Sumitomo
Corporation

ANNUAL REPORT 2001

Year ended March 31, 2001

Sumitomo Corporation's Corporate Mission Statement

We aim to be a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society.

Management Principles

- To achieve prosperity and realize dreams through sound business activities.
- To place prime importance on integrity and sound management with utmost respect for the individual.
- To foster a corporate culture full of vitality and conducive to innovation.

Activity Guidelines

- To act with honesty and sincerity on the basis of Sumitomo's business philosophy and in keeping with the Management Principles.
- To comply with laws and regulations while maintaining the highest ethical standards.
- To set high value on transparency and openness.
- To attach great importance to protecting the global environment.
- To contribute to society as a good corporate citizen.
- To achieve teamwork and integrated corporate strength through active communication.
- To set clear objectives and achieve them with enthusiasm.

Caution Concerning Forward-looking Statements:
This annual report includes "forward-looking statements" so that the investor can better understand a company's future prospects and make informed investment decisions. Since these forward-looking statements are the management's present expectations of future events, they are inherently susceptible to uncertainty and changes in circumstances. Therefore, the reader is advised not to put undue reliance on these statements, and the company is under no obligation — and expressly disclaims any such obligation — to update or alter its forward-looking statements.

Contents

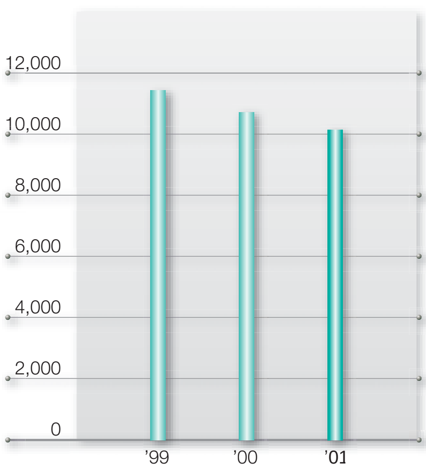
Sumitomo Corporation and Consolidated Subsidiaries

Financial Highlights

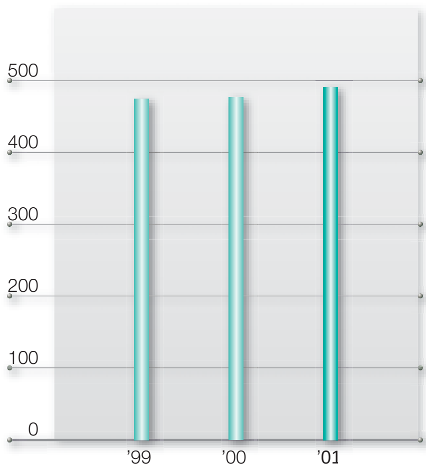
			Millions of Yen	Millions of U.S. Dollars
Years ended March 31	2001	2000	1999	2001
Total Trading Transactions	¥10,080,062	¥10,656,046	¥11,378,831	$80,000
Gross Trading Profit	488,400	474,674	472,858	3,876
Operating Income	88,853	58,503	17,744	705
Net Income (Loss)	40,344	35,065	(13,076)	320
Total Assets	4,950,079	4,904,644	5,389,356	39,286
Shareholders' Equity	622,957	634,223	569,653	4,944
Amounts Per Share (Yen and Dollars)				
Net Income (Loss)				
Basic	¥ 37.91	¥ 32.94	¥ (12.28)	$ 0.30
Diluted	37.14	32.31	(12.28)	0.29
Cash Dividends declared for the year	8.00	8.00	8.00	0.06
Ratios (%)				
Gross Trading Profit Ratio	4.85	4.45	4.16	
Return on Equity	6.4	5.8	(2.2)	
Shareholders' Equity Ratio	12.6	12.9	10.6	
Interest Coverage (Times)	2.3	1.6	1.0	

• Prepared on the basis of accounting principles generally accepted in the United States of America.
• The U.S. Dollar amounts represent translation of Japanese Yen amounts at the rate of ¥126=US$1.
• See Notes to Consolidated Financial Statements.

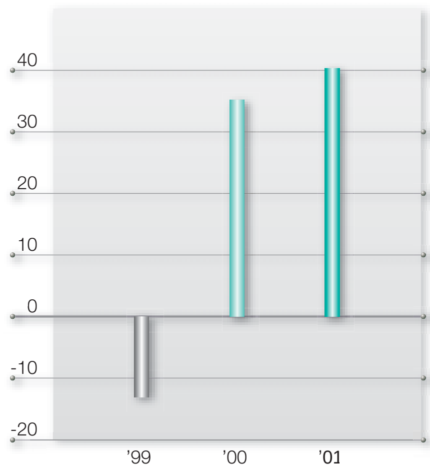
■ **Total Trading Transactions** (Billions of Yen)



■ **Gross Trading Profit** (Billions of Yen)



■ **Net Income (Loss)** (Billions of Yen)



Message from the President and CEO

Motoyuki Oka
President and CEO

On behalf of Sumitomo Corporation, I would like to thank you for the support and understanding to our business activities. On June 22 this year, Mr. Miyahara, the former president and CEO, assumed the post of Chairman of the Board of Directors, and I have been appointed to succeed him as President and CEO.

