is driving the transformation of the oil and gas development industry. In December 2009, Sumitomo Corporation became the first Asian company in shale gas development by agreeing to participate in a project being led by Carrizo Oil & Gas, Inc. in the Barnett Shale Fields in the leading shale gas producing state of Texas, U.S.

We also joined the Marcellus Shale Fields development project in Pennsylvania in September 2010. The Marcellus project plans call for at least 1,100 wells to be drilled by 2020.

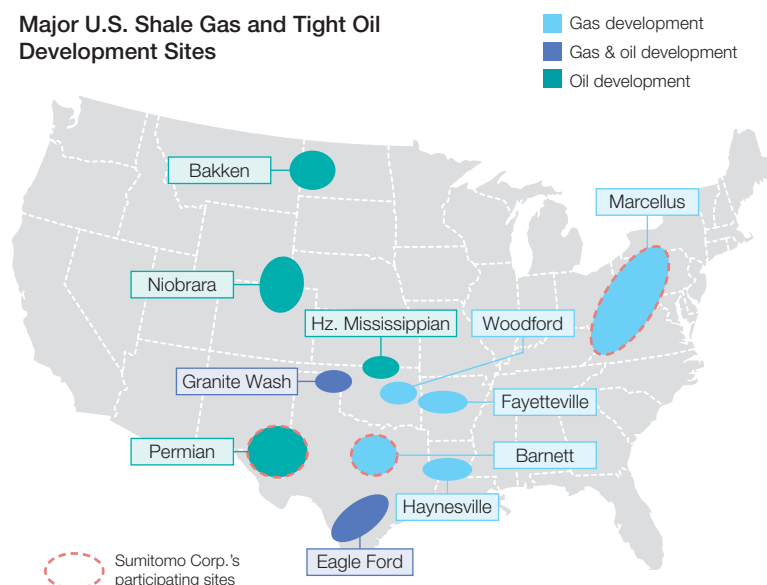
Sumitomo Corporation's oil and gas development business is delving even further into unconventional crude oil (tight oil) development. Tight oil is crude oil contained in shale, limestone and sandstone formations with low permeability. As with shale gas, it is extracted using horizontal drilling and hydraulic fracturing technologies. In September 2012, we signed an agreement to participate in Devon Energy Corporation's tight oil development project in the Permian Basin in Texas. The project will fuel dramatic longer-term earnings advances

for us as it has enhanced our oil and gas assets, which we have positioned as a key strategic resource within our portfolio strategy for upstream resource and energy operations.

The project's development area is the Permian Basin, which boasts the largest proven oil reserves in North America and accounts for 20% of total crude oil production in the U.S. As shale gas and tight oil development technology has advanced, the Permian Basin has come to be one of the most active development areas in the entire U.S. In addition, our partner Devon Energy Corporation has pioneered shale development, for instance by being the first in the industry to use horizontal drilling technology in development. It is currently a top operator with outstanding technological experience and know-how.

We are forging ahead with leading partners in such promising development areas with high potential. Our goal is to establish ourselves as a leading Japanese company in unconventional energy development by building on the unconventional energy-related expertise, insight, and industry presence, which are the strengths we have gained through the Barnett and Marcellus shale projects.

Major U.S. Shale Gas and Tight Oil Development Sites



Multidimensional Development From Upstream Development Leveraging Our Integrated Corporate Strengths

Shale gas, tight oil, and other unconventional energy operations entail an array of functions in every part of the process from the upstream through the midstream including drilling, production, and transportation. Sumitomo Corporation is ascertaining these needs and going beyond upstream development to leverage its strengths and put its collective abilities into play to realize multidimensional business development.

Taking North American Tubular Products Business Growth Further

About 12 million tons of oil country tubular goods (OCTG) are consumed worldwide each year. Half of this, or about six million tons, is used in the U.S.—making it the world's largest OCTG market.

Sumitomo Corporation has long been in the business in North America, having made a full-fledged entry into tubular products distribution 25 years ago. Against a backdrop of thriving shale gas and oil development, we have since expanded our operations centered on our proprietary distribution network into areas such as manufacturing and processing while meeting changing customer needs. We now command a roughly 20% share of the North American OCTG market.

