Semiannual Results for FY2006

November 10, 2006

Motoyuki Oka
President and CEO
Sumitomo Corporation

Topics

1. Summary of Semiannual Results

Net income 102.1 billion yen
(+16% from FY2005 1st half, record high as a 1st half)

2. Outlook for FY2006

Raised net income target to 190 billion yen
(Target announced in April 2006 : 170 billion yen)

3. Dividend

Increased interim dividend to 15 yen per share
(Interim dividend in FY2005 : 11 yen)

4. AG Plan

Progress of expanding earnings base, aiming for sustained growth

1

I am Motoyuki Oka, president and CEO of Sumitomo Corporation.

Thank you very much for attending our semiannual financial results meeting today.

I will discuss four topics, namely the summary of the semiannual results, outlook for fiscal 2006, dividends, and progress of the AG Plan.

First, net income for the six-month period ended September 30, 2006 amounted to 102.1 billion yen, representing an increase of 16% from the same period of the previous year and a record high as a first half.

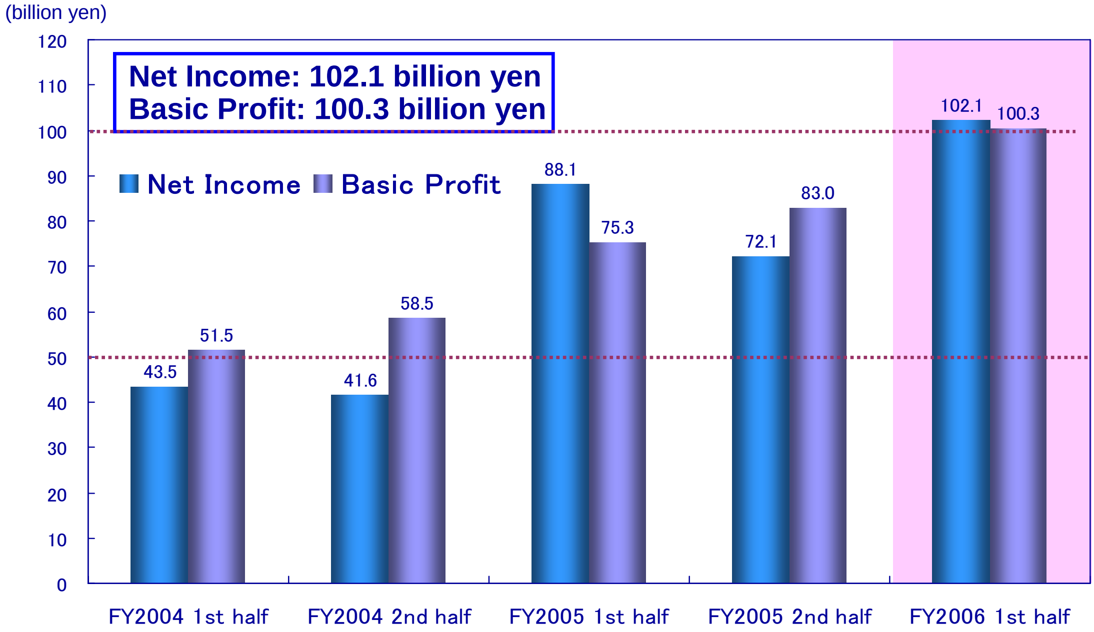
Based on this semiannual results, we raised our net income target for the full year of fiscal 2006 to 190 billion yen from the target announced in April 2006 of 170 billion yen.

Also, we will increase the interim dividend to 15 yen per share.

Regarding the progress of expanding the earnings base under the AG Plan,
I will explain this later with emphasis on our efforts in the first half.

1. Summary of Semiannual Results

Semiannual Net Income and Basic Profit



*Calculation: (Gross profit - Selling, general and administrative expenses - Interest expenses, net of interest income + Dividends) ×59% (to tale into account income taxes) + Equity in earnings of associated companies, net

2

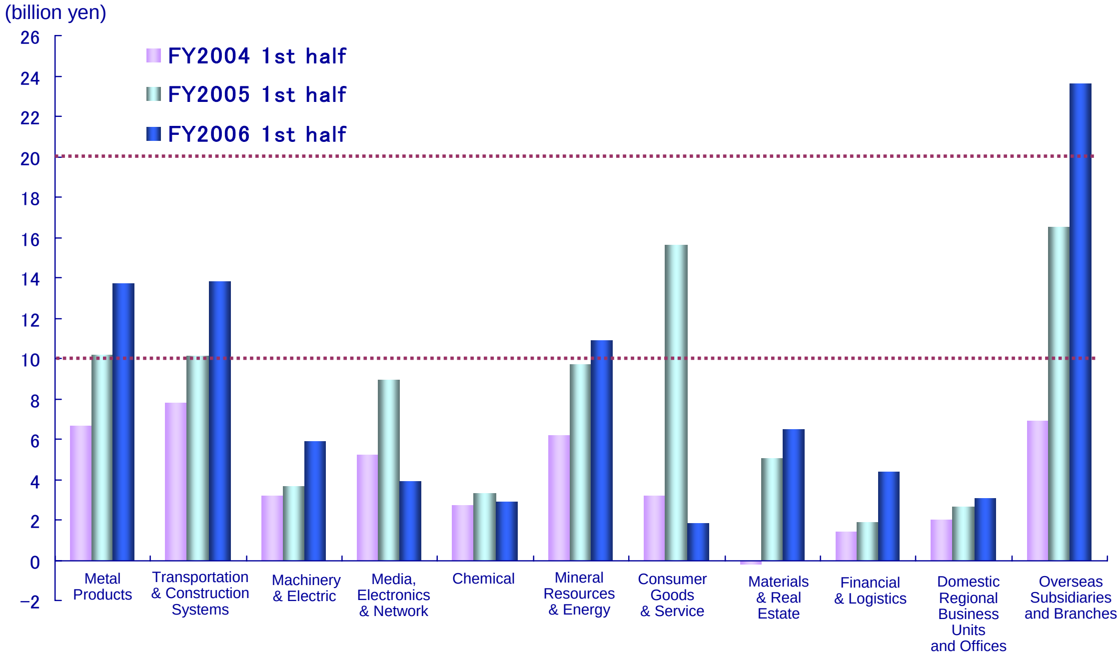
This graph shows the trends in net income and basic profit for the six-month periods since fiscal 2004.

During the first half of fiscal 2006, net income and basic profit totaled 102.1 billion yen and 100.3 billion yen, respectively, both surpassing 100 billion yen.

We evaluate that the strong performance is the result of our efforts we have undertaken under the AG Plan to expand the earnings base.

1. Summary of Semiannual Results

Semiannual Net Income by Segment



3

Next graph shows the net income by segment for the first half.

