Message from the President: To Our Stakeholders

We Will Achieve Our Goals

Sumitomo Corporation is laying a solid foundation for continued growth as the centennial of its foundation in 2019 approaches, to ensure stable and continuous growth for the Group for another 50 years, 100 years, and in perpetuity.

Kuniharu Nakamura, President and CEO
Aiming for Stable and Continuous Growth

“We will think outside the box to create completely new business models and achieve stable and continuous growth.”

Looking at prospects for global conditions over the longer term, the world’s population is projected to increase, driven by emerging countries in Asia and Africa. This is likely to spur rapid growth in demand for resources such as energy, food and water. In Asia, economic development will boost the wages of low-income workers, lifting many into the middle class and driving sustained expansion in emerging markets. As a result, emerging countries will account for a larger share of the global economy, leading to major changes in the global economic environment.

Business models of integrated trading companies have changed drastically over the last 20 years, but in order to continue delivering stable and continuous growth under those conditions, trading companies will need to think outside the box to create completely new business models that anticipate long-term developments in global conditions and the operating environment.

Sumitomo Corporation will celebrate its centennial anniversary in fiscal 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.” By realizing this vision, we aim to lay a solid foundation for stable, continuous growth over the next 50 years, 100 years, and beyond following this centennial.

What We Aim to Be in 2019, Our Centennial Year

- 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

* Consolidated net income in this report is the same as IFRS profit for the year attributable to owners of the parent.
We will build a foundation to achieve the even higher level of profit growth envisioned in “What We Aim to Be.”

Under our current medium-term management plan, Be the Best, Be the One 2014 (BBBO2014), we have positioned fiscal 2013 and fiscal 2014 as a two-year period to build an operating base that will support even stronger profit growth in order to realize our vision of “What We Aim to Be.” Specifically, we are working to thoroughly enhance the Group’s earning power by “stimulating the metabolism of our business portfolio from a medium-to-long-term perspective” and by “pursuing and combining our strengths and capabilities.”

To stimulate the metabolism of our business portfolio from a medium-to-long-term perspective, Sumitomo Corporation will concentrate corporate resources on

- Making the existing earnings pillars even more robust,
- Undertaking efforts to foster and develop new pillars of earnings for the future, and
- Achieving greater value of existing investment projects in order to strengthen our earning power.

At the same time, in order to secure the necessary corporate resources for the Group, we will carry out reductions and divestitures of businesses that show little potential for profit or growth, and sell or reduce assets on an ongoing basis through strategic partnerships.

“Pursuing and combining our strengths and capabilities” has two key elements. We are actively pursuing the Group’s existing strengths and capabilities, while also combining them inside and outside the Group in order to make the most of our integrated strengths.

Specific initiatives include positioning unconventional energy-related business fields as a strategic industrial focus for development by the entire Group, with cross-company working groups formulating strategies and business models and implementing new projects.

The Sumitomo Group has already been involved in a range of unconventional energy-related businesses. In 2009, we became the first Asian company to join a shale gas development project, and our tubular products business, which handles oil country tubular goods (OCTG) and line pipes, is an active participant in various business ventures in the unconventional energy-related field. In this field, we see a growing number of other business opportunities in areas such as water treatment and construction equipment rental. We plan to leverage our expertise accumulated so far to tap into those opportunities and to create new businesses.
Interim Evaluation of Fiscal 2013 after a Year of BBBO2014

“We have steadily enhanced our earning power as envisioned in “What We Aim to Be.””

In fiscal 2013, the first year of BBBO2014, we reported consolidated net income of ¥223.1 billion, lower than our initial forecast of ¥240.0 billion. Non-resource businesses such as metal products and transportation & construction systems were firm, but resource businesses were hit by falling prices and we booked an impairment loss on our Australian coal mining project toward March 31, 2014, which were the main factors behind the shortfall in net income.

Also, some investments, including major resource development investments, are taking longer to become profitable than we initially projected. Enhancing the value of these investments will be a key issue going forward.

Basic profit, which strips out impairment losses and other extraordinary items to show the Group’s underlying earning power, rose to ¥245.0 billion, exceeding our initial forecast on the back of growth in non-resource businesses. This illustrates the steady progress we have made in enhancing our earning power, which is part of our vision of “What We Aim to Be.”

Non-resource businesses reported basic profit of ¥208.4 billion, supported by solid growth among our earnings pillars. This reflected a shift in corporate resources to those earnings pillars and the results of initiatives that we are implementing with strategic partners.

In fiscal 2013, investments and loans totaled ¥290.0 billion, compared with our two-year target of ¥750.0 billion. We focused our resources on the primary fields and on the area of strategic industrial and regional focus.