In this OCTG market, demand for small-diameter tubular goods has surged since around 2007 in line with the rise in shale gas and oil development in which they are used. This spurred us to participate in a small-diameter seamless steel pipe manufacturing business led by major French steel pipe producer Vallourec S.A. in September 2011.

Operations commenced in fall 2012. We plan to reach full capacity production in 2013 with annual steel pipe output of about 350,000 tons, and aim to further expand our share of the OCTG business.

Additionally, we acquired the Howco Group at the end of 2006 to gain a foothold in oil field equipment (OFE), the field adjacent to the OCTG business. The revolutionary rise in shale gas and oil production has made OFE a huge market currently worth ¥40 trillion. We will employ Howco's oil field equipment processing and distribution capabilities to capture this demand.

Sumitomo Corporation's North American tubular product business is built on three strengths: 1) an extensive customer base centered on long-term contracts with a broad range of oil companies, from the majors to small- and medium-sized independent firms; 2) a distribution network enabling just-in-time supply of high quality products; and 3) a support system for smooth operations based on a proprietary IT system, including an OCTG supply chain management system. Along with reinforcing this foundation, we will augment our tubular product business role as a total solutions provider covering upstream through midstream operations by growing our OFE business driven by Howco as well as our line pipe and specialty tubular products operations.

Using Natural Gas Trading Track Record to Move Into LNG Exports

In April 2013, Sumitomo Corporation agreed to participate in the Cove Point LNG Project in Lusby, Maryland, planned by Dominion Cove Point LNG, LP (Dominion). The project entails building a new natural gas liquefaction plant at the existing Cove Point LNG Terminal currently in operation as a LNG receiving terminal. The plant will be used to produce LNG for export from domestic natural gas, including shale gas. The goal is to commence operations in 2017 after completing procedures including receiving approval from the U.S. Department of Energy to export LNG to countries without free-trade agreements with the U.S. Sumitomo Corporation concluded an agreement via its wholly owned subsidiary Pacific Summit Energy LLC (PSE) with Dominion to liquefy around 2.3 million tons of natural gas a year. Sumitomo Corporation also entered into basic agreements to sell the LNG produced from the project to Tokyo Gas Co., Ltd.



▲ Pipe cutting process at a U.S. seamless steel pipe manufacturing subsidiary

and Kansai Electric Power Co., Inc. over a 20-year period starting in 2017.

In 2004, we established PSE and began our natural gas trading and marketing business in the U.S. We have grown to become the only 100% Japanese-invested firm player with annual natural gas trading activity in the U.S. on a scale equivalent to 10 million tons of LNG. PSE's role in the Cove Point LNG Project is to combine diverse resources from the U.S. natural gas market and Sumitomo Corporation's interests to supply the liquefaction plant with a steady stream of competitively priced natural gas over the long term.

By capitalizing on expertise in natural gas trading and strengths in gas procurement gained through the abovementioned shale upstream development and PSE operations, the project aims to build a natural gas and LNG value chain from shale gas development to distribution, liquefaction, and export. Sumitomo Corporation will use this value chain as a foundation to supply Japan with LNG linked to U.S. natural gas prices in a bid to diversify Japan's LNG supply and procurement pricing formulas, thereby contributing to Japan's energy security.

Combining the Group's Strengths in Pursuit of New Value

This is only a single example. The areas of unconventional energy business where our strengths can be applied are far reaching. For instance, hydraulic fracturing in shale gas and oil development requires a tremendous amount of water. Chemicals—albeit a small amount—are added to this water, so the wastewater cannot be disposed of directly into waterways. The wastewater must either be disposed of into dedicated wells or treated before being discharged or recycled. Demand for wastewater treatment and recycling is expected to rise to protect the environment. The Environment & Infrastructure Business Unit is exploring steps based on its track record and know-how in water treatment overseas to meet these anticipated needs. Further, shale gas and oil production generates byproducts such as ethane, propane, and butane. The Mineral Resources, Energy, Chemical & Electronics Business Unit is working to leverage its many years of trading experience to put these byproducts to use in expanding petrochemicals and LPG operations.



 Dominion's Cove Point LNG terminal

In September 2012, we launched a working group spanning the entire organization for unconventional energy businesses. We strengthened ties not only with marketing departments but also with overseas bases. We also established a framework for global information sharing to uncover new business and investment opportunities. Moreover, our medium-term management plan, Be the Best, Be the One 2014, calls for strategic investment in unconventional energy-related businesses as a strategic industrial focus for the entire Group. We will seize business opportunities arising from the major paradigm shift brought about by the shale revolution. Specifically, we will establish a new business pillar by combining our strengths and abilities, and unleashing our integrated corporate strength to expand the scope of our unconventional energy businesses.