Net income increased from the same period of the previous year in eight out of 11 segments.

Of these segments, the four segments of Metal Products, Transportation & Construction Systems, Mineral Resources & Energy, and Overseas Subsidiaries and Branches showed a steady expansion in core businesses as in the previous fiscal year and contributed to companywide earnings.

Furthermore, Machinery & Electric was contributed by the IPP and IWPP business in Asia and the Middle East, and Materials & Real Estate was led by the consolidation of TBC Corporation, a leading marketer of tires in the United States, and the condominium sales business. As such, both business units posted an increase.

On the other hand, Media, Electronics & Network and Consumer Goods & Service decreased due to recording gains on sale of securities in the same period of the previous year.

1. Summary of Semiannual Results

Financial Position

(billion yen)

	As of Mar. 31, 2006	As of Sept. 30, 2006
Total assets	6,711.9	6,999.6
Total Shareholders' equity	1,304.0	1,363.6
Interest-bearing liabilities, net	2,622.2	2,665.5
Shareholders' equity ratio (%)	19.4	19.5
Debt-equity ratio, net (times)	2.0	2.0

Total assets: +290 billion yen

- Strategic Investments & loans (+140 billion yen)
- Fund to acquire shares of Sumisho Lease (+200 billion yen)

Total shareholders' equity: + 60 billion yen

- Increase in retained earnings (+86 billion yen)
- Decrease in unrealized holding gains on securities available-for-sale (-25 billion yen)

4

Next, I would like to look at the financial position.

Total assets amounted to approximately 7 trillion yen at the end of September 2006, rising about 290 billion yen from the end of March 2006.

This was attributed to an increase of approximately 140 billion yen in strategic investments and an increase of about 200 billion yen in cash and deposits as funds to acquire shares of Sumisho Lease Co., Ltd. through the tender offer.

Even though unrealized holding gains on securities available-for-sale decreased, shareholders' equity rose by approximately 60 billion yen due to increases in retained earnings.

2. Outlook for FY2006

Raised Targets for FY 2006

- ➢Steady expansion of earnings base
- ➢Strong performances in Metal Products, Transportation & Construction Systems, and Overseas segments

(billion yen)

	Targets announced in Apr. 2006		Revised targets announced in Oct. 2006
Net income	170.0	+20.0	190.0
Basic profit	182.4	+16.6	199.0
Gross profit	850.0	+10.0	860.0
Operating income	230.0	+10.0	240.0
Equity in earnings of associated companies, net	55.0	+13.0	68.0

*Calculation: (Gross profit-Selling, general and administrative expenses-Interest expenses, net of interest income + Dividends) ×59% (to take into account income taxes) + Equity in earnings of associated companies, net

5

Next, let me explain the financial targets for the full year.

Considering the progress of expanding the earnings base and the steady financial performance, we raised the net income target for the full year to 190 billion yen from 170 billion yen, the target announced in April 2006.

As in the first half, Metal Products, Transportation & Construction Systems, and Overseas Subsidiaries and Branches, which are showing strong performances in core businesses, are expected to increase profits.

2. Outlook for FY2006

Key Financial Indicators

(billion yen)	FY2005	FY2006 Outlook
Total assets	6,711.9	8,700.0
Shareholders' equity	1,304.0	1,435.0
Shareholders' equity ratio (%)	19.4	around 16.5
Interest-bearing liabilities (net)	2,622.2	3,045.0
Debt-equity ratio (net) (times)	2.0	around 2.1
ROE (%)	14.3	around 13.9
ROA (%)	2.6	around 2.5

(unit: trillion yen)

Total assets: +2 trillion yen

6.7 (as of Mar. 2006)
+ **0.6** (strategic investments, etc.)
+ **1.4** (making Sumisho Lease a subsidiary)

8.7 (as of Mar. 2007)

Excluding the effect of making Sumisho Lease a subsidiary

*** Total assets: 7.3 trillion yen**
*** Shareholders' equity ratio: 19.7%**
*** ROA: 2.7%**

6

Based on the revised targets, the outlook for key financial indicators for the fiscal year ending March 31, 2007 are as shown.

Total assets are expected to amount to around 8,700 billion yen.

Our outlook calls for an annual expansion of approximately 600 billion yen from increases in profitable assets under the AG Plan, and an increase of approximately 1,400 billion yen due to the temporary effects of making Sumisho Lease a subsidiary.

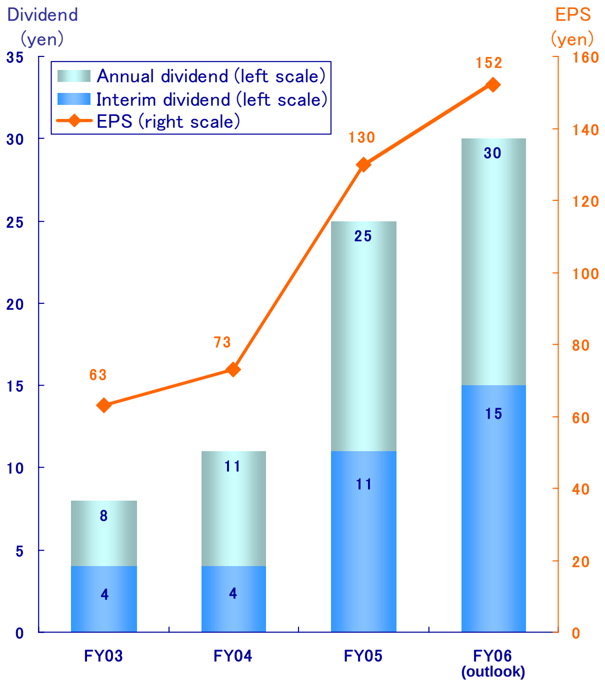
As such, we expect total assets to rise by a total of about 2 trillion yen.

Shareholders' equity is expected to surpass 1,400 billion yen and shareholders' equity ratio to be around 16.5%.

Meanwhile, ROE and ROA are expected to stand at around 13.9% and 2.5%, respectively.

3. Dividend

Interim Dividend



➢Dividend policy
Payout ratio: around 20%

➢Revised net income target
⇒ 190 billion yen

➢Planned annual dividend
⇒ 30 yen
(interim: 15 yen
year-end:15 yen)

7

Next, I would like to explain interim dividend.

In addition to our stable dividend policy, we have set the dividend payout ratio at around 20% reflecting consolidated financial results since the second half of fiscal 2004.

Based on the revised net income target of 190 billion yen, the interim dividend for the first half will be 15 yen, half of the planned annual dividend per share of 30 yen.