We also divested and reduced ¥250.0 billion in assets compared with our two-year target of ¥770.0 billion, making steady progress with our policy of “stimulating the metabolism of our business portfolio.”
Initiatives in Fiscal 2014, the Second Year of BBBO2014 for the Realization of “What We Aim to Be”

“We will step up efforts to “stimulate the metabolism of our business portfolio.””

Sumitomo Corporation will target ¥250.0 billion in consolidated net income for fiscal 2014, the second year of BBBO2014.

In resource businesses, we expect operating conditions to remain challenging amid low prices. However, in non-resource businesses, we forecast profit growth in operations that have become earnings pillars, and business investments in recent years are likely to start contributing to profits.

In fiscal 2014, we will step up efforts to “stimulate the metabolism of our business portfolio from a medium-to-long-term perspective.” By achieving our targets, we will work toward creating solid foundations to realize our vision for “What We Aim to Be.”

In November 2013, as part of efforts to make existing earnings pillars even more robust, the tubular products business acquired the Edgen Group, a global distributor of metal and tubular products for the energy industry. In fiscal 2014, we plan to strengthen earning power further by generating synergies between our tubular products value chain—one of the Group’s strengths—and the Edgen Group. In the automotive business, we plan to ramp up production at our finished vehicle manufacturing joint venture with Mazda in Mexico and expand our automotive components business to grow the earnings base.
Shareholder Returns

“Our aim is to increase dividends per share through medium to long-term profit growth.”

Our basic policy is to improve shareholder returns by balancing increases in corporate value with improvements to dividend payments.

The Sumitomo Group has access to numerous investment opportunities worldwide. In order to realize our vision for “What We Aim to Be,” we will steadily implement our plan for new investment and loans in BBBO2014 to drive profit growth over the longer term with the aim of increasing dividends per share.

Based on our targets in BBBO2014, we are targeting a consolidated dividend payout ratio of 25%, taking into account relevant factors such as the economic environment and our investment plans. We therefore expect to pay dividends per share of ¥50 in fiscal 2014 if consolidated net income reaches the planned level of ¥250.0 billion.
Corporate Social Responsibility (CSR)

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

One of the credos of Sumitomo’s Business Philosophy, passed down for 400 years, says: “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 business, but also society and the nation. The idea behind this credo represents the essence of corporate social responsibility (CSR), and has been carried on in Sumitomo Corporation Group’s Corporate Mission Statement, which includes “We aim to constantly stay a step ahead in dealing with change, create new value, and contribute 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. That is, our CSR activities are planned and implemented as business strategies after considering what we should do and how we should do it as a corporation to help solve social issues through our business activities.

The Sumitomo Corporation Group, with its presence in a large range of industries in countries and regions around the world, is working to obtain an accurate understanding of social issues and identify new needs through dialogue with stakeholders. Using this information, we can offer proposals to resolve those issues by bringing together our unique strengths and capabilities. In other words, we have the power to create value nobody else can match by playing a useful role in society. By leveraging that power to the full extent, we can help lift the living standards of people in the countries and regions where we do business and contribute to economic, industrial and social development, while also boosting earnings and expanding our business activities based on relationships of mutual trust. This is the positive business cycle I want to create.

In March 2009, the Sumitomo Corporation Group signed the UN Global Compact and declared its support for the 10 principles on human rights, labor standards, environment, and anti-corruption. Each employee of the Group will continue to respect these 10 principles, which share the same values as our Corporate Mission Statement, and adhere to our spirit and a strong sense of ethics, to be recognized by society as meeting and exceeding the high expectations directed toward us.

Development of Human Resources for the Sumitomo Corporation Group to Grow

Human resources are an important corporate resource that we must develop to underpin our growth.

Human resources are one of the most important corporate resources for integrated trading companies. We recognize that we have to nurture our workforce to support the Group’s sustained growth.

We see a growing number of business opportunities in emerging countries in Asia and
A Company Able to Grow over the Next 50 and 100 years

Sumitomo’s Business Philosophy is a key strength we must pass down, stick to and practice to ensure stable and continuous growth.

Sumitomo’s Business Philosophy provides a good reference point for the management approach we need to follow if we want to deliver stable and continuous growth over the next 50 or 100 years.

The Sumitomo group has been in existence for 400 years. Throughout that time, members of the group have inherited the principles of Sumitomo’s Business Philosophy, firmly committed to them and put them into practice in their business activities. This has helped Sumitomo remain relevant to society for so long.

