Annual Results for FY2007

May 9, 2008

Sumitomo Corporation

Topics

1. Summary of FY2007
2. Outlook for FY2008
3. Progress in GG Plan
4. Improvement of our Earnings Base
5. Return to Shareholders

I am Susumu Kato, president and CEO of Sumitomo Corporation.

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

I will explain following topics, namely “Summary of FY 2007,” “Outlook for FY 2008,” “Progress in GG Plan,” and “Return to Shareholders.”

1.Summary of FY2007
(1)Net Income and Basic Profit

(billion yen)	Initial plan	Increase (decrease)	Results
Net Income	235.0	+3.9	238.9
Basic Profit* **(excluding hedge**)**	225.7 (230.0)	-28.6 (-10.8)	197.1 (219.2)

* 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

**Hedge evaluation losses on the San Cristobal silver-zinc-lead mining project in Bolivia
(Initial plan -4.3 billion yen → Results -22.1 billion yen)

●Net income: Achieved the initial plan
Record-high for 5 consecutive years

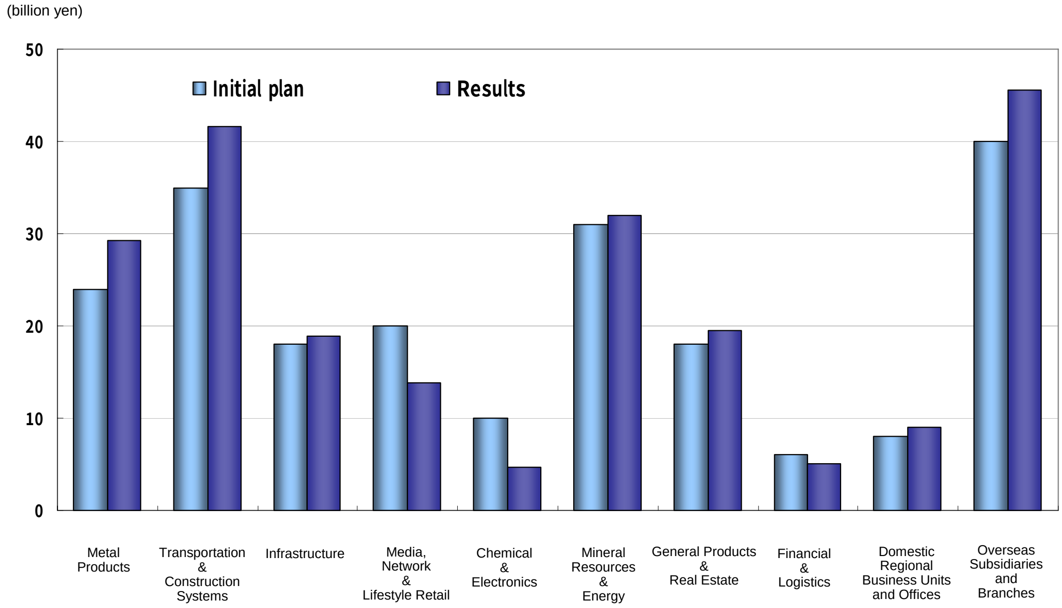
●Only limited indirect impact from sub prime loan problem

Net income for fiscal 2007 amounted to 238.9 billion yen and exceeded the first-year target of the GG Plan of 235 billion yen.

As a result, net income achieved a record high for the fifth consecutive year.

Although our retail and housing-related businesses in the United States were affected by the subprime loan problem, on the whole our businesses steadily progressed as initially planned.

1.Summary of FY2007
(2)Net Income by Segment



I will explain net income by segment by comparing results with initial plans.

The following segments increased net income.

Metal Products increased net income due to the contribution by the steel service center business mainly in Asia and China, and the stable demand for steel tubular in Russia, the Middle East and Africa.

Transportation & Construction Systems showed strong performances on the whole in core businesses, such as automobiles and construction equipment primarily in Europe, and the ship business which was supported by a strong shipping market.

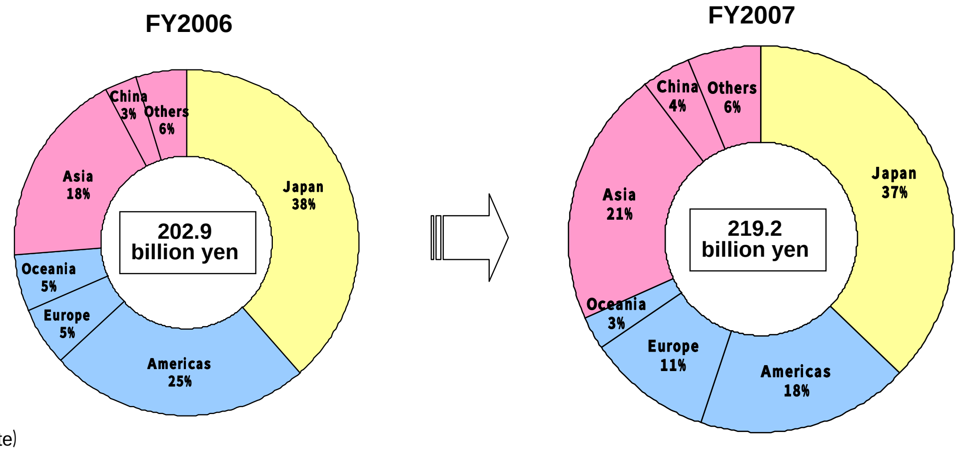
Overseas Subsidiaries and Branches exceeded the initial plan of net income thanks to strong performances in Europe, Asia, and China.

Meanwhile the following segments decreased net income.

Media, Network & Lifestyle Retail posted lower net income than the initial plan. This was incurred as a result of sales of Seiyu shares and slow-growing of our new subsidiary Jupiter Shop Channel, a TVshopping channel due to changes in the business environment.

Chemical & Electronics posted net income that was lower than the plan. This owed much to a decrease in net income for Cantex, a manufacturer of polyvinyl chloride for residential uses, because of a decline in housing market in the United States.

1.Summary of FY2007
(3)Basic Profit by Region



Note)
Excluding hedge evaluation losses (-22.1 billion yen) on the San Cristobal silver-zinc-lead mining project in Bolivia (FY2007)

●FY2006⇒FY2007	:Increase of 16.3 billion yen (8% growth)
●Americas	:Decreased earnings in retail and housing related businesses and tubular products
●Europe	:Increased earnings in metal products and construction equipment
●Asia and China	:Increased earnings in IPP (Independent Power Producer), copper business and steel service center operations

Next you are looking at Basic Profit by region for fiscal 2007.