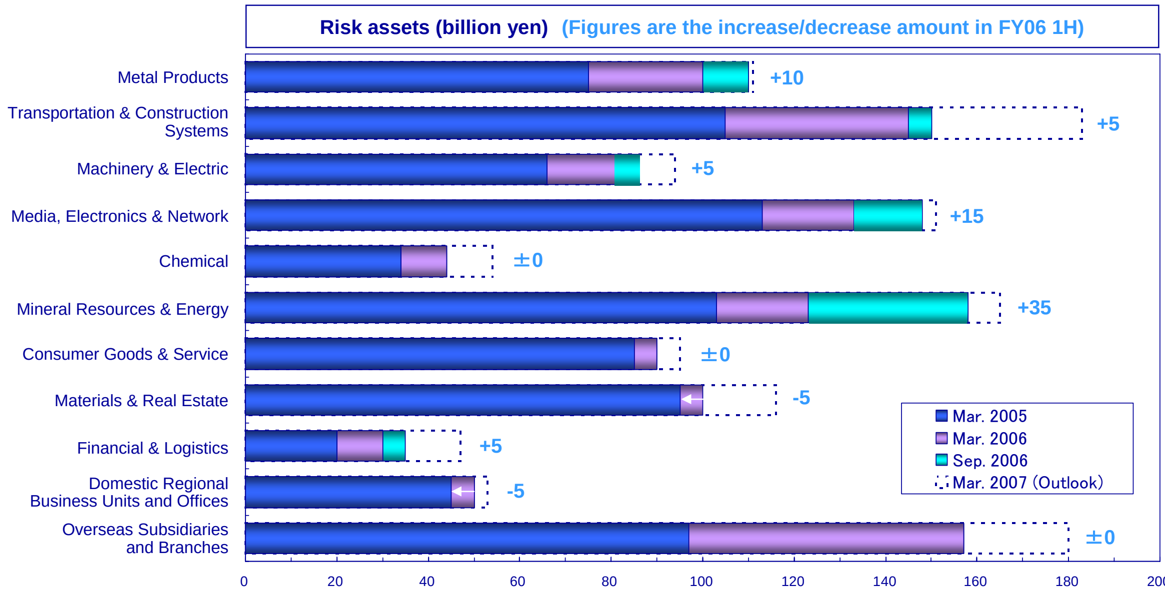
As a result, this interim dividend will represent a 4 yen increase from the 11 yen interim dividend for the previous year.

4. AG Plan

Progress of Increasing Risk Assets

Risk assets plan (AG Plan)* +420 billion yen

FY05: +230 billion yen
FY06 1st half: +60 billion yen



* Risk assets increase arising from making Sumisho Lease a subsidiary (+125 billion yen) is not included

8

Now let me explain the progress of expanding the earnings base under the AG Plan.

Risk assets for the first half of the fiscal 2006 increased by approximately 60 billion yen due to increases in operating assets and strategic investments to expand business base.

By segment, risk assets increased in;

-Metal Products due to the expansion of business base over all including tubular products, steel sheets and nonferrous metals;

-Machinery & Electric as a result of the acquisition of interests in IWPP project in Bahrain;

-Media, Electronics & Network due to the acquisition of Cable West Inc. by Jupiter Telecommunications Co., Ltd. and equity participation in NEC BIGLOBE, Ltd.

-Mineral Resources & Energy by participating in a silver and zinc mining project in Bolivia and a uranium development project in Kazakhstan.

Next, I would like to describe several projects we carried out in the first half of fiscal 2006.

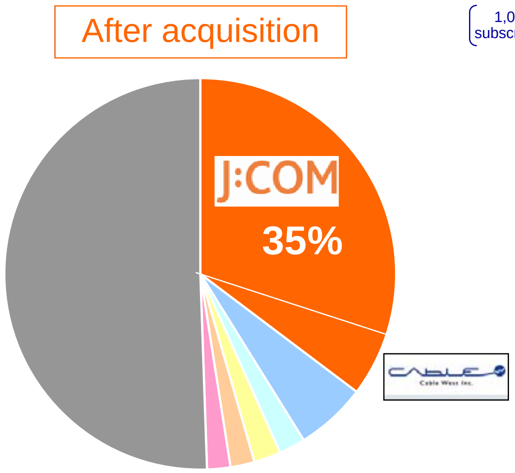
4. AG Plan

Expanding Business Base in Media Business

No.1 strategy of Media, Electronics, and Network

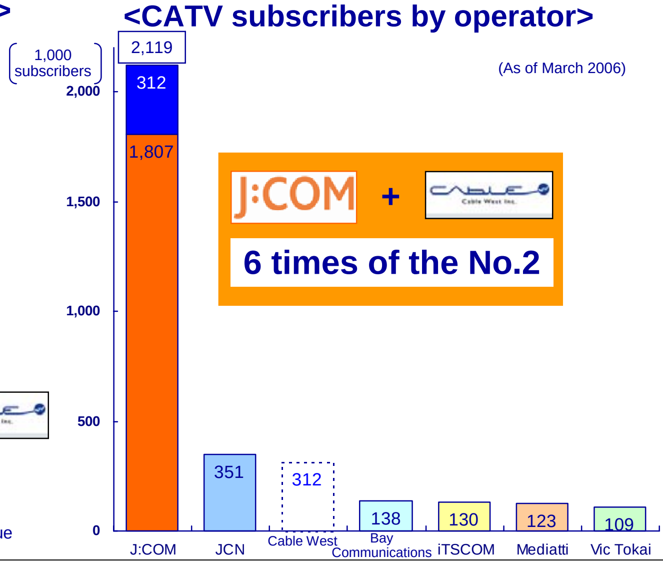
J:COM acquired Cable West ⇒ Secured the No.1 position