For your further understanding, I would like to state my views and commitment in this message.

A High-performance Global Company

In the period ahead, we can expect to see globalization and the information technology revolution progress further and the process of change in our social and economic environment to grow even more intense. At Sumitomo Corporation, aiming at further promoting profit growth and strengthening our corporate constitution through "qualitatively improving the Integrated Business Enterprise and realizing global consolidated management," we have already equipped ourselves with the concrete strategies to come out ahead in this new age. I will carry on with these strategies, striving to implement our corporate vision of being "a global organization that constantly stays a step ahead in dealing with change, creates new value, and contributes broadly to society." I hope to develop Sumitomo Corporation into a truly "high-performance global company."

● Sharing and Implementing Our Management Principles

When I speak of making our organization a global company, one aspect of what I have in mind is a company whose Corporate Vision, Management Principles, and Activity Guidelines reach across all the barriers of culture and language to be shared as common values by all employees across the globe, each of whom implements them with confidence and pride.

Our Management Principles set forth our corporate mission as being "to achieve prosperity and realize dreams for people around the world through sound business activities." Furthermore, these principles stress "integrity and sound management" (which are the source of trust) as our fundamental business stance, and they call for us "to foster a corporate culture full of vitality and conducive to innovation." These principles remain solid and constant regardless of how drastically our environment may change, and they are the starting point for our everyday activities.

The SC Values, which we drew up in order to ensure that all executives and employees share the values contained in the Corporate Mission Statement, express these principles in nine concrete items. All of them are important, but I would like to touch on the following three points:

■ Integrity and sound management; compliance

The trust that Sumitomo Corporation enjoys has been built up over the course of our long history of integrity and sound management and has been passed on from one age to the next in an unbroken thread. This is the very core of our Management Principles; without trust our company cannot survive.

We always conduct our business activities in a lawful and fair manner. Under whatever circumstances, we always make it our top priority to comply with laws and regulations while maintaining the highest ethical standards.

■ Change and innovation

Are we stuck with fixed notions and obsessed with past successes? Are we succumbing to conformity? Are we unthinkingly repeating what we did last year? We check ourselves constantly on points like these. And we keep highly alert so as to anticipate changes, to which we should respond with flexible thinking and bold action.

I accept the diversity among the employees in their values and behavior patterns, and I greatly appreciate and promote the attitudes and actions that all of them have been displaying in tackling the challenges of change.

SC VALUES

1	Integrity and Sound Management	To comply with laws and regulations, while maintaining the highest ethical standards.
2	Integrated Corporate Strength	To create no boundaries within the organization; always to act with a company-wide perspective.
3	Vision	To create a clear vision of the future, and to communicate to share it within the organization.
4	Change and Innovation	To accept and integrate diversity in values and behavior, and to embrace change as an opportunity for action.
5	Commitment	To act responsibly and with initiative to achieve organizational objectives.
6	Enthusiasm	To act with enthusiasm and confidence, and to motivate others through such action.
7	Speed	To make quick decisions and act promptly.
8	Human Development	To fully support the development of others' potential.
9	Professionalism	To achieve and maintain high levels of expertise and skills.