Basic profit for fiscal 2007, excluding one-time hedge evaluation losses on the San Cristobal silver-zinc-lead mining project in Bolivia, came to 219.2 billion yen, up 16.3 billion yen, or 8%, from the previous year.

Basic profit by region decreased in the Americas due to a downturn in retail and housing-related businesses and in the steel tubular market.

On the other hand, Basic profit grew in Europe for metal products and construction equipment, and core businesses such as the steel service center showed strong performance in addition to IPP* and copper mine businesses in Asia and China.

*IPP: Independent Power Producer

1.Summary of FY2007
(4)Key Financial Indicators

(billion yen)	FY2006	FY2007
Total Assets	8,430.5	7,571.4
Shareholders' equity	1,473.1	1,492.7
Shareholders' equity ratio (%)	17.5	19.7
Interest-bearing liabilities (net)	2,913.3	3,247.6
Debt-equity ratio (net) (times)	2.0	2.2
ROE (%)	15.2	16.1
ROA (%)	2.8	3.0

【Total Assets:
- 850.0 billion yen】

●Strategic Investments:
＋230.0 billion yen

●Reorganization of leasing operations:
- 880.0 billion yen

●The effects of declining stock price and stronger yen:
- 200.0 billion yen

Next the key financial indicators are as shown.

Total assets decreased by 850 billion yen from the previous year, amounting to approximately 7,600 billion yen at the end of fiscal 2007.

Despite the strategic investments, such as making Jupiter Shop Channel a subsidiary and acquiring Ace Auto Lease, total assets decreased due to the reorganization of leasing operations, the effects of declining stock prices and the appreciation of the yen.

Meanwhile, ROE and ROA stood at 16.1% and 3.0%, respectively.

2.Outlook for FY2008
(1)Outlook for World Economy and Assumptions

- World economy will slow down due to the sub prime loan problem
- Risks factors are price increases in raw materials, stronger yen against US dollar and credit contraction in the financial market

Assumptions (Average)		FY2007 Results	FY2008 Assumptions	Sensitivity to net income
Foreign exchange (YEN/US$) [Apr.-Mar.]		113.8	105	around 700 million yen (1JPY/US$)
Interest rate	LIBOR 6M (YEN) [Apr.-Mar.]	0.94%	1.0%	－
	LIBOR 6M (US$) [Apr.-Mar.]	4.7%	3.0%	－
Clude oil <North Sea Brent> (US$/bbl) [Jan.-Dec.]		73	90	less than 100 million yen (1US$/bbl)
Hard coking coal (US$/MT)* [Apr.-Mar.]		around 85～98	around 285～300	－
Copper (US¢/lb) [Jan.-Dec.]		323	325	30～60 million yen (1US¢/lb)

* Market Price

Now, let me explain the financial targets for fiscal 2008.

We expect world economic growth to slow down to a high-3% level as a result of a sharp deceleration in the industrialized economies mainly in the United States.

We anticipate resource prices to remain at a high level as seen in the substantial rise in coal prices. But it is necessary for us to pay close attention to risk factors, such as a surge in raw material prices and an appreciation of the yen.

2.Outlook for FY2008
(2)Net Income and Basic Profit

(billion yen)

	FY2007 (Results)	Increase /decrease	FY2008 (Outlook)
Net Income	238.9	+4.1	243.0
Basic Profit (excluding hedge *)	197.1 (219.2)	+45.6 (+19.7)	242.7 (238.9)

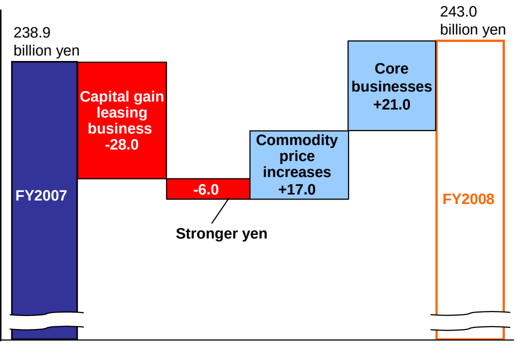
*Hedge evaluation losses on the San Cristobal silver-zinc-lead mining project in Bolivia (Results -22.1 billion yen → Outlook +3.8 billion yen)

●Net Income：

Expected to exceed 235.0 billion yen, the initial plan of GG Plan

●Basic Profit（excluding hedge*）：

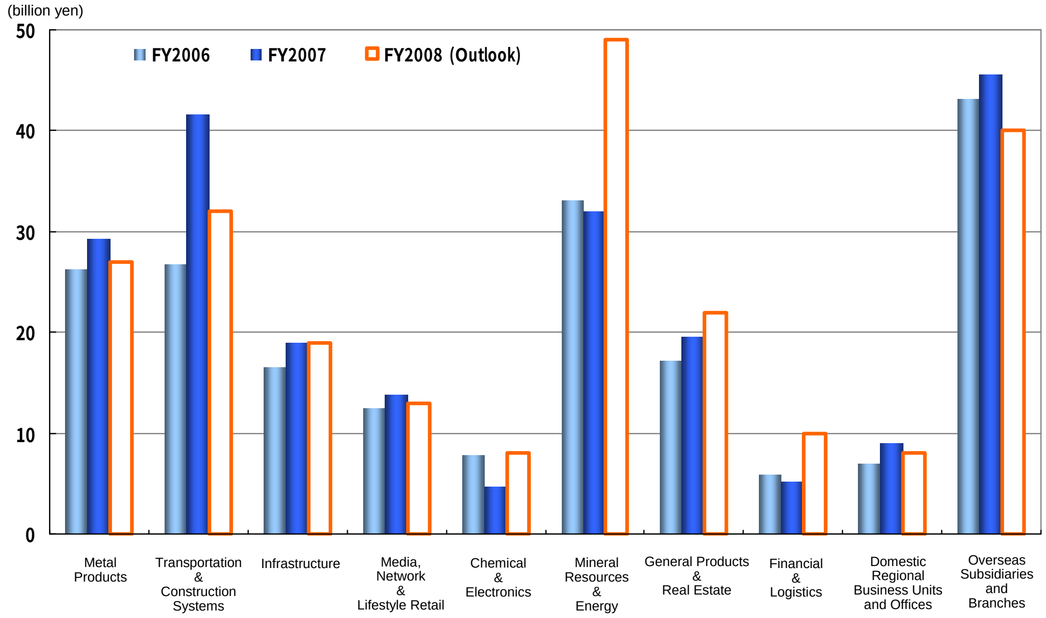
Estimating growth of around 10%



Net income for fiscal 2008 is expected to be 243 billion yen, increasing by 4.1 billion yen from the previous year and to surpass 235 billion yen, the second year's target of the GG Plan.