<Pay-CATV market shares in Japan>



Source: Housou Journal (Broadcasting Journal) July 2006 issue

<CATV subscribers by operator>



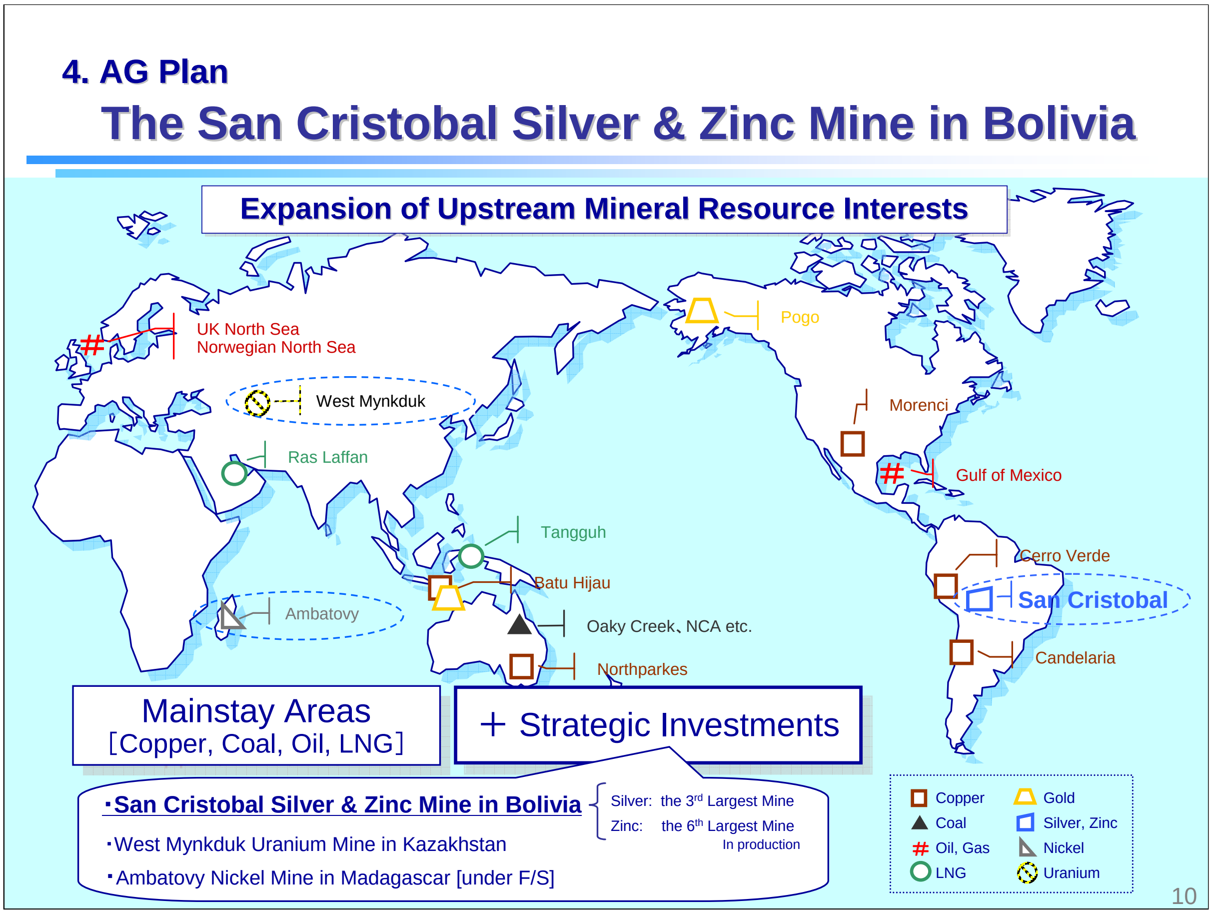
9

First, Media, Electronics & Network is strengthening the earnings base centering on core companies which are the industry leaders or top-ranking in the three fields of media, electronics, and network.

At the end of September, Jupiter Telecommunications (J:COM) acquired Cable West, which had a sound customer base in the Kansai region, from Matsushita Electric and KOSAIDO.

Through this acquisition, J:COM augmented its share of the cable television market to 35%. In addition, the number of subscriber households became roughly six times that of the second largest cable television operator, thus far surpassing other operators.

J:COM will continue to pursue growth strategies through the active expansion of the customer base and the improvement of services.



Mineral Resources & Energy is strengthening its business portfolio by securing interests in the competitive upstream resources.

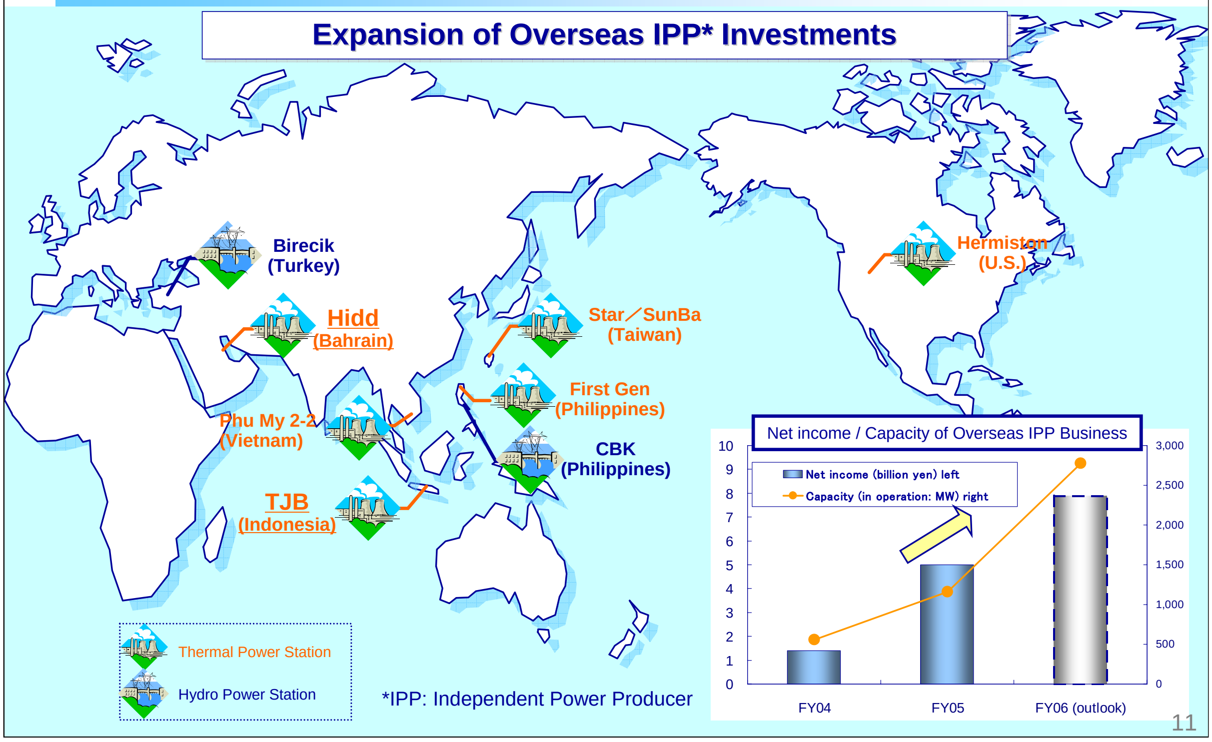
Recently, we acquired a 35% interest in the silver and zinc mine development project in Bolivia with a view to constructing a new business pillar in addition to the existing fields of copper, coal, oil and LNG.

This is a large project boasting the world's third largest silver output and sixth largest zinc output and a mine life of 16 years. At the same time, about 60% of the construction work has already been completed and the mine will be in full operation in the third quarter of 2007. As such, this project will likely make an immediate contribution to profit.

