

## Message from the President

### Results for Fiscal 2008

Affected by the deteriorating economy in the latter half of the fiscal year, net income in fiscal 2008 (ended March 31, 2009) was ¥215.1 billion, ¥27.9 billion short of our initial target.

Starting in the latter half of fiscal 2008, the credit crunch had enormous impact on the real global economy. At the same time, prices on international commodity markets fell in response to the effects of moves to reduce risk asset holdings and sharp drops in demand.

Our performance in fiscal 2008 advanced at a steady pace until the third quarter thanks to a favorable market environment and rising natural resource prices. Core businesses that showed strong performance due to the abovementioned factors were steel service centers and the tubular products business in Metal Products, automobile and construction equipment businesses in Transportation & Construction Systems and the coal business in Mineral Resources & Energy. However, economic deterioration in the fourth quarter led to a decline in total trading transactions as well as extraordinary losses that included inventory valuation losses and impairment losses on securities. As a result, net income in fiscal 2008 amounted to ¥215.1 billion, ¥27.9 billion short of the initial target of ¥243 billion.

Our two-year net income was ¥454 billion, which also fell short of the ¥470 billion target set under the GG Plan, our medium-term management plan from April 2007 to March 2009.



President and CEO  
**Susumu Kato**

### Looking Back on the GG Plan

Under the GG Plan for solidifying our footing in order to stably secure a Risk-adjusted Return Ratio of 15% or more, we pursued the expansion of our earnings base and further improvements in management quality in a balanced manner.

To expand our earnings base, we aimed to realize large pillars of profit immune to changes in the business environment and worked to increase profitable assets in core businesses and peripheral fields in each segment. For instance, among initiatives conducted to expand our base of existing core businesses, we enhanced our value chain of tubular product for oil and gas development in Metal Products, strengthened the automobile finance and lease business in Transportation & Construction Systems, then, made the TV shopping business into a wholly owned subsidiary in Media, Network & Lifestyle Retail. We also endeavored to build new pillars of profit in Mineral Resources & Energy with the silver-zinc-lead mine in Bolivia and a nickel project in Madagascar.

With regard to management quality, we have made efforts in four areas: "earnings base," "operations," "group management," and "human resources and workstyles." Improving the quality of our earnings base is an issue of utmost importance. To accomplish this, we worked to further

implement selection and concentration and raise the value of individual businesses by enhancing business monitoring processes and refining our investment rules. In addition, to more effectively utilize limited management resources, together with efforts to improve asset efficiency we actively reduced the number of small-scale Group companies.

I believe that our efforts under the GG Plan to improve the earnings base enabled us to achieve the target Risk-adjusted Return Ratio of 15% or more in a business environment that had changed far more radically than anticipated. However, there were also large-scale investment projects that did not proceed as planned. I recognize that increasing the value of individual businesses is an issue to which we must continue to apply our energies. Furthermore, in acknowledgement of the sobering fact that we were not able to achieve our net income targets, we will continue to make efforts to further improve management quality.

**GG Plan Quantitative Targets & Results**

	Quantitative Targets	Results
Risk-adjusted Return (2-year average):	<b>15% or more</b>	<b>16.5%</b>
Net income (2-year total)	<b>¥470 billion</b>	<b>¥454 billion</b>

**GG Plan Qualitative Targets**

- Establish a truly solid earnings base through the rigorous strengthening and expansion of our core businesses
- Improve the management quality to pursue sustained growth

Accomplish by improving quality in four areas:  
"Earnings Base," "Operations," "Group Management," and "Human Resources and Workstyles"

## FOCUS'10 Objectives

Under FOCUS'10, we aim to construct a business model that enables us to maintain sustained growth even in harsh economic conditions

From April 2009 we commenced FOCUS'10, a new two-year medium-term management plan. Under the assumption that the harsh external conditions will continue for the time being, we have set the net income target for fiscal 2009 at ¥115 billion. In deciding on this figure, we took into account the results of 10 years of management reforms implemented under the Reform Package through to the GG Plan. This target also reflects our firm conviction that we will be able to secure a Risk-adjusted Return Ratio that exceeds the shareholders' capital cost of 7.5% regardless of the business environment. Moreover, keeping in mind our desire to once again achieve a Risk-adjusted Return Ratio of 15% over the medium to long term, we set our target for the next two-year average Risk-adjusted Return Ratio's at approximately 10%.

The aim of FOCUS'10 is to establish "A Growth Scenario on a New Stage" with a view to the next 10 years. We aim to build a corporate framework and growth model capable of maintaining sustained growth, even in the severe business environment we are now facing. We will maintain and deepen Risk-adjusted Return Ratio management.