Business Expansion in Unconventional Energy



Feature II: Aim for an Even Higher Level of Profit Growth

EXPANDING THE AGRICULTURAL MATERIALS VALUE CHAIN

Contributing to Ever Higher Crop Yields

Increasing Crop Production is a Global Task

The international food situation has seen profound, unprecedented change over the past several years. The world's population has topped seven billion, and is projected to reach nine billion in 2050. The emerging markets driving this growth are seeing changes in lifestyles along with major transformations in quantitative and qualitative demand for food as economic development swiftly advances. Furthermore, demand for biofuels, like biodiesel and bioethanol produced from crops such as corn and soybeans, is rising amid recently heightened global environmental interest. This has spurred concerns about competition between food and fuel uses for these raw materials. Moreover, extreme weather events attributed to global warming are frequently occurring around the world. If global warming progresses further, it is feared that large-scale climate changes, desertification, changes in land suitability for cultivation, and the like will affect worldwide crop production.

Meanwhile, limited agricultural land means it is actually very difficult to increase crop yield in one fell swoop. Clearly, crop protection products, seeds, fertilizers, and other agricultural materials will play an increasingly important role in making the most of finite agricultural land and raising crop productivity. Sumitomo Corporation is also working to be a part

of the solution to the global task of boosting crop production, with various measures focused on its strengths in the crop protection business.

Developing the Crop Protection Business and Expanding Into Multifaceted Support for Crop Production

Our crop protection business has a long history even among integrated trading companies. Since the 1970s, our Group has leveraged its overseas networks to distribute crop protection products produced by Japanese manufacturers around the globe. We now export crop protection products to approximately 100 countries around the world, and our crop protection products import and distribution business has grown to span around 30 countries.

Developing crop protection products requires huge investments of time and money, and approval standards are becoming tougher everywhere. Launching a new crop protection product is said to take about 10 years and ¥5 billion (equivalent to US\$50 million currently) in development costs. In addition to supporting development and sales—primarily of Japanese manufacturers' products—to quickly get new crop protection products to market, Sumitomo Corporation handles generic products that have synergies with those products to enhance the product lineup. As



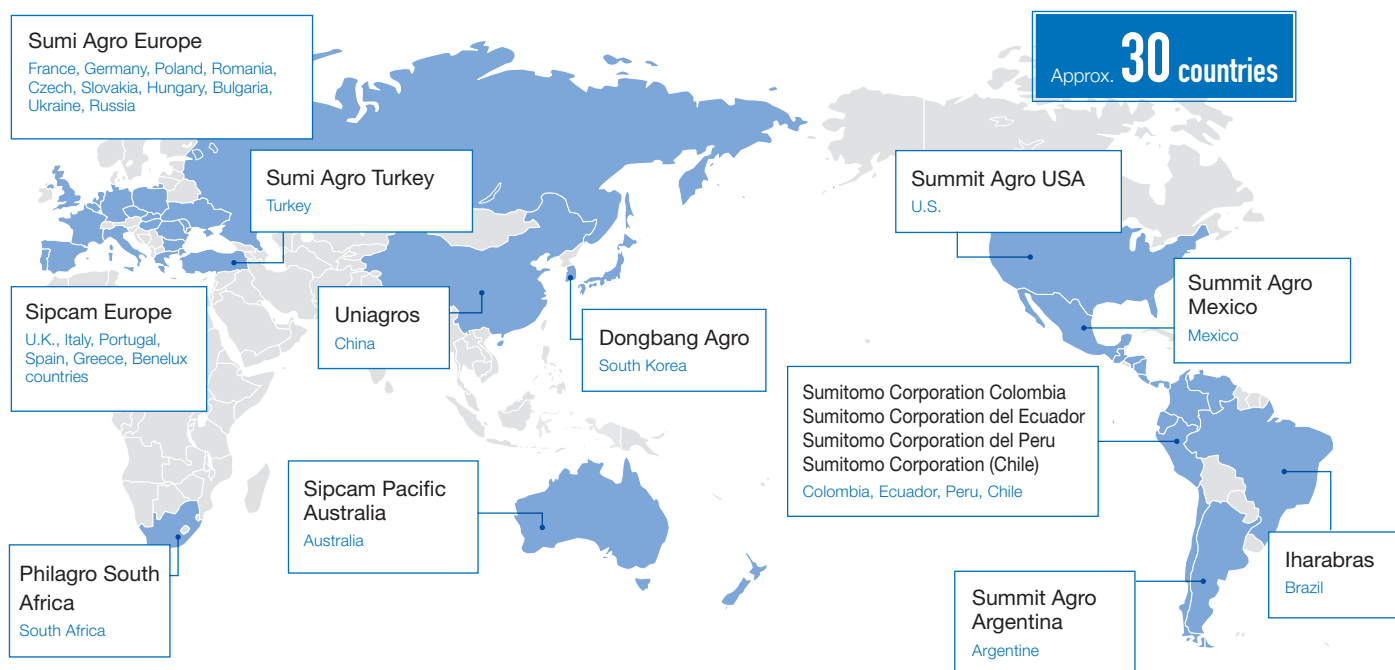
◀ Romania's vast agricultural land stretching out into the horizon