We anticipate basic profit to grow about 10% as a result of strategic business reorganizations we have implemented up to now, the expansion of the earnings base through the increases in risk assets, and a rise in coal prices, etc.

2.Outlook for FY2008
(3)Net Income by Segment



Next you are looking at net income outlook for FY 2008 by segment.

In fiscal 2008 also, the four segments of *Metal Products*, *Transportation & Construction Systems*, *Mineral Resources & Energy*, and *Overseas Subsidiaries and Branches* are expected to contribute to companywide results.

In addition, *Infrastructure* and *General Products & Real Estate* are steadily developing into new pillars of profit that will generate net income of 20 billion yen or more.

Meanwhile, net income for *Media*, *Network & Lifestyle Retail* and *Chemical & Electronics* has been almost unchanged for about the past three years. Given this situation, we consider the improvement of the earning power of these two segments is important.

2.Outlook for FY2008
(4)Key Financial Indicators

(billion yen)	FY2007	FY2008 (Outlook)
Total Assets	7,571.4	7,900.0
Shareholders' equity	1,492.7	1,690.0
Shareholders' equity ratio (%)	19.7	21.4
Interest-bearing liabilities (net)	3,247.6	3,370.0
Debt-equity ratio (net) (times)	2.2	2.0
ROE (%)	16.1	15.3
ROA (%)	3.0	3.1

【Total Assets:
+300.0 billion yen】

●Strategic investments, etc.

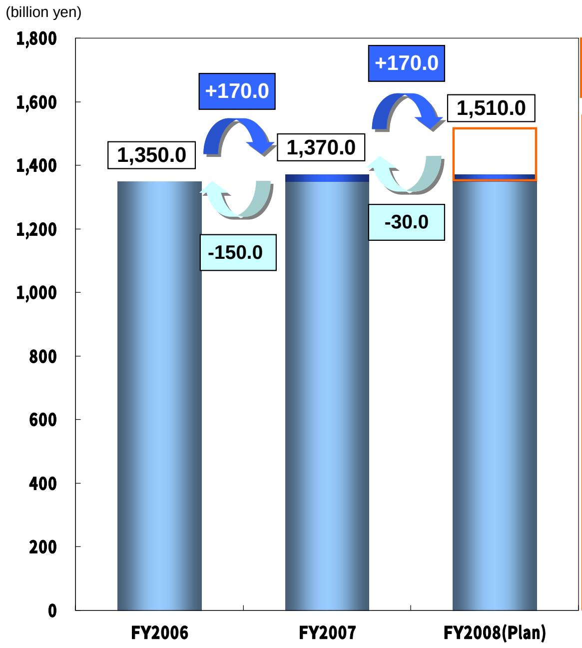
You are looking at the outlook for key financial indicators at the end of the GG Plan.

As we continue to increase profitable assets, total assets will amount to 7,900 billion yen.

Shareholders' equity is expected to rise due to an increase in profit, and the shareholders' equity ratio is expected to improve to 21.4%.

Also, debt-equity ratio, net is expected to be 2 times while ROE and ROA are expected to be about 15.3% and 3.1%, respectively.

3.Progress in GG Plan
Increase in Risk Assets(1)



Initial Plan：+280.0 billion yen (Net)

- Outlook：
  around +160.0 billion yen (Net)
- Increase：
  around +340.0 billion yen
  ⇒Strategic investments, etc.
- Decrease：
  around -180.0 billion yen
  ⇒Replacement of assets etc.:
  -110.0billion yen
  ⇒Strong yen against US dollars/
  falling stock prices:
  -70.0 billion yen

Next, let me explain the status of increasing risk assets.

Risk assets are expected to increase by 160 billion yen during the two years, less than the initial plan of 280 billion yen.

The outlook for gross increase is 170 billion yen in the first year and 170 billion yen in the second year, making the total 340 billion yen.

On the other hand, due to the active replacement of assets, as well as to the effects of the yen's appreciation and a decline in stock prices in fiscal 2007, the two-year total decrease is expected to be 180 billion yen.

From the standpoint of the balance between risk assets and core risk buffers, we believe we still have rooms for the further investment.

Due to changes in the financial environment since the subprime loan problem, the stage is being set for the Company to acquire profitable assets at reasonable prices.

Viewing such change as an opportunity, we will actively increase profitable assets while paying fully attention not to acquire assets at high prices.

3.Progress in GG Plan
Increase in Risk Assets (Gross in 2 years) (2)

Segment	(billion yen)	FY2007	FY2008(plan)
Metal Products	14.0	・Made HOWCO a subsidiary ・Additional acquisition of Sumitomo Metal securities	・Invest to steel tubular mil in Brazil ・Strengthen global network of steel service centers
Transportation & Construction Systems	85.0	・Established Sumitomo Mitsui Auto Service Company ・Acquisition of Ace Auto Lease	・Strengthen construction equipment business
Infrastructure	33.0	・Solar energy generation (Spain) ・District cooling (UAE)	・Enhance IPP/IWPP business ・Strengthen telecom business abroad
Media, Network & Lifestyle Retail	41.0	・Made Jupiter Shop Channel a subsidiary ・Integration of J:COM & JTV	・Enlarge CATV bases of J:COM ・Retail business(TV/Web shopping)
Chemical & Electronics	9.0	・Cantex: Established new factory ・EMS for flat-screen TV in North America	・Strengthen EMS business ・Enhance agrichemical business
Mineral Resources & Energy	112.0	・Development of Ambatovy started ・Additional acquisition of Assmang securities	・Promote Ambatovy Nickel Project (Madagascar) ・New profit pillar in upstream area
General Products & Real Estate	11.0	・Additional investment(Therneyles) ・Acquired an office building	・Establish a factory in Terneyles ・Acquisition of real estate
Financial & Logistics	3.0	・Invested to Gallia Plus ・Tang Long Industrial Park2 (Vietnam)	・Strengthen investing business and leasing business

Next please take a look at the status of gross increase for each segment.