for Managerial Staff

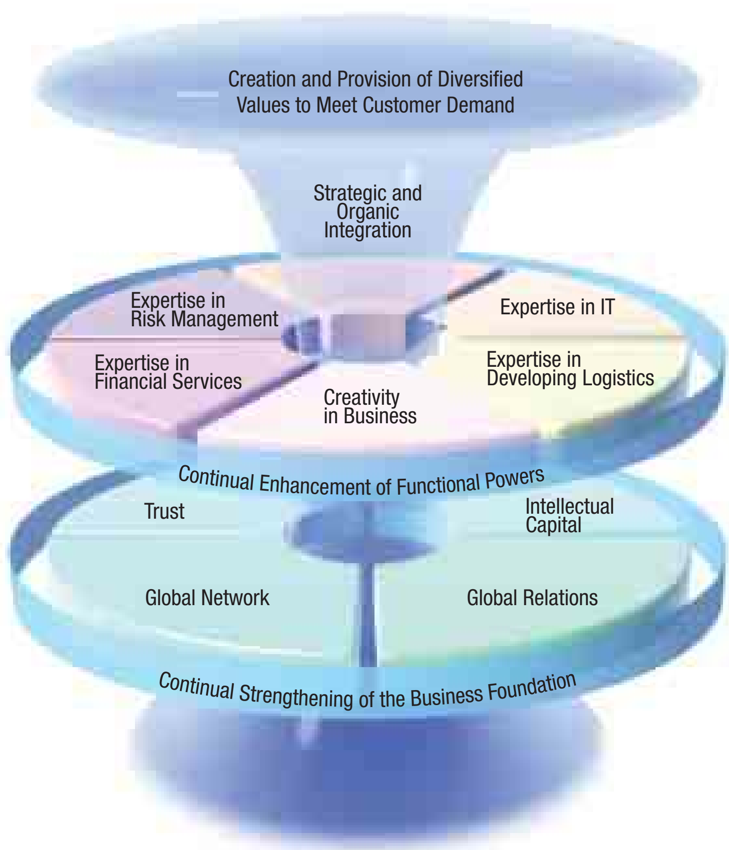
■ Enthusiasm and teamwork

I intend to place great value on enthusiasm and teamwork in the conduct of our jobs. Whatever the job may be, doing it enthusiastically results in greater concentration and enables new discoveries. This leads to a feeling of accomplishment and makes the job more interesting; I believe that this can create a "virtuous cycle" of positive feedback and improved performance. Also, even when a task is impossible for a single person to accomplish, solid teamwork can produce great success, and the resulting joy can be shared by everybody on the team.

● Enhancing, Renewing, and Cultivating Our Integrated Corporate Strength

The second aspect of what I have in mind for Sumitomo Corporation as a global company is that it be an organization that has a solid business foundation and steady earning power, sustained by a core competence that it enhances and renews by constantly staying a step ahead in dealing with the changes of the times.

Core Competence: Integrated Corporate Strength



The core competence of our company is the integrated corporate strength by which we make use of our business foundation and our diverse knowledge base and expertise. Many corporations are moving forward with their processes of selection and consolidation, combined with utilizing management resources and intellectual assets from outside. In this context, I am certain that our customers will be making greater calls on the services and solutions that we can offer by bringing out our integrated corporate strength.

In order to enhance our integrated corporate strength, it is essential for us to upgrade the intellectual assets that form a key constituent of this strength. This means that each of us must improve our individual capabilities and must be more innovative.

Each of us, as professionals in our respective fields, must seize every chance to learn, building up our store of knowledge, experience, information, and other intellectual assets, and we must hone these assets by putting them into action.

What is most important is to make the fullest use of our organization's foundation and functions acting with determination and effectiveness on behalf of our customers. These individual actions, linked with good communications throughout the company, will encourage strong teamwork, and promote the integrated corporate strength that will continue to make us a dynamic business force.

● Creating and Offering Diverse Value

The third aspect of the global company that I have in mind is one that wins the respect of global stakeholders such as customers, shareholders, society, and employees by creating and offering diverse new value in ways that other companies cannot match and by continually expanding this value.

Corporate Values of Sumitomo Corp. Group

As Corporate Values, we attach importance to Core Values as source of values as well as Realized Values for stakeholders.

We constantly embody the Core Values and expand the Realized Values through excellent management and good teamwork.

- For customers, this means being a company that meets every global need, offering the best and most appropriate services, and earning their trust.
- For shareholders, this means being a company that provides a return that is commensurate with their investment of risk capital and whose business activities are ones that they can support.
- For society, this means being a company that contributes as a good corporate citizen and that pays full attention to the preservation of the global environment.
- For employees, this means being a company that each one of them around the world can feel sincerely proud and happy to work for.

These values are to be achieved by putting our Management Principles to work and utilizing our integrated corporate strength. We take these Management Principles and this integrated corporate strength to be the Core Values of Sumitomo Corporation. The global company that I seek to develop will be one that constantly enhances these Core Values, embodies them to the utmost, and synergistically expands the value that it provides for each of its stakeholders.

Firm Implementation of the 'Step Up Plan'

In order to be a global company, our organization must have both solid financial strength and steady earning power. What we have to do as the first priority is to strengthen our earning power immediately.

Our first task is the firm implementation of the Step Up Plan that we launched this April. While maintaining our management stance of achieving a balance between our risk-adjusted assets and our risk buffers and maintaining consistent risk management, we must strive for a drastic expansion of our profit base. For this purpose, we will build and expand our core businesses, thoroughly implementing strategic and focused allocation of management resources and utilizing our integrated corporate strength to the fullest degree. On a company-wide level, we will make use of our budgeting and other systems and further clarify our management thinking so as to resolutely implement the most appropriate allocation of these resources. We will do our best to implement the Step Up Plan firmly and to achieve our targets of a consolidated risk-adjusted return ratio of a minimum of 5% after taxes over the next two years, which requires ¥100 billion in consolidated net profits.

Next, I want the Corporation to double its earning power as soon as possible, achieving a consolidated risk-adjusted return ratio of a minimum of 7.5% after taxes. Producing a return greater than the cost of capital is a bare minimum standard to be met by an organization seeking to be a global company.