agriculture conditions are different in each country, we are also working to tailor our operations to meet the needs of local customers. This includes promoting human resource localization, and drawing on our know-how in areas such as credit, inventory, and foreign exchange management. Our

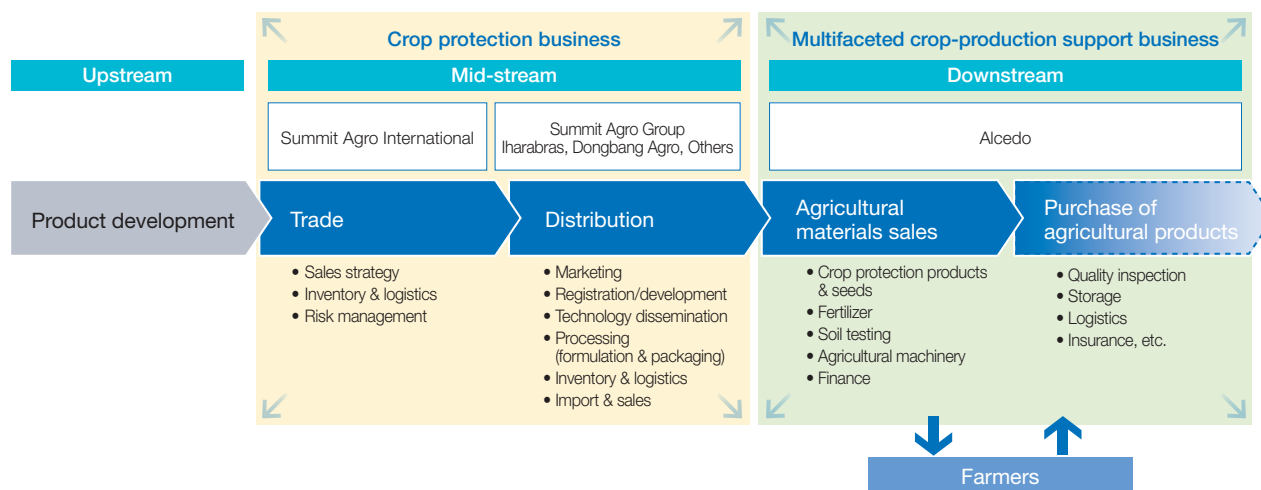
initiatives have earned us a solid reputation and trust from our customers and suppliers. By staying in tune with the changing times and landscape in this way, we have built a stable business model at each stage in the value chain.

In addition to such worldwide activities supporting the product development and sales of manufacturers near the upstream, and midstream operations in crop protection product import and wholesaling (distribution), Sumitomo Corporation is focusing on developing a multifaceted crop-production support business rooted in direct transactions with downstream farmers. We will use our relationships of trust built on crop protection product sales, forging partnerships with leading wholesalers in various countries to serve as a one-stop shop for everything farmers need—from crop protection products to seeds, fertilizers, agricultural machinery, and soil tests. In doing this, we hope to contribute to resolution of global food issues.