I believe those principles are one of the Sumitomo Corporation Group’s key strengths. Every one of our employees puts Sumitomo’s Business Philosophy and Sumitomo Corporation Group’s Corporate Mission Statement into practice, working with enthusiasm, hunger and persistence to realize our vision for “What We Aim to Be.” This commitment will underpin the Group’s stable and continuous growth into the future.

In the near term, it will be extremely important to implement the initiatives under BBBO2014.

In fiscal 2014, the final year of BBBO2014, we will step up efforts to thoroughly enhance our earning power, with the whole Group working together to build a solid earnings base that helps us realize our vision for “What We Aim to Be.”

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

Africa. To develop our business in those countries, we need talented human resources who can communicate with local people from their perspective, regardless of race, gender, age or nationality, in order to identify needs specific to those countries and regions. This information will help our Company build new business models tailored to each market.

At the same time, it is vital that we cultivate human resources that understand Sumitomo’s Business Philosophy and are fully committed to supporting the development of local communities and raising living standards through our business activities. Those are the type of human resources we will focus on nurturing.
Progress in BBB02014

Consolidated Net Income and Basic Profit

[Consolidated Net Income]
Consolidated net income in fiscal 2013 was ¥223.1 billion, lower than an initially forecast ¥240.0 billion.

This was mainly due to a ¥27.7 billion impairment loss posted on a coal mining project in Australia. As resource prices are expected to remain lackluster, the forecast for consolidated net income in fiscal 2014 was revised to ¥250.0 billion, from ¥270.0 billion initially.

[Basic Profit]
Basic profit increased by ¥28.6 billion to ¥245.0 billion in fiscal 2013. In particular, basic profit on non-resource businesses reached ¥208.4 billion as a result of steady growth of the earnings pillars.

Consolidated Net Income by Segment

Investment & Loan and Asset Divestiture & Reduction

Investment & Loan Plan and Results

<table>
<thead>
<tr>
<th>(Billions of Yen)</th>
<th>Plan under BBB02014 (Two years)</th>
<th>Fiscal 2013 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment &amp; Loan</strong></td>
<td>750.0</td>
<td>290.0</td>
</tr>
<tr>
<td><strong>Asset Divestiture &amp; Reduction</strong></td>
<td>-770.0</td>
<td>-250.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(Billions of Yen)</th>
<th>Investment &amp; Loan Plan (Two years)</th>
<th>Fiscal 2013 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Metal Products</strong></td>
<td>80.0</td>
<td>58.0</td>
</tr>
<tr>
<td><strong>Transportation &amp; Construction Systems</strong></td>
<td>160.0</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Environment &amp; Infrastructure</strong></td>
<td>90.0</td>
<td>33.0</td>
</tr>
<tr>
<td><strong>Media, Network, Lifestyle Related Goods &amp; Services</strong></td>
<td>130.0</td>
<td>56.0</td>
</tr>
<tr>
<td><strong>Mineral Resources, Energy, Chemical &amp; Electronics</strong></td>
<td>190.0</td>
<td>115.0</td>
</tr>
<tr>
<td><strong>Strategic Industrial/Regional Focus</strong></td>
<td>100.0</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>750.0</td>
<td>290.0</td>
</tr>
</tbody>
</table>

*The amounts include domestic and overseas segments.
*Investments of strategic industrial/regional focus are scheduled for allocation to each segment.
Major Initiatives in Fiscal 2013

Enhance Earnings Pillars (Including Primary Fields)

**Metal Products**
- Deepen and enhance the tubular products value chain
  - Acquisition of Edgen Group Inc.

**Transportation & Construction Systems**
- Expand the earnings base of the automotive business
  - Launch of the vehicle assembly operation with Mazda in Mexico
  - Expansion of production capacity at KIRIU factories in Mexico and Thailand
- Enhance and expand aircraft-related leasing businesses
  - Increase in aircraft lease assets
  - Participation in the engine leasing business

**Environment & Infrastructure**
- Enhance and expand the overseas power infrastructure business and overseas renewable energy power generation business
  - Participation in the Az-Zour North Independent Water and Power Producer (IWPP) project in Kuwait
  - Participation in offshore wind farm projects off the coast of Belgium

**Media, Network, Lifestyle Related Goods & Services**
- Expand the CATV business earnings base
  - Establishment of dominant market share by integrating J:COM and JON
- Strengthen the domestic real estate business earnings base
  - Participate in real estate developments such as the urban mixed-use development Ginza 6-chome District project

Improve Value of Existing Investments

**Nickel project in Madagascar (Ambatovy)**
- Achieve steady production ramp-up
  - Start of commercial production in January 2014
  - Steady production ramp-up toward financial completion in January-March 2015