Furthermore, as a medium-term move, we participated in the development of Kazakhstan's uranium mine which is scheduled to start commercial production in 2010. In addition, we are currently conducting a feasibility study on the nickel mine development project in Madagascar in conjunction with our Canadian and Korean partners.

We will continue to further reinforce a well-balanced earnings base.

4. AG Plan
Overseas IPP Business
(Investment in Hidd Station, Start-up of TJB Station)



Machinery & Electric is steadily expanding its overseas IPP business base.

As you can see, we are pursuing global operations in the Middle East and North America with focus on Asian countries, such as Vietnam and the Philippines. We are building a balanced portfolio that does not place too much attention on certain regions.

The IWPP project in Bahrain has contributed to earnings since the first half of fiscal 2006. In addition, the large coal-fired power plant in Indonesia has started operation from the second half.

As a result of these initiatives, the earnings base of Machinery & Electric is improving. We expect this segment to be a new pillar of profit under the post-AG Plan.

4.AG Plan

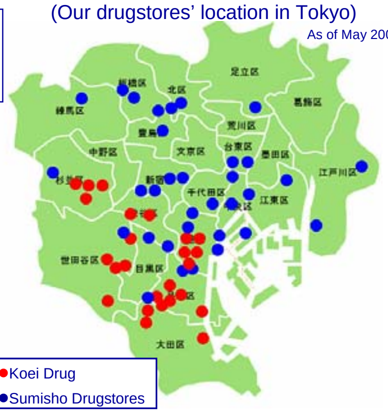
Lifestyle & Retail Business (Acquired Koei Drug and Barneys Japan)

Drugstore business; Expansion of core business

Sumisho Drugstores

(Our drugstores' location in Tokyo)

As of May 2006



●Koei Drug

●Sumisho Drugstores

Sumisho Drugstores 74stores + Koei Drug 25 stores (As of Sep. 2006)

Brand business; Establishing brand business portfolio

12

Next, let me mention two topics in the retail area.

The first one is the expansion of the operating base of drug stores, which have been our core business.

In June of this year we acquired Koei Drug Co., Ltd., which operates mainly in the south and southwest areas of Tokyo, and expanded our operating base supplementing the sales area of Sumisho Drugstores, Inc.

Based on the business concept of "personal pharmacy" with dispensing function, we plan to continue opening about 10 stores a year while pursuing capital and business tie-up with drugstore chains that are compatible with our strategy.

The second one is the establishment of the brand business portfolio.

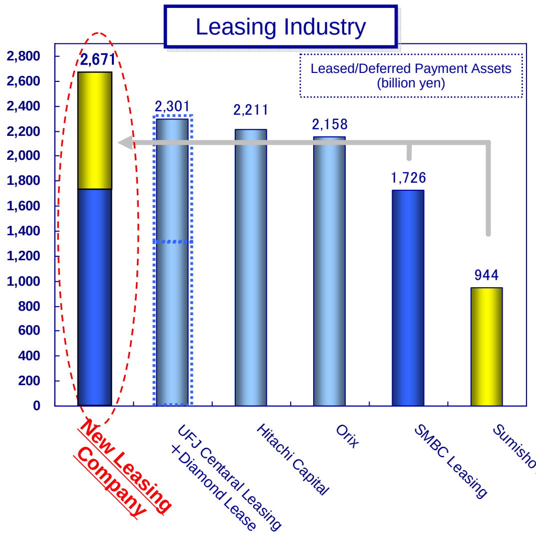
We regard fashion apparel, bag and accessory, and home furnishing as areas of focus and are seeking to establish a brand business portfolio.

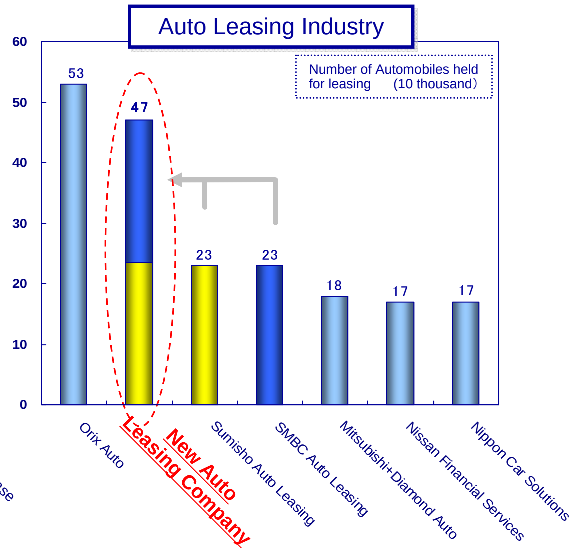
In July this year we acquired Barneys Japan Co., Ltd. as "the post-Coach earnings base." In the future, we will channel our energies into promoting Barneys' growth strategy through the opening of new stores and into further acquiring brands.

4. AG Plan
Strategic Joint Business in Leasing and Auto Leasing Businesses

Strategy of Aiming to be No.1 Companies in Japan

Aiming to establish the best leasing and auto leasing businesses in Japan through the combination of customer base and know-how of **Sumitomo Corporation Group** & **Sumitomo Mitsui Financial Group**





13

Next, I will talk about a project scheduled for the second half.