In addition to strengthening our earning power, I will be working to enhance our disclosure of information to stakeholders and other forms of management transparency, soundness, and accountability. In the area of governance as well, we will equip ourselves with a flexible and efficient management style, staying fully on top of global trends while at the same time taking into consideration the positive aspects of Japan's management culture and historical development processes.

As part of our effort to establish a global company, our objective for the near future will be to become a company eligible for listing on the New York Stock Exchange (NYSE). This requires meeting high standards in management and many other aspects, as well as strong earning power.

The Most Exciting Integrated Trading Company (*Sogo Shosha*)

In this first year of the 21st century we have moved our Head Office to Harumi and are undertaking a new challenge.

In order to become a global company, we must make Sumitomo Corporation the most exciting *sogo shosha*, where each executive and employee makes his or her best efforts, displaying enthusiasm, ingenuity, and superior teamwork.

I ask you for your all-out support and enthusiastic cooperation.

(As of July, 2001)

President and CEO

'Step Up Plan' Based on 'Reform Package'

We attach importance to the continual revamping of our business thinking and our corporate structure and are putting this into practice vigorously. In October 1998, to promote profit growth and strengthen our corporate constitution through "qualitatively improving the Integrated Business Enterprise and realizing global consolidated management," we adopted the "Reform Package" as our two-year mid-term management plan and promoted it whole-heartedly through March 2001.

From April of this year, we have launched the "Step Up Plan" as a mid-term management plan to follow the measures put into place under the Reform Package and to promote further progress. In this section, we provide a summary of the Step Up Plan as well as an overview of the Reform Package.

1. Reform Package

Background

While trade has always been a principal pillar of Sumitomo Corp.'s business activities, in the late 1980s we adopted the mid- to long-term corporate strategy of transforming our profit structure to add the new pillar of becoming an "Integrated Business Enterprise." As we entered the 1990s, following the collapse of the so-called bubble economy, which further increased the importance of efficient management, we reviewed our efforts to become an Integrated Business Enterprise. We began to work toward revamping our business thinking and our corporate structure in order to strive for "qualitatively improving the Integrated Business Enterprise and realizing global consolidated management."

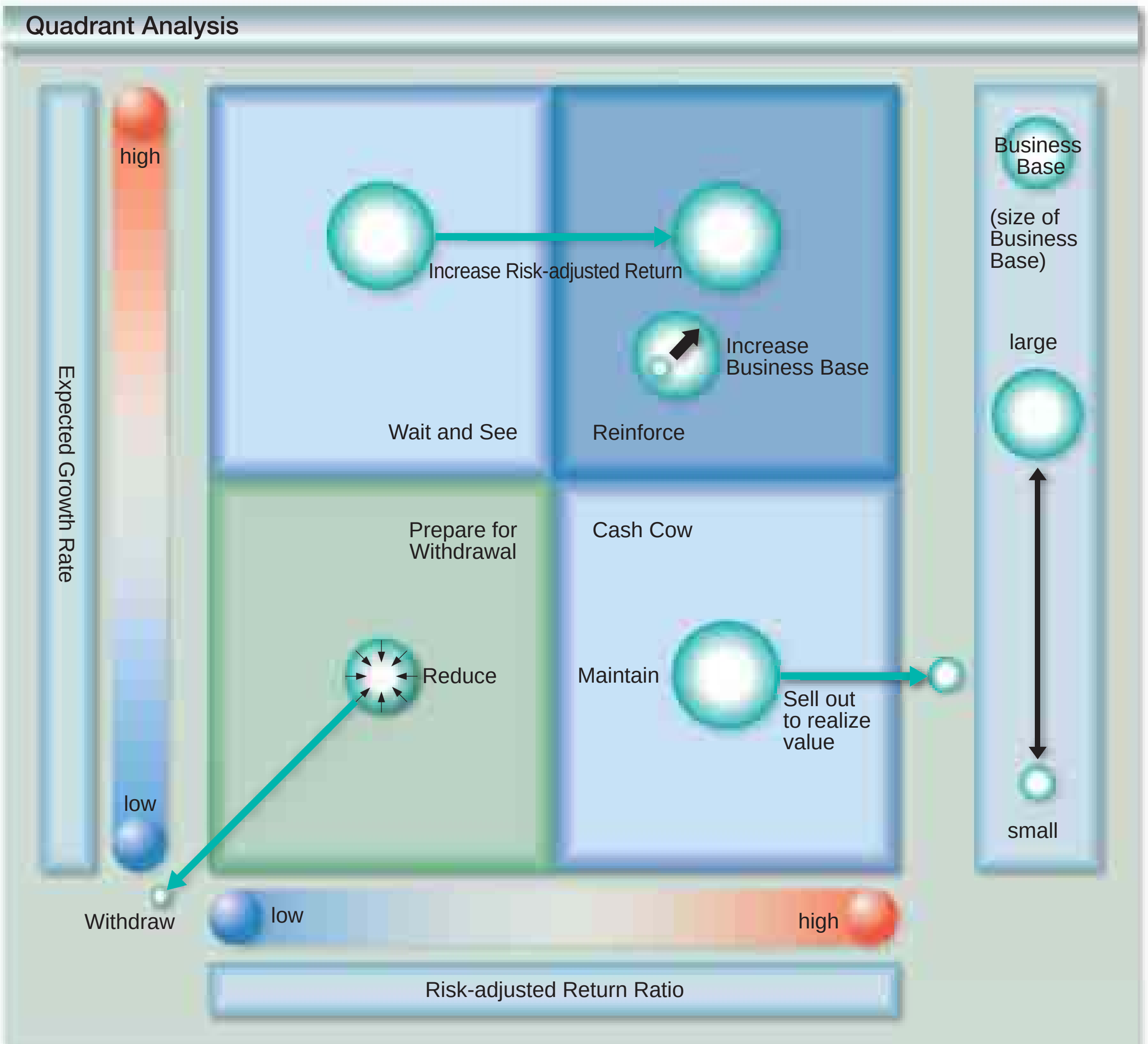
Selecting core businesses by applying the 'Three Strategic Measures'