Develop Future Earnings Pillars (Including Areas of Strategic Industrial/Regional Focus)

**Metal Products**
- Enhance the value chain of aluminum from upstream (smelting) to midstream (distribution)
  - Participation in expansion of an aluminum smelting operation in Malaysia
- Expand the earnings base of the motor core manufacturing and sales business in Germany
  - Implementation of a growth strategy of one of the largest motor core manufacturing and sales companies in Europe we acquired in fiscal 2012 with the aim of becoming the best in the world

**Media, Network, Lifestyle Related Goods & Services**
- Launch real estate funds focused on logistics facilities
- Enhance and expand the overseas real estate business
  - Participation in the logistics property business where demand is expected to increase
  - Acquisition of office buildings and other properties in the U.S.

**Unconventional Energy-related Fields**
- Enter comprehensive alliance agreement with U.S. gas research institute Gas Technology Institute (GTI)
  - Pursuit of business opportunities for the Group by assisting the advancement of Japanese companies in shale-related industries

**Retail Business in Asia**
- Expand the TV shopping business overseas
  - Broadcast launch of TV shopping business (Jupiter Shop Channel) in Thailand

**Food Business**
- Expand the earnings base of the sugar business
  - Investment in a major sugar production and sales company in Thailand with the aim of expanding business in Southeast Asia

**Myanmar**
- Pursue business opportunities with a strategic regional focus
  - Participation in a large industrial park development project in the Thilawa Special Economic Zone
  - Intake of order to develop communications infrastructure
  - Establishment of Hino Motors service stations

Shift Corporate and Human Resources

- Reduce assets through strategic alliance
- Reduce and divest businesses with little potential for profit or growth
- Replacement of domestic real estate
  - Sale of office buildings and retail facilities to promote asset replacement with highly profitable assets

Partial divestiture of water supply & distribution business in the U.K.
- Sale of a 50% equity stake to Osaka Gas Co., Ltd.
- Further reinforcement of the business base by integrating the customer service, operation and management expertise of Osaka Gas developed in the public utility business with our knowledge and experience in water and sewage treatment business.
Financial Highlights
For the years ended March 31

We have prepared consolidated financial statements in accordance with U.S. GAAP for 2010 or earlier and International Financial Reporting Standards ("IFRSs") for 2011 or later.

<table>
<thead>
<tr>
<th>Results of operations:</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit</td>
<td>¥ 501.3</td>
<td>¥ 563.1</td>
<td>¥ 706.6</td>
<td>¥ 857.7</td>
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<tr>
<td>Financial income (expense)</td>
<td>0.6</td>
<td>(2.3)</td>
<td>(9.5)</td>
<td>(23.0)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(6.4)</td>
<td>(8.6)</td>
<td>(20.0)</td>
<td>(37.1)</td>
</tr>
<tr>
<td>Dividends</td>
<td>6.9</td>
<td>6.4</td>
<td>10.4</td>
<td>14.1</td>
</tr>
<tr>
<td>Share of profit of investments accounted for using the equity method*</td>
<td>20.7</td>
<td>37.4</td>
<td>51.4</td>
<td>70.3</td>
</tr>
<tr>
<td>Profit for the year attributable to owners of the parent*</td>
<td>¥ 66.6</td>
<td>¥ 85.1</td>
<td>¥ 160.2</td>
<td>¥ 211.0</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial position at year end:</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>5,012.5</td>
<td>5,533.1</td>
<td>6,711.9</td>
<td>8,430.5</td>
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<tr>
<td>Equity attributable to owners of the parent*</td>
<td>730.8</td>
<td>934.9</td>
<td>1,304.0</td>
<td>1,473.1</td>
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<tr>
<td>Interest-bearing liabilities (net)*</td>
<td>2,377.6</td>
<td>2,376.0</td>
<td>2,622.2</td>
<td>2,913.3</td>
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<table>
<thead>
<tr>
<th>Cash flows*2:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash from operating activities</td>
<td>61.8</td>
<td>(19.4)</td>
<td>(60.8)</td>
<td>194.3</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>57.9</td>
<td>(52.7)</td>
<td>(137.9)</td>
<td>(449.7)</td>
</tr>
<tr>
<td>Free cash flows</td>
<td>119.7</td>
<td>(72.0)</td>
<td>(198.7)</td>
<td>(261.5)</td>
</tr>
<tr>
<td>Net cash from (used in) financing activities</td>
<td>(23.6)</td>
<td>111.2</td>
<td>256.7</td>
<td>169.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts per share:</th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Profit for the year attributable to owners of the parent*:</td>
<td>¥ 62.66</td>
<td>¥ 72.83</td>
<td>¥ 130.18</td>
<td>¥ 169.93</td>
</tr>
<tr>
<td>Basic</td>
<td>61.31</td>
<td>72.82</td>
<td>130.18</td>
<td>169.93</td>
</tr>
<tr>
<td>Diluted</td>
<td>686.99</td>
<td>776.61</td>
<td>1,047.88</td>
<td>1,192.35</td>
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<tr>
<td>Equity attributable to owners of the parent*</td>
<td>8.00</td>
<td>11.00</td>
<td>25.00</td>
<td>33.00</td>
</tr>
<tr>
<td>Cash dividends declared for the year*3</td>
<td>8.00</td>
<td>11.00</td>
<td>25.00</td>
<td>33.00</td>
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</table>