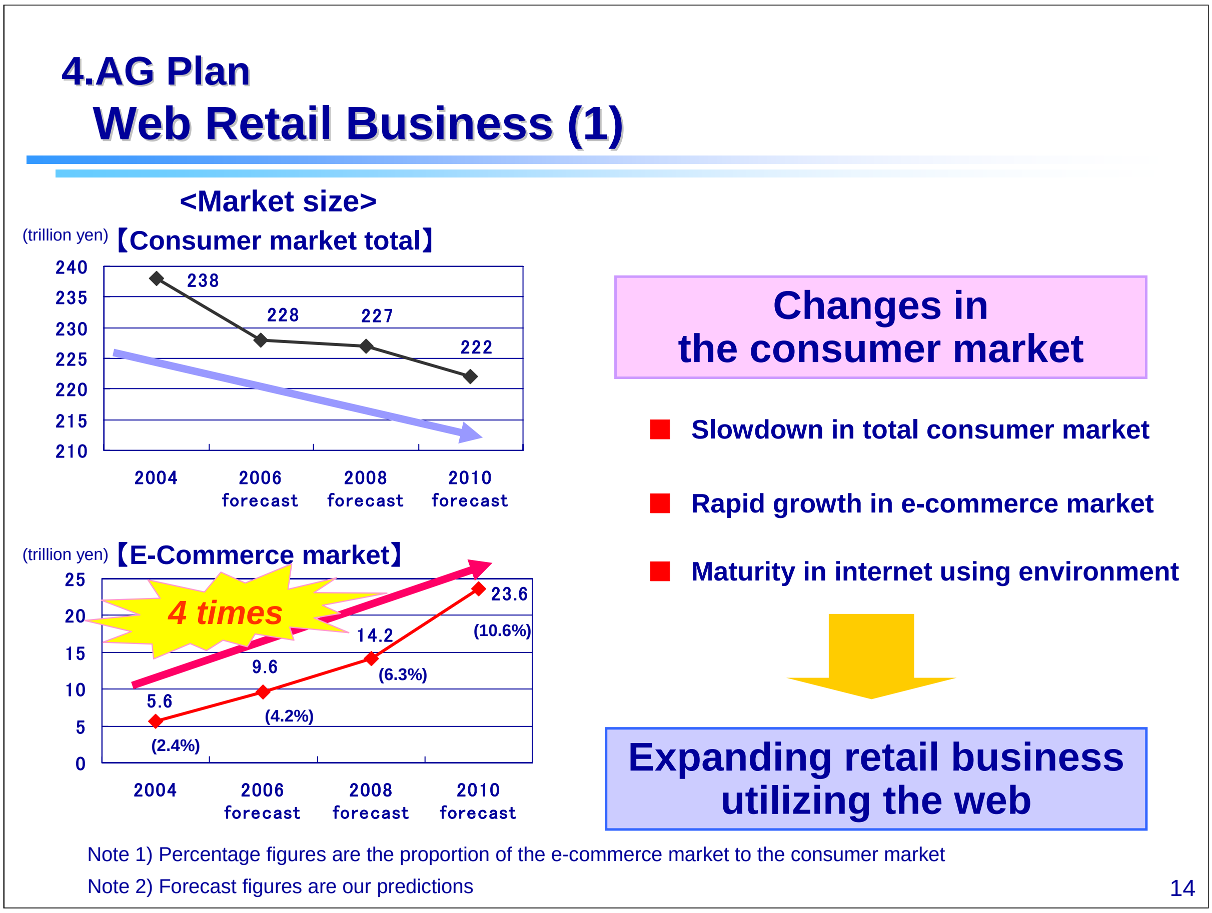
As announced on October 13, we have decided to pursue strategic joint businesses with the Sumitomo Mitsui Financial Group in order to take the lead in the forthcoming industry reorganization and solidify our position in the leasing and auto leasing businesses which are our core business.

Through the combination and consolidation of the customer base and know-how held by both groups, we will seek to establish the number one leasing and auto leasing business in Japan.

In the leasing business, the merger of Sumisho Lease and SMBC Leasing will give birth to the industry’s largest company in terms of leased assets and deffered payment assets.

Meanwhile in the auto leasing business, the new company after the merger of Sumisho Auto Leasing and SMBC Auto Leasing will hold the second largest number of automobiles for leasing next to Orix, the industry leader.

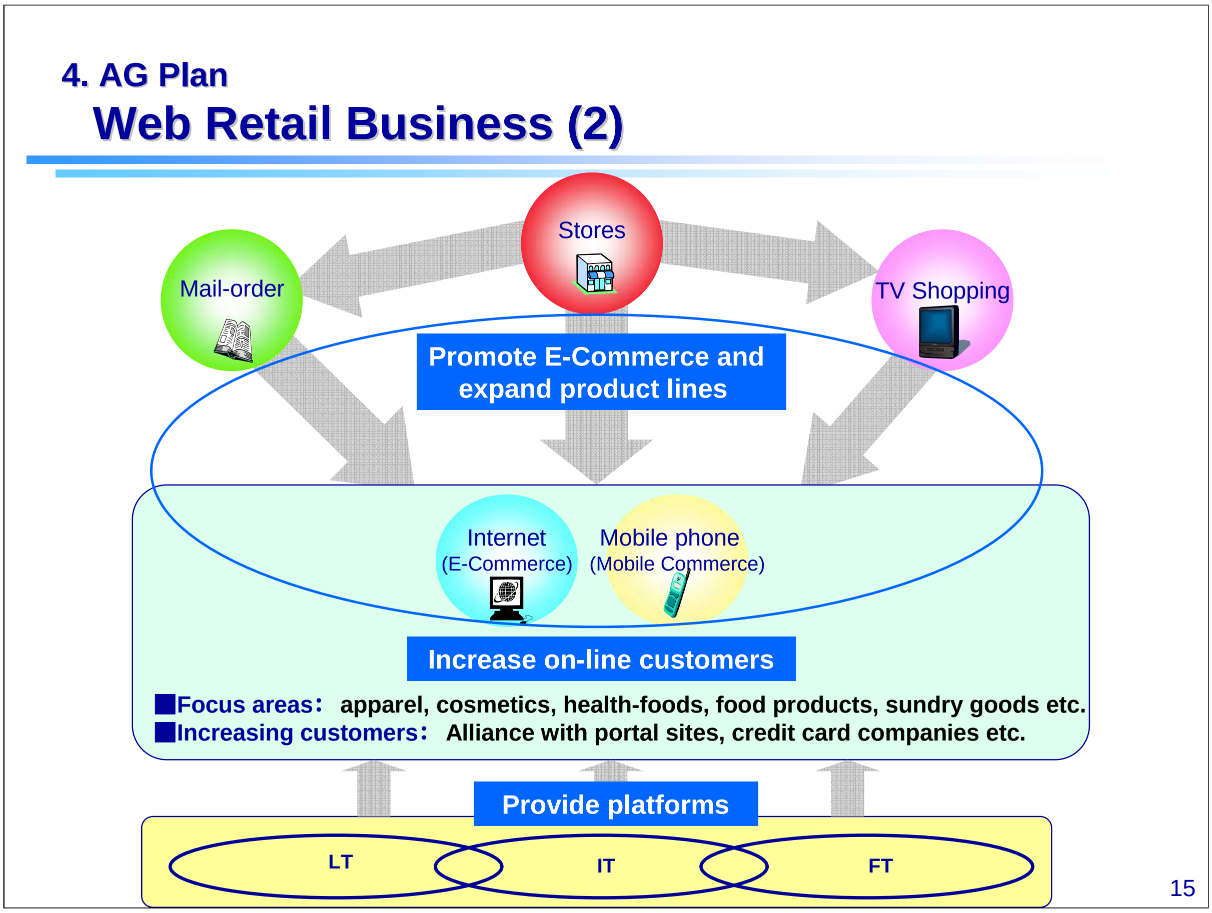
For an integrated trading company like us which has a solid business base and various functions, industry reorganization offers a huge business opportunity. In the future we will continue to actively engage in M&A that leads to the expansion of the earning power of our core businesses.