Businesses which increased risk assets in fiscal 2007 are indicated in blue.

These investments are already bearing fruit on the profit in *Metal Products*, *Transportation & Construction Systems*, and *Media, Network & Lifestyle Retail*.

The businesses on which we are focusing in fiscal 2008 are shown on the right.

We plan to continue increasing assets in core businesses of each segment and their peripheral fields.

3.Progress in GG Plan - Expanding the Earnings Base (1)

【Metal Products】 [Enhance the function as a solution provider]

【Business environment】

- Active development of oilfields
- Expanding automobile production in China & India

【Progress】

Investment in energy and automobile businesses

- Steel tubular products: Expanding earnings base in oil well tubular and the related area

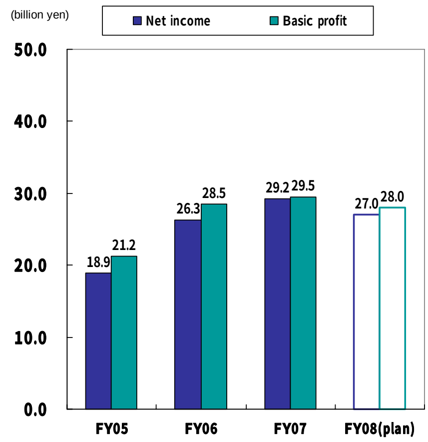
  >Made HOWCO a subsidiary/
  Decided investment to steel tubular mil in Brazil

- Entered into steel tubular manufacturing business for automobiles in India
- Strengthen global network of steel service centers

(note: projects in blue have been already done)

【Performance】

- Stable progress in performance
- Take in expanding global demand



Next I will explain the progress in the GG Plan for each segment.

Metal Products is introducing management resources primarily into energy- and automobile-related fields and strengthening the earnings base.

We made HOWCO which was a manufacturer and distributor of metal parts for equipment used in oil and gas development, a subsidiary. In addition, we decided to invest in a new steel mill which is joint venture of Vallourec, France's leading steelmaker, and Sumitomo Metal in Brazil.

We promote the expansion of the base of steel tubular supply chain management in which we are competitive.

Also, we will continuously strengthen our global network of steel service center operations mainly in Asia.

We expect to maintain strong performance in the future by meeting global demand.

3.Progress in GG Plan
- Expanding the Earnings Base (2)

【Transportation & Construction Systems】 [Enhance value chain]

【Business environment】

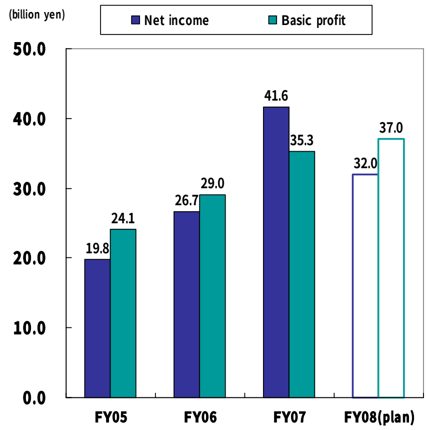
- Expanding automobile market in emerging countries
- Strong market of construction equipment in China, Russia and Middle & Eastern Europe
- Strong market in marine transport

【Progress】

- Automobile
  - >Established Sumitomo Mitsui Auto Service Company (Enlarging scale, enhancing profitability)
  - >Expand manufacturing activities to overseas (India: Kiriu entered, Swaraj started selling Isuzu bus and truck)
  - >Strengthen wholesale of automobile business (Toyota in Ukraine, Mitsubishi in Sweden, Ford in middle Europe)
- Construction equipment
  - >Enhance further distributor business (Europe, Canada, China and Russia)
  - >Expand rental/used construction equipment business and SCM of parts for manufacturing to abroad
- Ships, aerospace and automobile
  - >Enhance portfolio and continuous replacement of assets

【Performance】

- Enhance earnings base mainly in emerging countries
- Expand basic profit stably



We anticipate a generally sound business environment to persist for *Transportation & Construction Systems*.

Automobile is expanding the value chain through the establishment of Sumitomo Mitsui Auto Service Company in Japan and reinforcement of the manufacturing field and wholesale businesses abroad.

Construction Equipment is expanding global activities by strengthening sales in China, Russia, and other countries.

As for financial results, we expect the business continues steady growth due to the expansion of the earnings base mainly in emerging countries.

3.Progress in GG Plan
- Expanding the Earnings Base (3)

【Infrastructure】 [Strengthen & enhance stable earnings base]

【Business environment】

・Strong demand of electric power mainly in emerging countries

【Progress】

・Strengthen and enhance core businesses

>IPP/IWPP：Further expansion in Asia, Middle East and U.S.
- Acquired AMATA POWER (Thailand)

>EPC：Develop core market in Asia and promote eco-project
- Completed Tanjun Bin (Malaysia)
- Constructed geothermal energy plant (Indonesia, New Zealand)

・Foster core businesses

>Water business:
sewage treatment (Mexico), district cooling （UAE）

>Telecommunication: new overseas investment and value realization

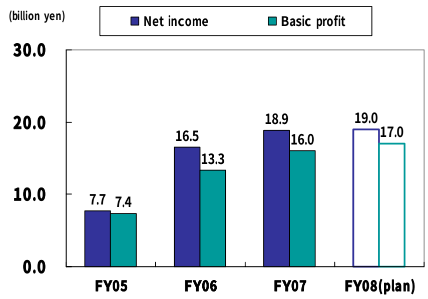
>Eco and energy saving: solar energy generation（Spain）

【Performance】

・Establish earnings base, net income of 20 billion yen

⇩

Further growth is in sight by strengthening IPP business



In *Infrastructure*, thanks to strong demand for electric power in emerging countries, we are continuously strengthening the power business in Asia, the Middle East and other regions through enhancement of IPP/IWPP** businesses and power plant construction which are currently contributing to profit.

In addition, we will expand the earnings base by fostering the water, communications, eco and energy-saving businesses as new core businesses.

Although the earnings base of about 20 billion yen has been built, the further expansion is now in sight.