To utilize limited management resources to the fullest extent possible, we must select core businesses and strategically allocate management resources. To select core businesses a common yardstick for the entire company that is both objective and quantitative must be employed, since a trading company carries out business operations in a variety of fields in many different locations throughout the world. To that end, we organized the "Quantitative Analysis Working Group," representing a cross section of the entire company by recruiting members from different departments, and engaged in wide-ranging discussions involving outside consultants. Focusing on the common nature of a trading company's businesses which is "increasing returns while managing risks" and the "cost of capital" entrusted by our investors, we created the "Three Strategic Measures" composed of "Consolidated Risk-adjusted Return Ratio," "Business Base," and "Expected Growth Rate" to serve as a common company-wide yardstick for objectively selecting and evaluating each of our businesses.

Three Strategic Measures

Consolidated Risk-adjusted Return Ratio	The ratio of consolidated cash-based return (free cash flow = net profit - net depreciable assets investment + depreciation) to consolidated risk-adjusted assets (the sum of (a) advance, inventory, fixed assets, and securities multiplied by each risk weight on the balance sheet and (b) off-balance sheet risk such as market risk).
Business Base	The amount of added value generated by the business (operating profit + labor costs + depreciation + interest expenses).
Expected Growth Rate	The rate of increase of the above-mentioned business base.

While verifying whether the risk borne in the company's business activities as a whole remains within the company's capacity, we also analyzed our business portfolio in regard to all 119 departments and all subsidiaries by using a matrix quadrant composed of the Risk-adjusted Return Ratio and the Expected Growth Rate. All businesses were classified into one of the following four quadrants: 1) "Reinforce," anticipating a high return ratio and high growth; 2) "Cash Cow," anticipating a high return ratio but low growth; 3) "Wait and See," anticipating a low return ratio but high growth; and 4) "Prepare for Withdrawal," anticipating both a low return ratio and low growth. Applying this "Business Portfolio Strategy" to select and strengthen core businesses, we set our sights on replacing assets and achieving optimum allocation of management resources.



By using the Three Strategic Measures as a base in the company-wide movement, we were able to accomplish revamping of our business thinking from management to the worksite level. We were also able to promote reform in the area of our management system, such as improving our budgeting system and adopting targets of the Risk-adjusted Return Ratio as a management tool for each business division.

Results of Reform Package

With the aim of promoting profit growth and strengthening our corporate constitution, we formulated a mid-term management plan for the period up to March 2001, consisting of three quantitative targets and the following set of concrete measures to achieve these targets: 1) profit growth by expansion of core businesses; 2) strengthening the corporate constitution through improving quality of assets; 3) realization of effective, efficient management; and 4) reinforcement of cost competitiveness. Taken together, these constitute our Reform Package.

In carrying out the various measures in the Reform Package for revamping our business thinking and our corporate structure, the united effort of the entire company resulted in basically achieving the quantitative targets, steadily improving cost competitiveness, and suitably strengthening our corporate constitution. We can safely say that satisfactory results were achieved regarding the targets.