Next, I would like to introduce one of our medium term approaches of developing a new earnings base.

We forecast that while the consumer market slowdown, the e-commerce market will grow rapidly, increasing the market size to 2.4 trillion yen in 2010, four times larger than that in 2004.

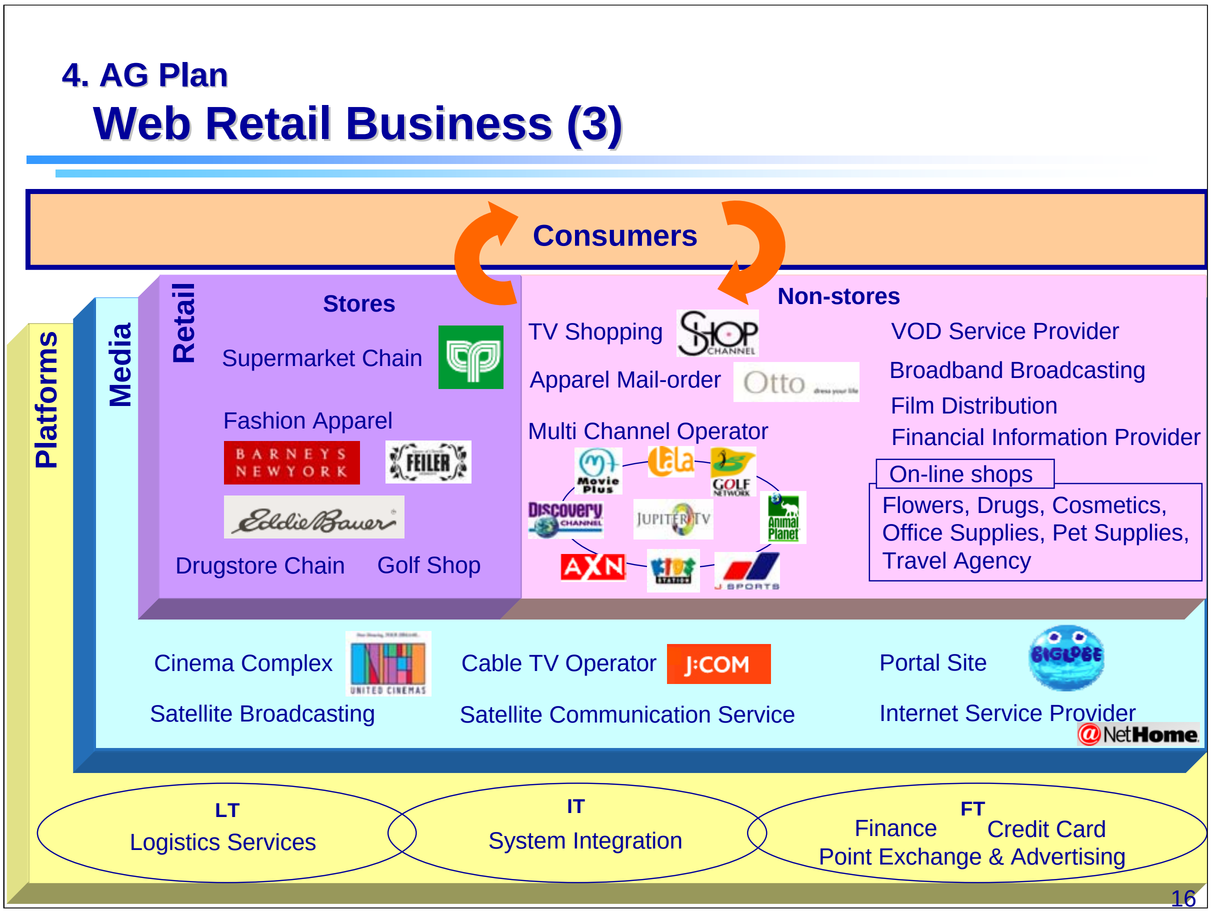
We consider such change is a large business opportunity for us where we can exert our integrated corporate strength. We are currently promoting web retail business in cross sectional manner.



We will develop and expand the scale of the web retail business drastically which is unique to us by merging our media business and retail business. Our retail business covers supermarket, drugstore, brand stores and non-store retailing such as mail-order and TV shopping.

We will promote e-commerce of our retail businesses and also increase on-line customers through alliance with portal sites and credit card companies.

E-commerce requires platforms such as IT, LT and FT. These are our basic function to create business and we will utilize our resources at the maximum extent.

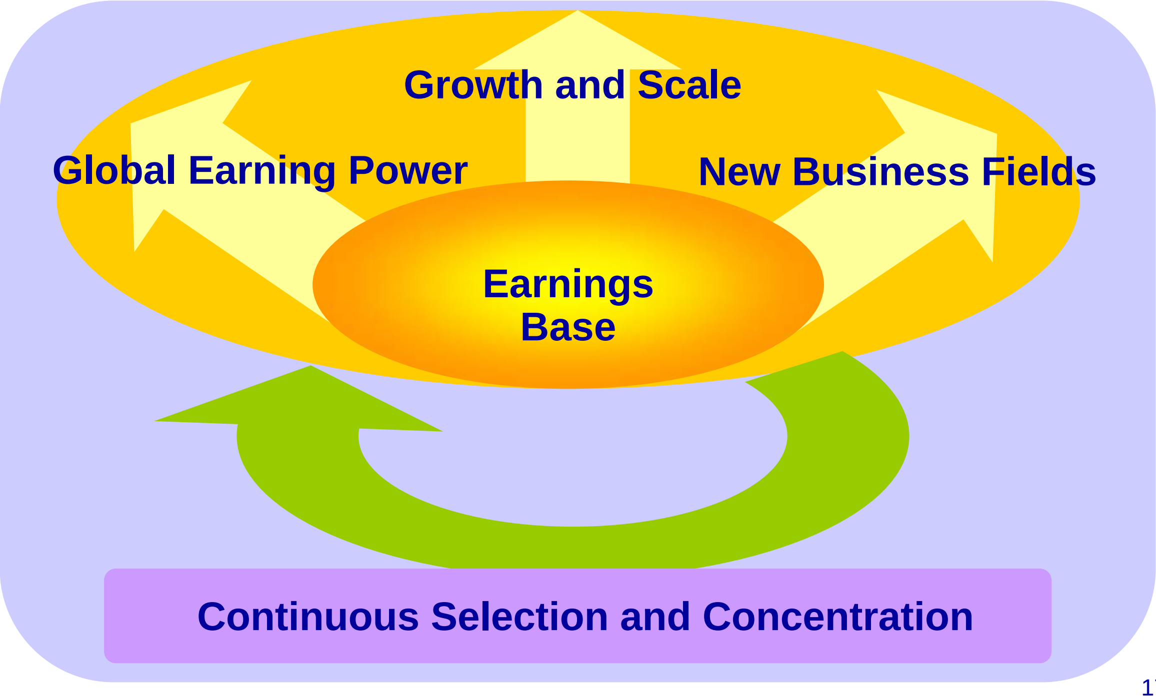


The next slide shows the business fields related to the web retail area which we are engaged in as a Group. We will exert our integrated corporate strength and reinforce ties among these business fields.