<table>
<thead>
<tr>
<th>Ratios:</th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Equity attributable to owners of the parent ratio (%)*</td>
<td>14.6</td>
<td>16.9</td>
<td>19.4</td>
<td>17.5</td>
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<tr>
<td>ROE (%)</td>
<td>9.9</td>
<td>10.2</td>
<td>14.3</td>
<td>15.2</td>
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<tr>
<td>ROA (%)</td>
<td>1.4</td>
<td>1.6</td>
<td>2.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Debt-Equity Ratio (net) (times)</td>
<td>3.3</td>
<td>2.5</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

For reference:
Total trading transactions*4, 5 ¥9,197.9 ¥9,898.6 ¥10,336.3 ¥10,528.3
Basic profit*6 ¥66.8 ¥110.0 ¥158.3 ¥202.9

Profit and basic profit

Total assets and ROA

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For the years ended March 31

We have prepared consolidated financial statements in accordance with U.S. GAAP for 2010 or earlier and International Financial Reporting Standards ("IFRSs") for 2011 or later.
For reference:

Ratios:

Amounts per share:

Cash flows

Financial position at year end:

Results of operations:

Net cash from operating activities

Basic profit*

ROA (%)

9.9 10.2 14.3

Cash dividends declared for the year* 3 8.00 11.00

686.99 776.61 1,047.88 1,192.35

Equity attributable to owners of the parent*

(23.6)

(119.7) (72.0) (198.7) (255.5)

Net cash used in investing activities

730.8

Equity attributable to owners of the parent*

66.6 85.1 160.2

Profit for the year attributable to owners of the parent*

(20.7) 37.4 51.4 70.3

equity method*

Financial income (expense) 0.6

256.7 169.7

Dividends

Interest expense, net (6.4) (8.6)

62.66 72.83

Basic

¥ 62.66 ¥ 72.83

19.4 17.5

Sumitomo Corporation

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15.3 14.6 16.1 15.1 10.6

38.00 34.00 24.00 36.00 50.00 46.00

\%)

178.46

1,927.37

47.00

27.7

10.0

2.7

1.3

¥ 8,146.2

245.0
Management Base that Supports Earning Power

Maintain Financial Soundness and Strengthen Management Abilities on Business Investment

We have long adopted the basic policies of maintaining and strengthening a diversified business portfolio, and keeping a balance between risk-adjusted assets and the risk buffer. As we head toward fiscal 2019, we envision an even higher level of profit growth. BBBO2014 is guiding our efforts to reach this goal by thoroughly enhancing our earning power. As a measure to strengthen the management base that supports our earning power, we are working to maintain financial soundness and strengthen management abilities on business investment.

 Maintain Financial Soundness

In recent years, a tumultuous financial environment has become the rule rather than the exception, as evidenced by the financial crisis precipitated by the Lehman Brothers bankruptcy, the European debt crisis and other events. Consequently, financial institutions are facing an increasingly strict regulatory environment. In this financial landscape, it is imperative that we control our balance sheet so that it is not overly reliant on interest-bearing liabilities.

Two measures will be vital to maintaining a sound financial structure that does not depend too much on interest-bearing liabilities, and achieving an even higher level of profit growth. First, we must enhance our earnings base by improving asset efficiency. Second, we must secure the financial capacity for investment by improving our capacity to generate cash.

1. Enhance the Earnings Base (Stimulate the Metabolism of our Business Portfolio)

Under BBBO2014, we are working to stimulate the metabolism of our business portfolio from a medium-to-long term perspective in order to thoroughly enhance our earning power. This will entail making effective use of limited corporate resources in conjunction with adding ROA to our quantitative targets.