**IWPP: Independent Water and Power Producer

3.Progress in GG Plan
- Expanding the Earnings Base (4)

【Media, Network & Lifestyle Retail】 [Strengthen core business/ Promote web-retail]

【Business environment】

・Change in business environment due to integration of broadcasting and telecommunication
・Diversification of consumer behavior and demand

【Progress】

・Strengthen and enhance consumer business through integration of media, network and retail
  >Made Jupiter Shop Channel a subsidiary
  >Promoted e-commerce of existing retail businesses

・Enhance profitability and services of J:COM
  >Strengthened:
    contents by integration of JTV,
    operation in broaden area by promoting M&A
    integrated community services

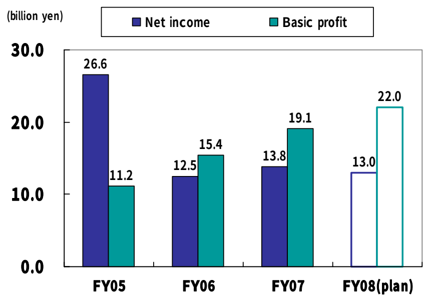
・Enhance core businesses
  >Sumisho Computer Systems Corporation
  >Summit stores

【Performance】

・Improve earnings base by further business selection & concentration

⇩

Aiming net income of 20 billion yen by steady growth of basic profit



Media, Network & Lifestyle Retail is reinforcing core businesses in consideration of changes in the operating environment and the diversification of consumer needs.

By making Jupiter Shop Channel a subsidiary and expanding e-commerce for existing retail businesses, the Company is strengthening and expanding unique businesses for consumers.

Furthermore, Jupiter Telecommunications acquired the pay multi-channel broadcasting business of the former Jupiter TV, thereby improving its service and strengthening earning power.

By improving the earnings base through the reinforcement of and further selection and concentration of core businesses, we aim at achieving net income of 20 billion yen.

3.Progress in GG Plan
- Expanding the Earnings Base (5)

[Chemical & Electronics] [Enhance global network]

[Business environment]

- Retail and housing businesses remain weak in North America
- Severe competition in electronics business (standardization, innovation)
- Hover at a high price of petrochemical and inorganic raw materials

[Progress]

- Improve core businesses and strengthen business base

>Cantex: Established new factory and launch new items

>Sumitronics: Started EMS for flat-screen TV in North America

>Pet care: Develop & launch new items (flea & tic drops) (Hartz)
Exploited veteran market (Summit VetPharm)

>Inorganic raw materials:
Strengthen trading of soda ash, sulfur and sulfuric acid

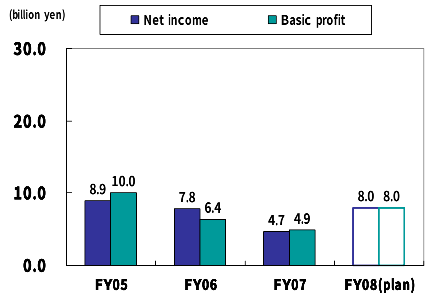
>Agrichemical:
Expanding global retail network (Russia, Australia)

[Performance]

- Reconstruct earnings base
  Improve profitability by replacing assets
  Promote global expansion

⇩

Aiming 10 billion yen of net income



Chemical & Electronics is focusing on strengthening the earnings base of core businesses.

Cantex is aiming at improving earning power by establishing a new factory and introducing new products.

Meanwhile, Sumitronics is pursuing global operations not only in Asia but also in North America and other regions.

In addition to these efforts, we are seeking to build an earnings base that is capable of generating net income of 10 billion yen by improving profitability through further replacement of assets.

3.Progress in GG Plan
- Expanding the Earnings Base (6)

【Mineral Resources & Energy】 [Enhance well-balanced portfolio in upstream area]

【Business environment】

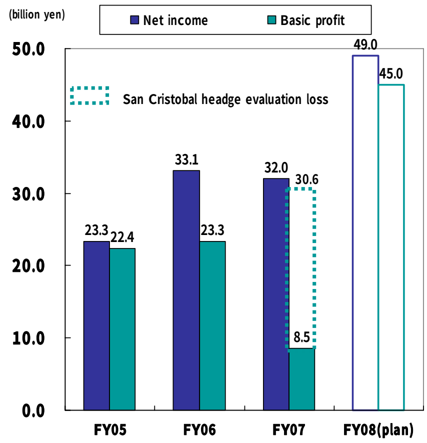
- Tightness between supply and demand due to economic growth in emerging countries
- Rising nationalism in resourceful countries

【Progress】

- Strengthen existing mainstay 4 areas (Copper, Coal, Oil, LNG)
  - >Contribution of stable operation in copper mine
  - >Start development of untouched coal mine in Australia
- Establish new pillar of profit
  - >Silver, Zinc and Lead: Production and shipment started in San Cristobal
  - >Nickel: Started development in Ambatovy
  - >Iron ore, Manganese: Additional share purchase of Assumang Limited (South Africa)
- Selection and concentration by replacement of assets
  - >Merged LPG businesses, sold Sumisho Oil

【Performance】

- Expect profit increase in 2008 thanks to rising coal price
- Aiming to establish stable earnings base, 50 billion yen of net income



Mineral Resources & Energy will continue to invest actively in upstream interests which we are focusing on, and build new pillars of profit.

At present we are focusing on the full-scale operation of the San Cristobal silver-zinc-lead mining project in Bolivia and on the scheduled ramp-up of the Ambatovy Nickel Project in Madagascar which we launched.

In the oil and gas business, we are pursuing improvement of profitability through selection and concentration.

We expect a significant increase in net income in fiscal 2008 due to rising coal prices.

Our aim is to build a business portfolio that can stably achieve net income of 50 billion yen through the steady contributions from development projects.

3.Progress in GG Plan
- Expanding the Earnings Base (7)

【General Products & Real Estate】 [Strengthen competitive business]

【Business environment】

・Stable market performance in office buildings & condominiums

・Leveling out in tire market of North America

・Rising price in raw materials

【Progress】

・Construction & Real Estate

>Office building, commercial facilities: Maintain & expand earnings by increasing and replacing assets

>Condominium: High profit in large-scale mixed-use development projects in Tokyo metropolitan & Kansai area (THE TOKYO TOWERS etc.)