Currently, the annual sales amount of web retail business is approximately 20 billion yen and our sales amount by stores is 300 billion yen. We aim to increase our web retail sales to half of the current sales by stores in a medium term.

4. AG Plan

Progress of Expanding Earnings Base



17

As I have explained, the efforts to expand core businesses are making steady progress in each segment. Furthermore, the results of such efforts are steadily and surely emerging on the earnings as well.

We believe that the expansion of our earnings base, as well as the reinforcement of our business portfolio through ongoing “selection” and “concentration,” are essential for the achievement of sustained growth by the Company.

4. AG Plan

Continuous Selection and Concentration

Management Resources Reallocation Task Force

Progress of reassessing group companies

Listed up companies to withdraw or merge: about 200 (As of Mar. 2005)

⇒Reduced 115 companies by Sept. 2006
(89 companies by Mar. 2006, 26 companies during 1H of FY2006)

Scheduled to reduce about another 50 companies by Mar. 2007

Business Replacement

- ✓**Overseas automobile dealership business**
- ✓**Overseas steel service center business**

Business Merger

- ✓**Established SC Foods (Merged food stuff-related companies)**
- ✓**Established Sumisho Global Logistics (Merged logistics-related companies)**
- ✓**Merged TBC and Treadways (Tire business in North America)**

18

As I mentioned at the previous financial results meeting, we are aiming for an optimal allocation of management resources, including human resources, and undertaking a review of our Group companies by our Management Resources Reallocation Task Force.

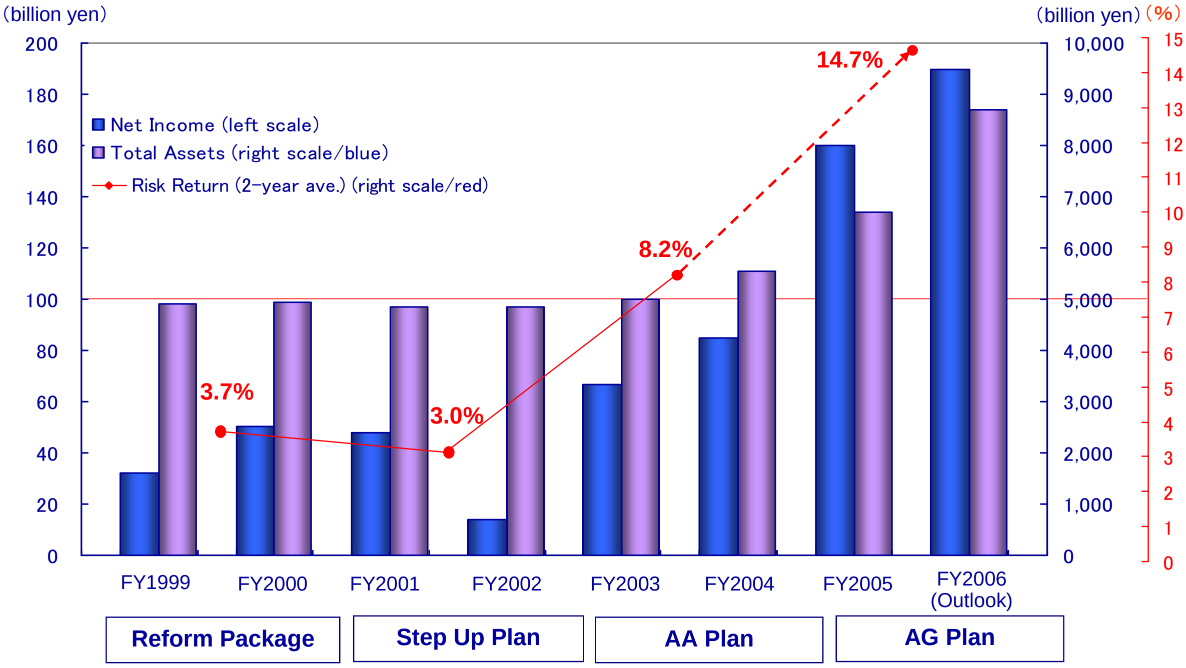
Of the 200 companies subject to withdrawal or consolidation, we reduced this number by 115 companies through September of this year. Furthermore, we plan to reduce the number of companies by around 50 by March 2007.

Also in core businesses such as automobile dealerships and steel service centers, we are reallocating assets on a timely basis in consideration of the profitability and growth potential of such businesses.

Moreover, through the consolidation of Group companies, we are making efforts to give full play to the synergy resulting from the effective utilization of management resources and the sharing of know-how with a view to enhancing earning power.

On October 1, we merged TBC Corporation and Treadways Corporation which are engaged in the tire business in the United States. We expect further growth in this field in the future.

4. AG Plan
For Sustained Growth



19

We now have half a year left for the AG Plan. As a result of implementing the measures I have explained, I am confident to achieve the revised net income target of 190 billion yen for fiscal 2006.

I think everyone’s interest is gradually shifting to the post-AG Plan. At present, a concrete plan is being discussed. Although I will explain the overall plan at the financial results meeting after the fiscal year end, let me briefly offer my thoughts on the direction of the next management plan.

As you can see, during the eight years from the Reform Package to the AG Plan, net income increased approximately six-fold while risk-adjusted return rose about four-fold. Total assets are expected to expand about 1.7-fold.

As a result of continuous management reforms, we have built an earnings base which exceeds shareholders’ capital cost. Also, the absolute amount of both net income and total assets is expanding to unprecedented levels.

I believe that the under the post-AG Plan, it is necessary to lay the groundwork for enabling sustained growth. To this end, it is vital to channel our energies into improving the quality of management more than ever.

For this purpose, it would be crucial to undertake efforts more than ever to;

“improve the quality of earnings base” by further moves on selection and concentration and enhancing the value of each business;

“improve the quality of operations” by improving asset efficiency and cash flow, ensuring legal compliance, and further upgrading internal control;

“improve the quality of Group management” by raising the level of Group companies; and

“improve the quality of human resources” by energizing and activating all Group officers and employees.

Sumitomo Corporation will continue to strive to enhance corporate value, and we ask for your continued understanding and support.

Thank you very much for your attention.