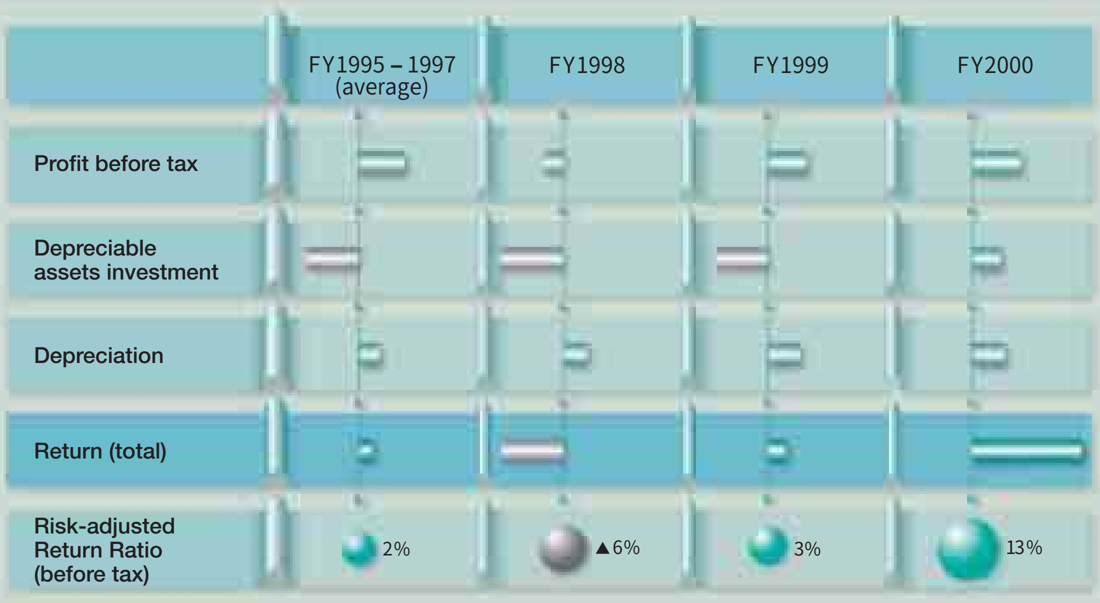
Targets

	Targets	FY2000 Results
Consolidated Risk-adjusted Return Ratio (before tax)	more than 8% (FY2000)	13%
Consolidated Risk-adjusted Assets	reduce by ¥200 billion (by the end of FY2000)	reduced by ¥190 billion
Consolidated Shareholders' Equity	recover to minimum of ¥700 billion* (by the end of FY2001)	to be realized (by the end of FY2001)

*¥600 billion on a non consolidated basis

In the Reform Package, we strove to manage risk-adjusted assets balanced to risk buffers. As assets were being replaced, pulling out of businesses with low profitability resulted in a reduction of ¥190 billion in consolidated risk-adjusted assets. While reducing risk-adjusted assets, we greatly improved our cash flow with the large amount of cash inflow generated by asset disposal as well as capital gain exceeding cash outflow by new investments. As a result, the Risk-adjusted Return Ratio was substantially improved by 13%, well beyond our target of 8%.

Risk-adjusted Return Ratio



Profit growth through expansion of core businesses

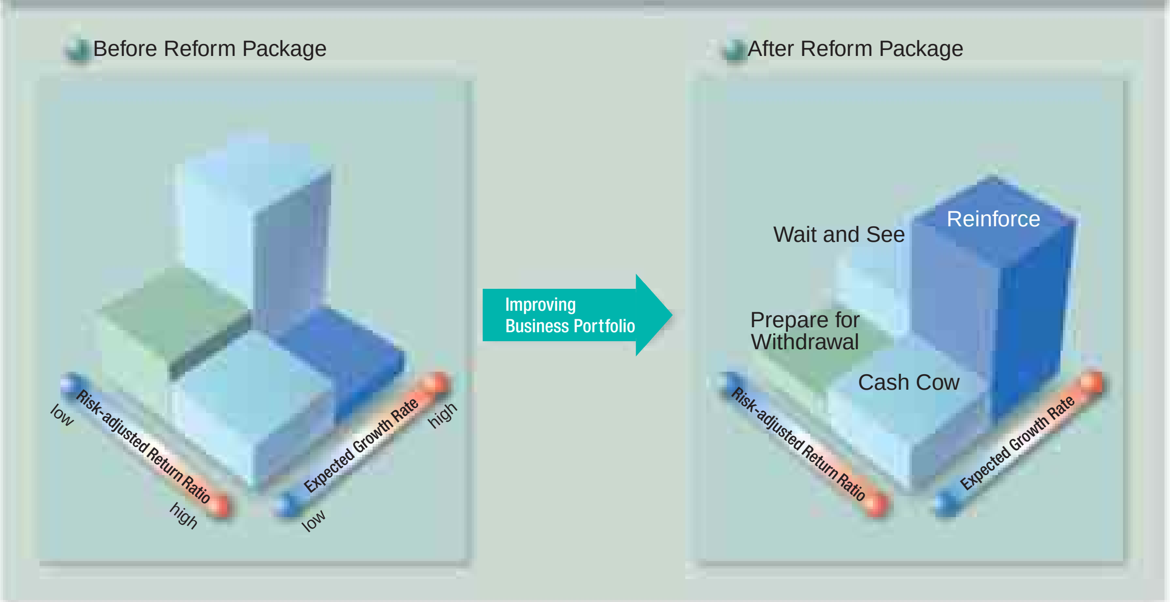
Targets were set for improving the consolidated Risk-adjusted Return Ratio for each division and office, and we worked to select and expand core businesses with the application of the Three Strategic Measures. In addition, we carried out various promotional measures such as the core business promotion program, which has a total budget of ¥1 billion, to provide support to the forward-looking efforts in core business expansion at each division and office. As a result, the Risk-adjusted Return Ratio improved in many divisions and offices, contributing to an overall increase in profits.