・Materials & Supplies

>Tire: Promote growth strategy of TBC (Enhanced direct retail store, sales of service & line-up of goods)

>Timber: Promote timber processing business (Terneyles)

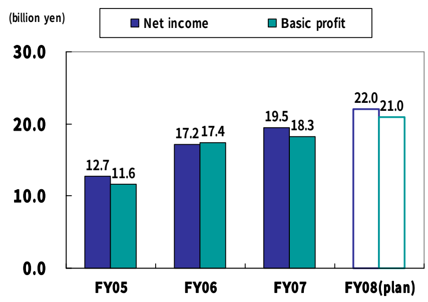
・Food

> Banana: Focus on enhancing the production base

【Performance】

・Maintain high profitability in real estate business

・Focus on improvement in profitability of materials, supplies and food



In General Products & Real Estate, we are making efforts to strengthen the portfolio by increasing and replacing assets in the real estate business and to maintain a high return mainly in large-scale mixed-use development projects in the Tokyo metropolitan area and the Kansai area.

Moreover, we focus on expanding the base of core businesses, such as tires, lumber and bananas.

In addition to stable earnings from real estate, we aim at further enhancement of earnings by improving the profitability of materials and foods.

3.Progress in GG Plan
- Expanding the Earnings Base (8)

【Financial & Logistics】 [Upgrade functions and services]

【Business environment】

・Financial

>Asset management: Focus on our strong businesses

>Commodity: Enlarge customer base and goods

>Investment & development: Expanding investment to growing market and company

・Logistics

>Logistics: Strengthen global network

>Industrial park (overseas) : Enhance Tang Long Industrial park in Vietnam

【topics】

・Newly establish leasing business dept.

>Sumitomo Mitsui Finance & Leasing (SMFL) business was transferred to the dept.

[Strategy]

-Promote value-up of SMFL after the merger

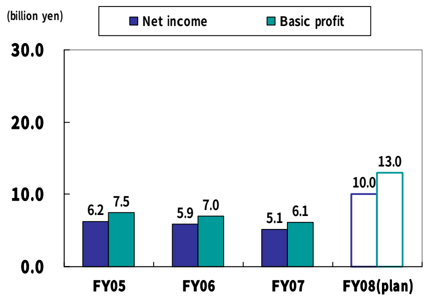
-Cooperation of Sumitomo corp., SMFL and Sumitomo Mitsui Financial Group

→Leasing operation in aircraft etc.

【Performance】

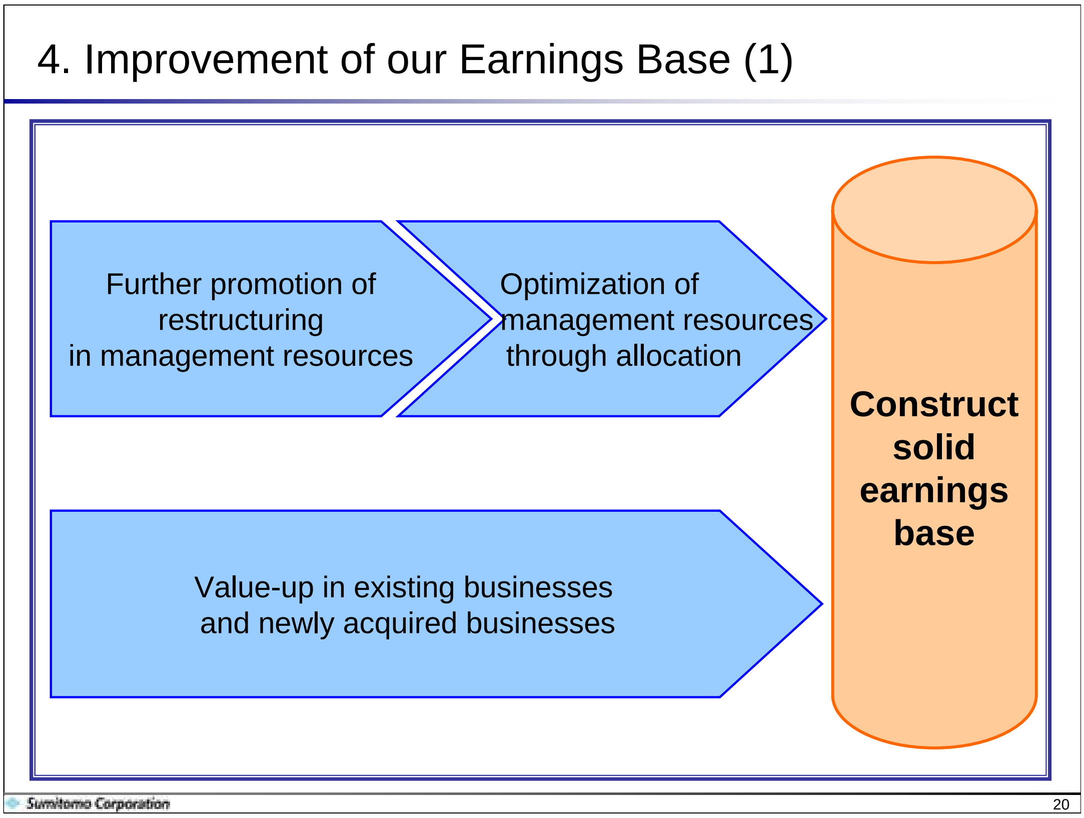
・Focus on asset management and logistics businesses

・Effect of newly established leasing business dept., 4.5 billion yen of net income is included in FY2008 plan



Financial & Logistics is aiming at strengthening the earnings base by upgrading functions and services.

Also, we established the Leasing Business Dept. in April 2008. Sumitomo Mitsui Finance & Leasing-related businesses and the aircraft leasing business were transferred. We will realize the effect of consolidating the leasing businesses and simultaneously promote new joint businesses through co-operation with related companies.



Under the GG Plan, we are seeking to achieve sustained growth. To this goal, we are pursuing "further improvement of quality" and "expansion of scale" in a balanced manner and aiming at steadily enhancing earning power.

In particular, we are engaged in the further replacement of management resources and improvement of the quality of the earnings base through the enhancement of existing businesses and newly acquired businesses. We are making these efforts as our top priority.

Next let me explain the progress resulting from these efforts.

4. Improvement of our Earnings Base (2)
<Further Selection and Concentration (1)>

■Replacement of Group companies

■Number of Group companies

Mar. 2006		Mar. 2007		Mar. 2008
875	(+135 / -112)	898	(+ 85 / -150)	833

Reassess Group companies from the viewpoint of
“profitability” ”growth” ”strategy”

Utilize corporate resources (Risk assets, human resources)

- ■ Target : about 250 companies
- ■ Progress : Exited or merged about 100 companies by Mar. 2008

The number of consolidated companies amounted approximately to 900 at the end of fiscal 2006.