**FOCUS'10 Fundamental Principles and Qualitative Targets**  
**"A Growth Scenario on a New Stage"**

**Fundamental Principles**

- Promote medium/long-term growth by enhancing value-creation capability while reinforcing soundness and efficiency
- Promote company-wide growth by leveraging the diversity and strengths of our businesses

**Qualitative Targets**

- Steady execution of selective & focused growth strategy
- Thorough reinforcement of soundness and efficiency
- Development of human and organizational dynamism to enhance value-creation capability

**FOCUS'10 Quantitative Targets and Plan**

**Quantitative Targets**

- Net income (FY2009)\* **¥115 billion**
- Risk-adjusted Return (two-year average) **Around 10%**

**Risk Asset Plan (two-year total)**

Amount increasing over two years (gross)	<b>¥200 billion</b>
Decrease	<b>¥100 billion</b>
Amount increasing (net)	<b>¥100 billion</b>

**Soundness & Efficiency**

- Total Assets: Remains on the same level as of the end of March 2009
- Free Cash Flow: Positive two-year total

\* "Net income" presented above means "Net income attributable to shareholders of Sumitomo Corporation" in the Statement of Financial Accounting Standards No. 120, effective April 1, 2009, which is equivalent to the caption "Net income" appearing in the consolidated financial statements for fiscal year ended March 31, 2009.

## FOCUS'10 Initiatives

We will steadily execute our growth strategy with a view to the medium and long term through the selective and concentrated allocation of management resources and by setting objectives in line with the diverse characteristics of individual business.

Under FOCUS'10, a framework is introduced that promotes diverse growth by making use of the distinctive features and strengths of each business. Our aim is to construct earnings pillars from a medium- to long-term viewpoint. To achieve this, we classify each business in terms of both profitability and earnings scale and set selective and concentrated targets and allocate management resources in accordance with their stage of growth.

In the two years of FOCUS'10, we plan to newly accumulate ¥200 billion in Risk-adjusted Assets. Within these assets, we intend to mainly allocate management resources to earnings pillars that meet the quantitative conditions of a Risk-adjusted Return Ratio of 7.5% or more and annual net income ¥1 billion and above.

Under FOCUS'10, we will work to thoroughly strengthen soundness and efficiency, securing sustained growth backed mainly by retained earnings

In order to maintain growth in any financial or economic environment, I believe it essential to strengthen soundness and efficiency so that we are able to continue making investments backed mainly by retained earnings. Taking this into account, under FOCUS'10, we will raise the quality of our business portfolio by implementing balance sheet management and controlling the amount of total assets through the replacement of assets.

In addition to reducing the number of small-scale companies as in the past, we will further intensify the strategic replacement of large-scale assets and shift management resources to businesses with greater asset efficiency. Through these efforts, we aim to maintain total assets at the same level as of March 31, 2009, and secure a positive free cash flow on a two-year total basis.

## Returns to our Shareholders

Under FOCUS'10, we will maintain a dividend payout ratio of 20% to bolster our financial soundness and secure funds for investment.

Regarding our policy on shareholder returns, we have reflected consolidated financial results in dividend payments since the second half of fiscal 2004. Under the GG Plan, we have set the dividend payout ratio at 20%, taking into consideration the level of retained earnings required to execute our growth strategy. In line with this policy, we paid annual dividends of ¥34 per share for fiscal 2008.

Considering the current financial environment, and in order to strengthen our capital base aimed at realizing a sound financial condition and securing investment capital, we will maintain the dividend payout ratio at 20% for the two years of FOCUS'10. In accordance with this, we plan to pay a dividend of ¥18 per share for fiscal 2009 based on our net income target of ¥115 billion.

## Aiming for Sustained Growth

[We aim for sustained growth, striving to expand with market change.](#)

In the past, while striving to maintain and improve soundness and efficiency, even in harsh business environments, we attained growth by responding flexibly and swiftly to environmental changes, for example, by enhancing our functions, initiating new businesses and transforming our corporate structure. I believe this is the result of leveraging our integrated corporate strengths and core competencies as well as of putting into practice our "aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society," as stated in our management principles, as well as our corporate mission "to achieve prosperity and realize dreams through sound business activities."

As we look toward the current world economy, we can see we are in a severe situation compared with the upswing of the past few years. For us to maintain sustained growth no matter what the business environment, I believe it critical that we exert our integrated corporate strength and keep ahead of change while continuing to create value.

To steadily implement our medium- to long-term strategic growth strategy by maximizing value creation capability, which is generated from business and employee diversity and integrated corporate strength, we will reinforce our business foundation for sustained growth backed mainly by retained earnings over the next two years. To that end, the entire Company will unite as one and strive to thoroughly fortify soundness and efficiency.

I sincerely request your ongoing understanding and support.

Susumu Kato  
President and CEO