We will continue to replace assets in our portfolio by shifting from businesses that show little potential for profit or growth to businesses which we have strengths in and that are to remain our earnings pillars in the future, and businesses that have prospects for growth over the medium to long term and that are to be fostered and developed as our new earnings pillars in the future. At the same time, we will steadily raise the value of the projects we have invested in.

In certain cases, we may expect to drive higher growth by harnessing the knowledge and expertise of other companies, rather than conducting businesses independently. Here, we will expand our business by forming alliances with strategic partners, while properly managing the balance sheet.
fiscal 2013, we joined forces with Osaka Gas Co., Ltd. by selling half of our shares in a wholly owned U.K. water supply company to this new partner. Through its public utility business, Osaka Gas has developed expertise in areas such as customer service, and operation and maintenance. By integrating this expertise with our experience in the water and sewage treatment business, we are striving to further enhance our business base.

2. Secure the Financial Capacity for Investment

Under BBBO2014, we have begun monitoring basic profit cash flow* in order to improve our capacity to generate cash. Through this process, we are pushing ahead with recovering earnings through cash. We will also continue working to collect cash by realizing the value of certain assets, and by divesting businesses with low profitability or low prospects for growth. In the process, we will secure the financial capacity for investment as we continue to invest in growth.

As a result of such endeavors to maintain financial soundness by enhancing our earnings base and securing the financial capacity for investment, our net debt-equity ratio (DER) was reduced to 1.3 and the shareholders’ equity ratio stood at 27.7% as of March 31, 2014.

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* Basic profit cash flow = Basic profit – Share of profit of investments accounted for using the equity method + Dividends from associated companies
**Strengthen Management Abilities on Business Investment**

We have made business investments in many different fields. Our investments include those that require substantial sums of investment and those that are exposed to a relatively high degree of risk, notably investments in the manufacturing sector and resource and energy interests. Strengthening our business investment management abilities is a crucial priority for ensuring that we raise the value of these investments and have them contribute to earnings.

Under BBBO2014, we have reinforced our system to ensure that Business Units and Corporate Group collaborate and follow up on large business investments, in addition to implementing pre-existing investment risk management* approaches. We form project teams for each project and have a system in place to provide integrated support ranging from the stages of studying the feasibility of the investments.

**Pre-existing Measures**

Maintain and Strengthen a Diversified Business Portfolio

Assets that are concentrated in a specific field or region are exposed to the risk of tremendous loss that could be incurred due to changes in the business environment or the materialization of country risk in the host country of an investment project.

While working to efficiently allocate limited corporate resources, we believe that avoiding any over-concentration of business portfolio assets is crucial to ensuring the stability of our business. Guided by this belief, we have been working to build a diversified portfolio in the course of expanding businesses in many different fields and regions. In terms of business fields, we have been bolstering non-resources fields in a well-balanced manner without overly relying on profits from resource fields, and by region, we have been maintaining balanced earnings streams from Japan, developed countries and emerging countries, thereby building a diverse earnings structure.

Under BBBO2014, there has been no change to this policy. We will continue to maintain a diversified business portfolio as we strive to expand our earnings base.

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*Please refer to page 63 for details on Risk Management

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<Diagram showing Basic Profit by Field and Basic Profit by Region for FY2012 and FY2013>
potential investments to launching businesses after investments have been executed. We also have a system in place where the Loan and Investment Committee takes the lead in intensively monitoring and exploring the necessary countermeasures with respect to projects that need to be addressed in some way or another, due to changes in the operating environment and other factors.

Considering our experience with business investments in the past, we are also systematically organizing a range of issues and solutions across the entire process related to business investment, in an effort to enhance the quality of the overall business investment process and enhance investment performance throughout the Company.

Keep a Balance between Risk-adjusted Assets and the Risk Buffer

We introduced risk-adjusted return management* as a fundamental principle of management in 1998. Guided by this principle, we strive to keep a balance between risk-adjusted assets which are our maximum possible loss and the risk buffer which is our shareholders’ equity. This principle means that even if all potential risks were to actually occur at once, shareholders’ equity would be able to absorb the losses and keep the Company in business.

Our risk-adjusted assets have been on an upward trend, reflecting the increasing innovation of our business models, as exemplified by our participation in resource and energy development projects and the manufacturing sector. We have been properly controlling the level of risk-adjusted assets along with increasing our risk buffer by accumulating profit for the year. As a result, we have kept a balance between risk-adjusted assets and our risk buffer.