Strengthening corporate constitution by improving quality of assets

As a result of our efforts to strengthen the corporate constitution through risk asset management, such as positive replacement of assets, total risk control by business field, and country risk management, we were able to improve the corporate constitution significantly. In addition, as a result of promoting the streamlining of our subsidiaries, we were nearly able to accomplish the original plan that the number of principal subsidiaries, totaling 300 at the end of September 1998, would be reduced by 40% (about 120)* by pulling out of unprofitable businesses and consolidating smaller companies involved in the same areas to enhance efficiency of our overall business management for improving consolidated business results.

*Restructuring of about 100 companies was completed by the end of March 2001. Restructuring is projected for 40% of the total (about 120 companies), including those now in process.

Mapping of Risk-adjusted Assets in Quadrant Analysis (image)



Realization of effective, efficient management

We strove to realize effective, efficient management through such means as outsourcing accounting as well as cashiers' operations and foreign exchange operations, and by creating a leaner structure of the Corporate Group. In addition, we boosted productivity at the work-site through improving daily business activities, such as by simplifying the internal booking rules and introducing the Cashless Petty Payment System.

Reinforcement of cost competitiveness

For further cost competitiveness, we primarily focused on reducing the cost of sales. We achieved major reductions in the areas of entertainment and travel expenses, cutting entertainment costs by approximately 40% and travel costs by about 27% compared with the period before the start of the program in the FY 1997.

To reduce labor costs, nearly 1,000 jobs were cut during the Reform Package period. With a reduction target of ¥10 billion in labor costs, we actually achieved a decrease of ¥11.2 billion.

2. Step Up Plan

Stepping up by strategically allocating management resources and utilizing "integrated corporate strength"

Following the success of our Reform Package, we are targeting a further major increase in corporate value through our mid-term management plan for the two-year period starting in April 2001. Based on continuation and further development of the Reform Package, under this new plan we intend to strengthen our earning base through strategic allocation of our management resources and by utilizing the corporate infrastructure that has been upgraded.

