

## **For Immediate Release**

### **Sumitomo Corporation Announces Quarterly Financial Results for the fiscal year 2008 (Six month period ended September 30, 2008)**

On October 29, 2008, Sumitomo Corporation announced its consolidated results for the six-month period ended September 30, 2008, prepared on the basis of accounting principles generally accepted in the United States of America.

Net income for the six-month period was 160.3 billion yen, an increase of 48.3 billion yen representing 43% growth from the same period of the previous year.

#### **1. Operating results**

- Gross profit was 539.7 billion yen, an increase of 72.5 billion yen from the same period of the previous year.
- Businesses which contributed to the increase were as follows:
  - Steel service center operation in Asia and China supported by the demand of home electronics and automobile
  - Tubular products operation in North America led by the strong demand based on the rise of oil and gas prices
  - Coal mining operation in Australia led by the rise of coal prices
- The following strategic restructuring contributed to the increase as well.
  - Sumitomo Mitsui Auto Service Company, Limited (merged on October 1, 2007)
  - Jupiter Shop Channel Co., Ltd. (SC Media & Commerce Inc. / made it a subsidiary on May 22, 2007)
- Selling, general and administrative expenses was 337.2 billion yen increased slightly from the same period of the previous year.  
Accordingly, operating income was 192.9 billion yen increasing 45% from the same period of the previous year.

- Interest expense, net of interest income decreased by 4.8 billion yen mainly due to the decline of interest rate in US\$.
- Equity in earnings of associated companies increased by 27.1 billion yen to 52.2 billion yen. This included the improvement of hedge evaluation gain/loss regarding the San Cristobal silver-zinc-lead mining project in Bolivia, the strong performance of the copper business in Indonesia (Batu Hijau copper & gold mine project) and the steady performance of Sumitomo Mitsui Finance & Leasing Co., Ltd. In addition, Oresteel Investments (Proprietary) Limited, a South African company which owns iron ore interest contributed to the increase from the second quarter.
- Provision for doubtful receivables was 9.5 billion yen, an increase of 4.8 billion yen mainly in domestic finance business.
- Gain on marketable securities and other investments was 5.9 billion yen including value realizations through replacements of assets such as capital gain of Sumitomo Mitsui Finance & Leasing Co., Ltd.
- As a result, net income totaled 160.3 billion yen, an increase of 48.3 billion yen or representing 43% growth from the same period of the previous year, which is a record-high as a first six months for five consecutive periods.
- In addition to the major businesses explained above, the following businesses also contributed to the results.
  - Transportation & Construction Systems  
Automobile business to Middle East and Africa and the ship business led by robust marine transportation market showed strong performance. In addition, there was capital gain through replacements of assets (ships).
  - Infrastructure  
IPP (Independent Power Plant) business in Asia showed stable performance.
  - Media, Network & Lifestyle Retail  
Jupiter Shop Channel Co., Ltd. and Jupiter Telecommunications Co., Ltd. showed strong performance while there was capital gain through restructuring of Jupiter TV Co., Ltd. in the same period of the previous year.

- Chemical & Electronics  
Agricultural chemical business in East Europe and sulfur and sulfuric acid business showed strong performance.
- General Products & Real Estate  
Fertilizer business showed strong performance while building-products business decreased due to the decline of domestic housing starts.
- Financial & Logistics  
Net income declined due to the valuation loss of the unlisted companies and provision for doubtful receivables in domestic finance business due to severe financial condition.

## **2. Financial position**

- Total assets as of September 30, 2008 amounted to 7,771.6 billion yen, an increase of 200.2 billion yen from March 31, 2008 mainly due to the increase of operating assets.
- Total shareholders' equity increased by 74.0 billion yen, due to the increase in retained earnings although unrealized holding gains on securities available-for-sale decreased. Shareholders' equity ratio improved to 20.2% or 0.5 points up from March 31, 2008.

## **3. Cash flows**

- Net cash provided by operating activities was 87.1 billion yen as a result of strong business performances in each segment although working capital increased due to the increase of operating assets mainly led by the rise of commodity prices.
- Net cash used in investing activities was 143.0 billion yen, mainly due to the strategic investments such as acquiring additional iron ore interest in South Africa and office buildings in the United States while replacing assets such as partially selling share of Sumitomo Mitsui Finance & Leasing Co., Ltd.
- Accordingly, free cash flow was 55.9 billion yen outflow.

#### 4. Progress for the full fiscal year ending March 31, 2009

- We presume the world economy is expected to decelerate including the recession in industrial countries and slowdown in emerging countries. Therefore, some of our businesses will be affected by the situation.
- However, we are confident to achieve the net income of 243.0 billion yen as planned since the first six months basic profit\* amounted 1,666 million yen reaching 69% of the annual target and core businesses which contributed to the increase in the first six months, such as Metal products, Transportation & Construction Systems, Mineral Resources & Energy businesses will continuously show steady performance.

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

#### 5. Interim dividend

- Our basic policy is to meet shareholders' expectations by ensuring long-term stable dividends. In addition to this basic policy, we have set the dividend payout ratio at around 20%, reflecting consolidated financial results. Based on our target of consolidated net income of 243.0 billion yen, the annual dividend is planned to be 38 yen per share. Therefore, the interim dividend is 19 yen per share, half amount of the planned annual dividend.

For further information contact:

Sumitomo Corporation

Investor Relations Dept.

Phone: +81-3-5166-3522

Fax : +81-3-5166-6292

e-mail: [ir@sumitomocorp.co.jp](mailto:ir@sumitomocorp.co.jp)

#### Cautionary Statement Concerning Forward-Looking Statements

This report includes forward-looking statements relating to our future plans, targets, objectives, expectations and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The management targets included in this report are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management strives to achieve through the successful implementation of the Company's business strategies. The company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets.

The Company is under no obligation -- and expressly disclaims any such obligation -- to update or alter its forward-looking statements.