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*Please refer to page 65 for details on Risk-adjusted Return Management
Feature: Thorough Enhancement of Our Earning Power

Expansion in Scope of the Automotive Industry to Enhance an Earnings Pillar

The Sumitomo Corporation Group is working to thoroughly enhance earning power through its current medium-term management plan, “Be the Best, Be the One 2014.” In this section, we highlight the steps we are taking to drive growth in the automotive business, one of the Group’s earnings pillars.

01 Forecast Expansion in the Global Automotive Industry

A Continuously Growing Global Automobile Market
The global automobile market is projected to continue expanding.

In emerging countries centered on Asia, demand is set to rise sharply on the back of population growth and rising incomes, while demand in advanced countries is likely to remain stable, supported mainly by replacement demand.

Global vehicle sales are projected to rise from around 85 million vehicles in 2013 to roughly 140 million in 2030, driven by growing demand in emerging countries. At the same time, the center of the automobile market is poised to shift from advanced countries to emerging countries, which will account for an estimated 70% of global sales.

Optimized Local Manufacturing in the Automotive Industry
As transport in emerging countries shifts to the automobile, consumers in those markets will mainly want low-priced models that also have generous equipment levels. That means automakers will need to reduce costs and boost efficiency even further to generate profits, not just increase output to satisfy growing demand.

Japanese automakers in particular need to make improvements to their operating structures, which are overly dependent on domestic production, making them vulnerable to fluctuations in exchange rates. Some companies have already made progress with building an optimum manufacturing framework by shifting production to low-cost locations close to consumer markets.

Automobile Production Volume by Region (2013)
Automakers are increasingly choosing Thailand that has growing clusters of auto parts makers as a base to supply other markets in Asia; and Mexico and other countries that have free trade agreements (FTA) and economic partnership agreements (EPA) with a large number of partner nations and offer significant benefits for automakers exporting to the U.S. and Europe.

**Track Record of Growth to Sumitomo Corporation’s Automotive Business**

**Business Model Evolution**

Sumitomo Corporation’s automotive business has been operating for around 60 years, starting out in the 1950s as an exporter of buses to Myanmar. Through its vehicle trading operations, which were the starting point for the business, the automotive business has had access to market information in Japan and overseas and been able to identify automaker needs early on. As a result, we have been able to respond to changes in the business environment while operating a wide range of businesses in the automotive sector, from upstream areas (manufacturing businesses) through to downstream areas (automotive leasing and retail financing businesses).

In upstream areas, our role in trading automotive manufacturing equipment and materials and automotive components, including with European, U.S. and other automakers, opened up more business opportunities in areas related to vehicle manufacturing when Japanese automakers began actively shifting production overseas from the 1980s. This led to our direct involvement in manufacturing operations in support of automakers’ manufacturing activities. Today, our automotive business stands out for its extensive involvement in manufacturing, operating numerous sites around the world from parts manufacturing right through to vehicle assembly.

In midstream areas, we moved into the vehicle distribution market through the establishment of a joint-venture sales company in the U.S. with an automaker in the 1970s, aiming to provide support to Japanese automakers that wanted to develop overseas markets. These vehicle distribution operations, which include vehicle trading, remain an important earnings pillar of the automotive business.

In downstream areas, we have built a presence in auto sales financing as part of efforts to build closer links with consumers in our retail operations. These financing operations are focused on Thailand, Indonesia and other markets in Asia where Japanese automakers have a strong position. These operations, together with our domestic auto leasing business, launched in 1980 have become a significant earnings pillar.

**Expanding the Three Key Areas in Scope**

Responding to changes in the operating environment, we have expanded our capabilities in a wide range of areas across the automotive industry. Going forward, we plan to channel corporate resources into promising growth businesses in three key areas—manufacturing, sales and distribution, and leasing and retail financing—in order to further expand and develop the automotive business.
Feature: Thorough Enhancement of Our Earning Power
*Expansion in Scope of the Automotive Business to Enhance an Earnings Pillar*

Major Initiatives and Achievements of the Three Key Business Areas under BBBO2014

1) Manufacturing Business Area

Reinforcing overseas manufacturing operations, focusing on emerging countries, amid growing demand for cars

As automakers shifted production overseas, we have expanded production capacity at KIRIU Corporation, a specialist brake disc and drum maker that is an earnings pillar in our manufacturing operations. In response to growing demand in Asia, we boosted output in India in 2012 and in Thailand in 2013. Also, as part of ongoing efforts to expand our operations overseas, we plan to install extra capacity at the company’s site in Mexico in 2014 amid strong demand from North America.

We are taking other steps to strengthen our manufacturing framework in Mexico, including a decision in 2014 to invest in the local operations of Hiroshima Aluminum Industry Co., Ltd., which has a strong presence in large casted aluminum components such as engine parts.