Crop Protection Product Global Distribution Network



Crop Protection Business Value Chain

Helping Increase Romania's
Crop Production

In 2011, we acquired the Romanian agricultural materials distributor Alcedo S.R.L. and launched our multifaceted crop-production support business encompassing direct transactions with farmers. Romania is an agricultural country with fertile grain-producing regions where cultivation of crops, including wheat, corn, sunflower, and rapeseed, is abundant. At about 14 million hectares, Romania's farmland area is the sixth largest among 27 EU nations and roughly three times that of Japan. However, the country's crop yield per hectare is extremely low at one third that of France where the food self-sufficiency rate is 121%. Romania is behind in the efficient use of agricultural land, chiefly due to low use of crop protection products

and other agricultural materials. Established in 1990, Alcedo is the largest comprehensive agricultural materials sales company in Romania. Targeting a universe of medium-sized farmers (including farming companies) throughout Romania, it serves 3,500 customers (farms), or about one third of that universe. Along with agronomists (sales staff with a knowledge of crop production technology) nationwide and meticulous distribution service extending from crop protection products to seeds and fertilizers, the company provides technical services such as soil tests to improve soil quality. Moreover, Alcedo's group companies have crop protection production sites and grain silos that help make it a one-stop provider of a wide range of services, from supplying farmers with agricultural materials to buying their crops.



▲ Romania has many small farms and machinery use has been slow to gain ground, with new farming equipment sometimes used together with antiquated machinery from the 1970s.



▲ Alcedo's open and efficient office atmosphere with the president and employees seated side by side

This has earned Alcedo the trust of farmers and top market share among Romania's agricultural materials sellers.

Subsequent to participation in its management, Sumitomo Corporation has been working to fortify Alcedo's strength so far in agricultural materials sales as well as bolster services such as financing for farmers and the purchasing of their crops.

Our first step was to raise Alcedo's creditworthiness through equity participation, strengthening its ability to obtain financing and deliver products. We established a scheme where Alcedo supplies farmers with the seeds and fertilizer they need for the planting season, and then collects payment after crops are harvested. We are also adding depth to finance functions including by enabling deferred payment for tractors and other farming machinery.

In addition, Alcedo's group companies have silos to store corn, sunflower, and other seeds sold to farmers, and grains purchased from farmers. Alcedo is planning to build even more silos to increase storage capacity for grains bought from farmers from 8,000 tons to 50,000 tons. By expanding the framework for buying crops from farmers, and supplying more agricultural materials such as crop protection products and fertilizer in line with increased purchase volume, Alcedo is contributing to higher agricultural productivity. This system facilitates closer interaction with farmers from the start of grain production through harvest, generating a virtuous cycle where consultations regarding issues like poor growth and low crop yield tie to growth in sales of crop protection products and fertilizers meeting the individual needs of some 3,500 farms.

Greater involvement with farmers, from production through harvest, enables Alcedo to grasp crop protection products and fertilizer use history. Leveraging the traceability that this ensures, we have begun taking steps toward grain export. Growing interest in food safety and security in Japan and other developed nations has come with rising demand for traceable food. Sumitomo Corporation exported Romanian rapeseed to Japan on a trial basis in 2011, in rising to the challenge of diversifying sources of such safe food in Japan.


In this way, Sumitomo Corporation and Alcedo aim to increase agricultural productivity by always standing in the shoes of farmers to offer them even more sophisticated comprehensive services. While steadily working toward solutions for agricultural development in Romania, we are also looking to help establish Romania as a grain supply hub in the future by strengthening our functions in purchasing crops and executing bulk sales to major grain companies and others.

Contribution to Solutions for Global Issues and Increasing Our Presence

Our initiatives in Romania have given us an understanding of tasks for agricultural development and latent demand from farmers, while keeping us in touch with agricultural issues from the government to the individual farmer level. Moving ahead, we will leverage this knowledge to expand our multifaceted crop-production support business, and extend operations to other emerging agricultural countries with scope for increasing the yield per farmland.

In managing Alcedo, we aim to better understand the needs of the countries we serve and realize sustainable community-oriented operations. Local human resources have filled the top management spots from the very start when we acquired the firm. We believe this is vital in order to truly contribute to the community. We will continue to expand our business globally in keeping with various countries' agricultural circumstances, while taking on the challenge of helping find solutions to worldwide food problems.



 Alcedo's grain silos