This is a result of our active investment for expanding the earnings base. However, an examination of each company shows that there are some companies which need to review the business continuity.

We have been making ongoing efforts to replace assets since the Reform Package. Under the GG Plan, however, we are pursuing further active replacement not only from the quantitative standpoint of profitability but also from the qualitative standpoint of growth potential and strategy.

We selected about 250 companies in accordance with such criteria as targets for exit, and eliminated or integrated about 100 of these companies in the first year of the GG Plan.

4. Improvement of our Earnings Base (3)
<Further Selection and Concentration (2)>

■Major Cases

【Exit】

■ Otto-Sumisho (Media, Network & Lifestyle Retail)
>Focus on TV Shopping business

■ Sumisho Oil (Mineral Resources & Energy)
>Focus on up to midstream business

【Merger】

■ Sumisho LPG Holdings (Mineral Resources & Energy)
>Merge with LPG business in Showa Shell to enhance earnings base

【Replacement】

■ Overseas automobile dealer business (Transportation & Construction Systems)
>Shift to growing markets

■ Office buildings leasing business (U.S.A)
>Value realization

Next, I would like to describe some cases we implemented as a means of improving the quality of the business portfolio.

Media, Network & Lifestyle Retail sold the shares in Otto-Sumisho in a bid to concentrate management resources in the TVshopping business.

In the oil-related business, we sold the shares in Sumisho Oil of downstream in order to focus on upstream and midstream businesses.

Furthermore, we are strengthening the earnings base through the reorganization and integration of businesses. In order to enhance management efficiency by consolidating our functions and reinforcing our competitiveness, we decided to integrate LPG businesses.

Moreover, we are shifting management resources to regions with high growth potential in the overseas dealer business and replacing assets timely in the U.S. building business. Through these efforts, we are maintaining and improving profitability.

4. Improvement of our Earnings Base (4)
<Value-up our Existing Business>

■Value-up our Large Investments

■ The Hartz Mountain

Situation : Deteriorating products competitiveness

Action : Launch new key products (Flea & Tick Drops, etc.)

■ TBC Corporation

Situation : Change in market environment due to high oil price

Action : Promote growth strategy by accelerate new store openings, improve franchisee profit, and diversify supplier sources

■ Jupiter Shop Channel

Situation : Decreased earning power due to the change in business environment

Action : Strengthen product attractiveness and selling power, expand sales channel and customer base

We believe it is essential to steadily enhance the value of newly acquired businesses, in addition to improving the business portfolio through the replacement of assets.

I will explain the status of investment projects in which you have much interest.

Hartz Mountain has been suffering weak earnings due to the effects of the voluntary recall of its leading product immediately after the buyout and the recent slowdown in U.S. consumer spending.

The securing of highly profitable leading products and the introduction of new products that meet the needs of consumers are indispensable for shoring up its performance.

Since January 2008, the company has started the sale of new leading products, introduced new products, and implemented cost-cutting measures, such as the consolidation of factories and communization of parts. These measures are expected to steadily improve the company’s performance.

At present TBC posted approximately 4 billion yen of net income and is contributing to companywide earnings. Meanwhile, the operating environment has become harder than the time of the buyout due to the contraction of the tire market in the United States engendered by a rise in gasoline prices and the competition in the West Coast.

To cope with such changes in the market, we will accelerate opening of new stores directly operated by us, review the franchise agreement, diversify the lineup, and take other measures to realize the steady enhancement of value.

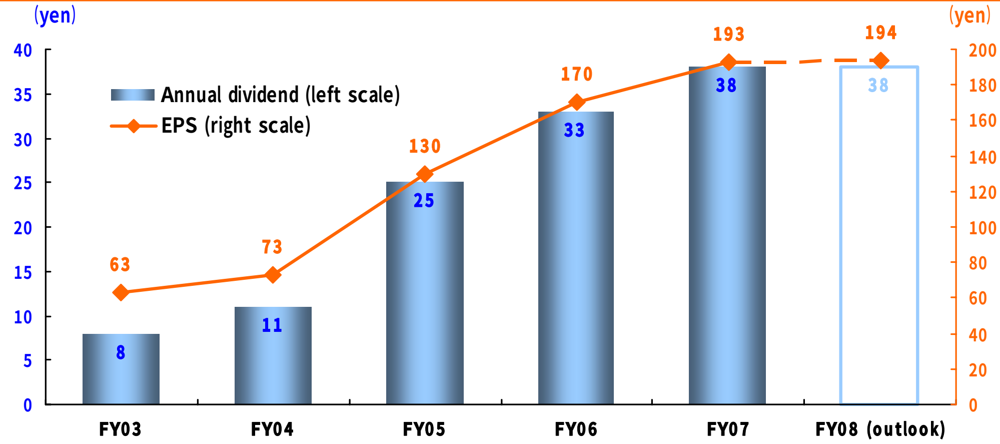
Jupiter Shop Channel has steadily developed into number one company in the industry, accounting for about 30% of Japan’s TVshopping market. However, the company was affected by changes in the environment and toughened restrictions on product labeling last year.

We aim at realizing further growth by implementing measures such as enlarging female customers’ bases, in addition to introducing highly unique products and undertaking sales promotion by means of e-commerce.