In vehicle manufacturing, Mazda de Mexico Vehicle Operation (MMVO), our local joint venture with Mazda, began full-scale operations in January 2014 with start of mass production of assembled automobiles for shipment to North America. Looking ahead, we plan to increase exports to Latin America and Europe and expand the range of vehicle models that we can assemble, including Toyota’s compact models.

In Mexico, we are generating synergies across our automotive-related operations, with MMVO sourcing components from a number of our local affiliates as part of its vehicle manufacturing process. KIRIU Corporation and Hiroshima Aluminum Industry Co., Ltd. both supply MMVO with parts made at their Mexico sites, while HIROTEC MEXICO S.A. de C.V., a joint venture with HIROTEC Corporation, supplies vehicle body panels and exhaust systems. MMVO also uses steel materials supplied by our steel service center.

**Synergies Pursued Manufacturing Automobiles in Mexico**

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**Brake components**

**KIRIU MEXICANA**

SC Group 100%

Brake disks

Brake drums

**HIROTEC MEXICO**

HIROTEC Corporation 51%

SC Group 49%

Front door

Exhaust system

**Engine components & large aluminum castings**

**HAL ALUMINUM MEXICO**

Hiroshima Aluminum Industry Co., Ltd. 51%

SC Group 49%

Cylinder block upper

Cylinder block lower

**Steel Service Center (Copper sheets)**

**SERVILAMINA SUMMIT MEXICANA**

SC Group 100%

Copper slits for processing as auto parts

Cut plates for processing as auto parts

**MMVO**

Mazda 70%  SC 30%

First mass-produced vehicle (Mazda 3)

Car Assembly JV with Mazda

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**First mass-produced vehicle (Mazda 3)**
2) Sales and Distribution Business Area

Business expansion targeting growth markets such as Africa and the Middle East

In many emerging markets, vehicle sales and distribution operations are challenging due to unstable political situations and vulnerable economic conditions such as fluctuations in exchange rates and other factors. We have a presence in countries such as Turkey, the Ukraine and Nigeria, giving us extensive experience in managing country-specific business risks in overseas markets. Leveraging the knowledge, expertise and risk management capabilities we have built up through a long association with those countries, we will work to expand our vehicle sales and distribution business in emerging countries with growth potential. In 2013, we established service stations in Iraq and Myanmar to provide vehicle maintenance and repair services as part of efforts to strengthen servicing operations in tandem with vehicle sales.

Our involvement in these markets is not just about business. We also seek to contribute to their societies. Libya is one example of our approach. Since starting vehicle distribution there in 2010, we have run a human resource training program for young Libyans at our repair facilities. We will do our part to build a new Libya by offering much more than human resource training to young Libyans, who are key to the country’s future.

3) Leasing and Retail Finance Business Area

Expanding the earnings base by developing the auto leasing business overseas and diversifying the retail financing business

In the auto leasing business Sumitomo Mitsui Auto Service Co., Ltd. owns and manages a fleet of around 570,000 vehicles, making it one of the leading companies in the auto leasing sector. Faced with a mature domestic market, the company is working to strengthen its earnings base by expanding operations overseas. This company moved into the Thai market in 2003, followed by Australia in 2013. To meet auto leasing needs worldwide, we plan to extend our reach into the Asia–Pacific region and other promising overseas markets with growth potential.

In Indonesia, P.T. Oto Multiartha (OTO) and P.T. Summit Oto Finance (SOF) provide loans for cars and motorcycles, respectively, driving growth in our automotive retail financing business. Both companies have branches across Indonesia, and their extensive networks and funding abilities are supporting growth in the number of loan contracts. Automotive retail financing operations in Indonesia are now a major earnings pillar for the automotive business. Sumitomo Corporation has been involved in automotive retail financing in Indonesia since 1996, before the 1997 Asian financial crisis. The country later faced several other economic crises, but we continued to provide reliable services despite the turmoil, helping us to build strong relationships with car dealers. This remains a key strength of our business in Indonesia today. We aim to continue expanding the business by providing loans and improving services that meet the needs of consumers in the fast-growing Indonesian market.

In Closing

We forecast continued growth in the automotive industry, supported by firm demand in advanced countries and growth in new demand in emerging countries.

Supported by our detailed knowledge of the business and the trust we have gained from customers, built up over the last 60 or so years, we will work to deliver further growth in order to become one of the leading earnings pillars of the Sumitomo Corporation Group in realizing our desired image of “What We Aim to Be” in 2019.