5. Returns to Shareholders

Dividend policy during GG Plan - Payout ratio: around 20%

Annual dividend per share
- FY07: 38 yen per share
- FY08: 38 yen per share
  based on our consolidated net income target of 243 billion yen

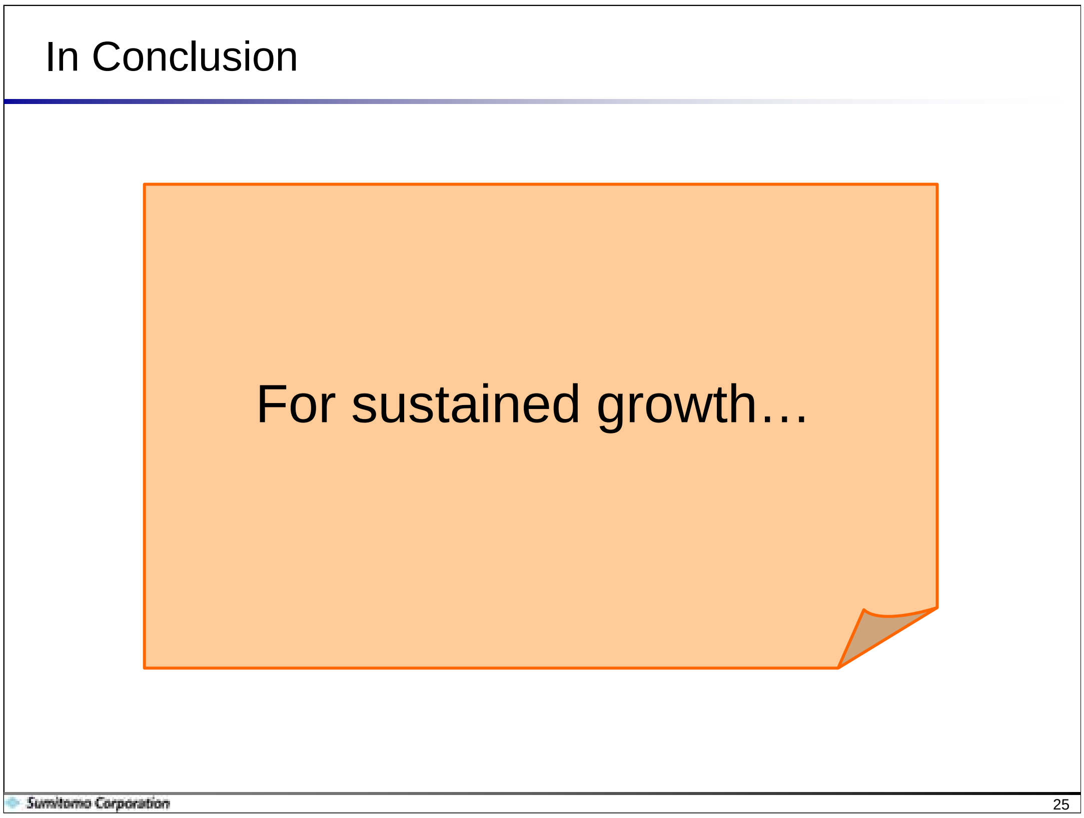


Lastly I will explain return to shareholders.

Under the GG Plan, we are making ongoing efforts to expand the earnings base to realize sustained growth. As I explained, we will continue to increase risk assets for fiscal 2008 and therefore maintain the dividend payout ratio at 20% as set forth in our initial policy.

As a result, the annual dividend per share for fiscal 2007 will be 38 yen, a 5 yen increase from that of previous year, 33 yen.

Moreover, based on our new target of net income of 243 billion yen for fiscal 2008, the annual dividend is also expected to be 38 yen per share.



As I have explained, I think that we are making steady progress toward achieving the quantitative targets mentioned in the GG Plan.

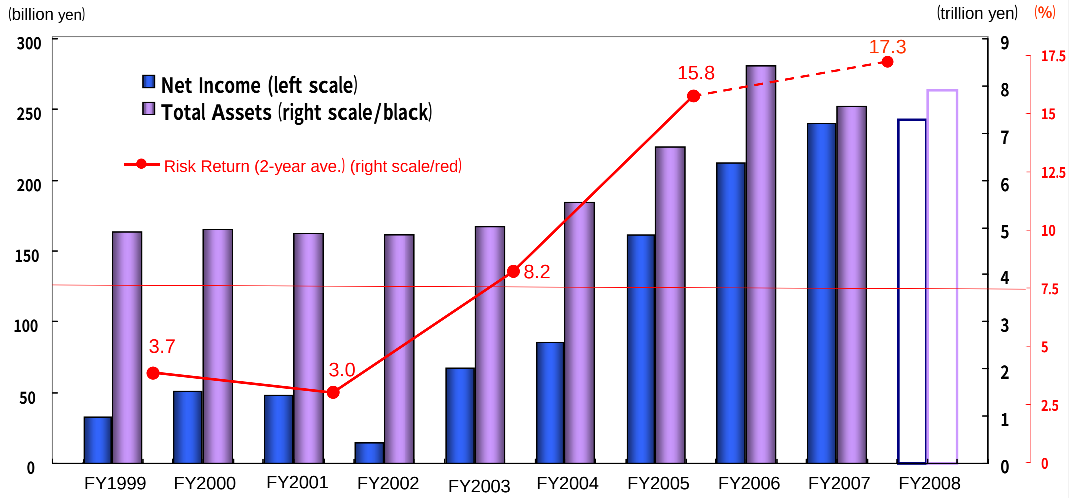
Meanwhile, a look at the world economy shows that there are apparent risks, such as a worldwide credit contraction and a slowdown in the U.S. economy, and the yen's appreciation stemming from the subprime loan problem. These factors are substantially changing the trend of growth.

Amid this trend, we consider the enhancement of management quality is important as we aim to achieve quality improvement in the GG Plan. Therefore, we continue to steadily implement the measures we are currently undertaking.

As we seek to construct a stronger business portfolio that is immune to changes in the environment, we ask for your ongoing understanding and support.

This concludes my explanation. Thank you for your attention.

(Reference)
(1)Medium-term management plans



Reform package	Step Up Plan	AA Plan	AG Plan	GG Plan
Enhanced corporate strength by selecting core businesses and withdrawing from non-core businesses	Increased profitability by replacing low return assets with potentially higher return assets	Strategic investments in assets with potential profitability	Strategic moves for further growth and development	Pursuit of further improvement of quality heading for a new stage of growth

(Reference)
(2)Outlook for Risk Assets & Risk Return by Segment

GG Plan(FY07-08)	Risk Return (2-year Ave.) (%)	
	GG (Plan)	GG (Outlook)
Metal Products	19.8	24.0
Transportation & Construction Systems	17.7	18.5
Infrastructure	21.3	25.1
Media, Network & Lifestyle Retail	11.6	8.0
Chemical & Electronics	21.3	14.3
Mineral Resources & Energy	18.0	25.4
General Products & Real Estate	13.7	16.0
Financial & Logistics	17.4	7.9
Domestic Regional Business Units, and Offices	18.3	20.6
Overseas Subsidiaries and Branches	23.1	25.9
Consolidated	15.6	17.3

Risk Assets (billion yen)