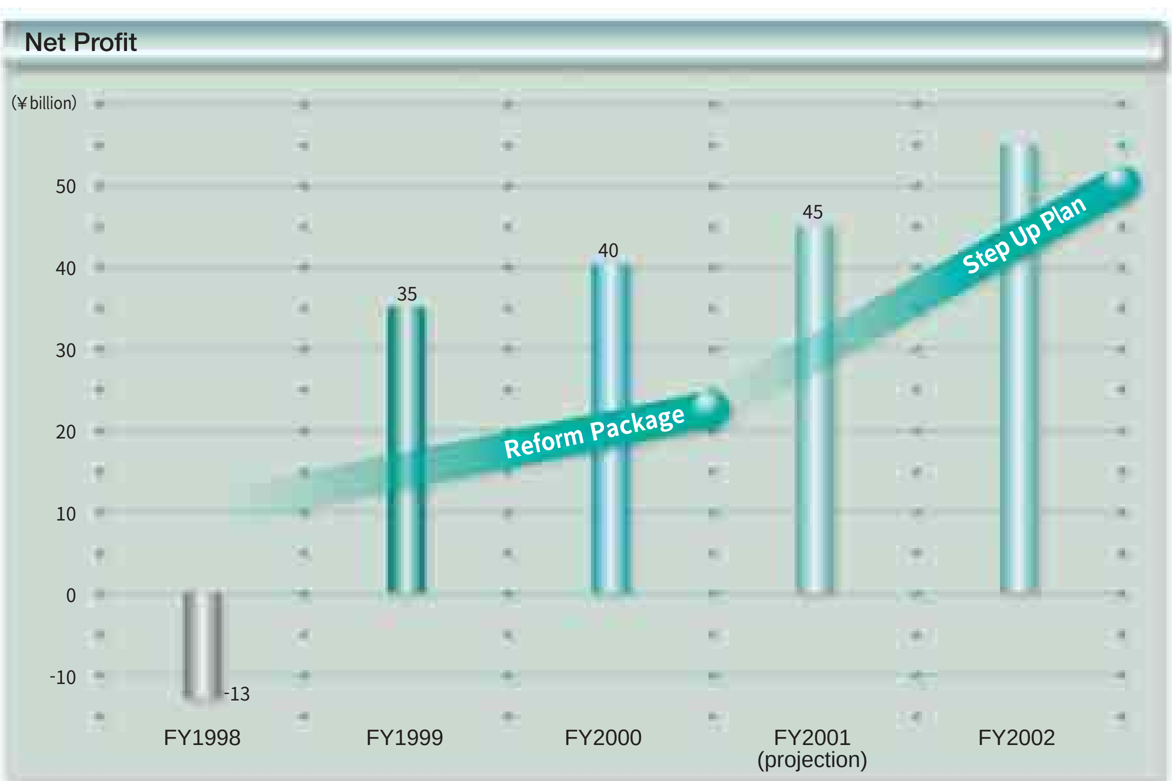
Step Up Plan

Target	Consolidated Risk-adjusted Return Ratio = more than 5%* (after tax, two-year average)	
	*ca.10% on before-tax base. For a two-year period, the level required is ca. ¥100 billion net profit.	
Management stance	Manage risk-adjusted assets balanced to risk buffers	
Plan framework	Step up by allocating corporate resources strategically and by utilizing integrated corporate strength	
Drastic expansion of the earning base	Creation and expansion of core businesses based on the Business Portfolio Strategy	
	Development of business models leveraging information technology (IT), logistics technology (LT), and financial technology (FT)	
	Maximizing sales force by harmonizing product strategy and regional strategy	
Further strengthening of the corporate constitution	Advancing risk-asset management	
	Promoting integrated risk management	
	Thorough legal compliance	
Promoting further efficiency	Further reinforcement of cost competitiveness	
	Improvement of business process efficiency	
	Enhancing functions with higher productivity in the Corporate Group	
Upgraded corporate infrastructure	New organization	Risk-management rules
	New system for human resource development	Self-auditing system
	New budgeting system	New Head Office building
	New information system (SIGMA21)	

While promoting the Reform Package, we have been actively reforming company systems and the organization with the aim of achieving optimum allocation of management resources and supporting utilization of our integrated strength. The Step Up Plan applies to the maximum extent possible to the in-house infrastructure that has been upgraded. Specifically, its basis consists of new reorganized systems consisting of "Business Units operating on the principles of autonomous management and independent responsibility" and "streamlined Corporate Group focusing on core functions."

In addition, we are aiming to achieve drastic expansion of our earning base by strategically allocating our management resources through applying new budgeting systems, for example, by planning from the mid-term viewpoint based on the Three Strategic Measures, improving the budgeting process, introducing an award system for budget achievement, and renovating in-house capital systems to accelerate reallocation of management resources. Furthermore, we are incorporating infrastructure such as self-auditing systems, risk management infrastructure such as an internal Credit Rating System, and the new information system SIGMA21 now being developed to support rapid and appropriate management decision-making.

By implementing the Reform Package, the corporate constitution has been strengthened, and at the same time the awareness of "considering returns through risk contrast" has been spread and shared throughout the company. Following this series of measures for revamping our business thinking and our corporate structure, we aimed at reinforcing profitability to achieve the mid-term target of a Risk-adjusted Return Ratio that will cover our company's capital costs (i.e., 7.5% after tax). The Step Up Plan seeks a rapid expansion of the earning base by increasing exclusively consolidated net profit to reach a more than 5% Risk-adjusted Return Ratio after tax as a foothold to meet mid-term targets.



GENBAKA
Conveying Corporate Strategy Throughout All Sites

We are constantly striving for "GENBAKA — conveying corporate strategy throughout all sites" to penetrate the farthest outreaches of our organization, and we feel confident that this effort will produce meaningful results in our corporate strategies. For that purpose, we have adopted a series of opportunities by which management communicates directly with front-line employees to complement the regular communication routes through the company organization.

Linked to this concept are such activities as our "CEO channel on the Web," through which the CEO keeps in close contact with all employees via our intranet. Other means of direct communication include exclusive meetings between the CEO and department managers, and gatherings of the CEO and team leaders.

In these ways, not only can our front-line employees learn directly of managerial topics and directions, but management is also provided with the opportunity of learning at firsthand of local conditions and the thoughts of the employees. In addition, "GENBAKA — conveying corporate strategy throughout all sites" plays a key role in building teamwork, which is a base of the integrated corporate strength that forms the core competence of Sumitomo Corp.

Overview of Operations

To reinforce our integrated corporate strength further, from April 2001 we strategically rationalized our business structure from the aspects of both the business field and function, reorganizing our previous six Groups and 21 Divisions into nine Business Units and 28 Divisions.

The heads of the business units will create and promote global business strategies related to the products for which they are responsible in cooperation with each regional business unit, and run the business more flexibly, intensively, and speedily than before.

To strengthen management activities in the Kansai region, we have organized the new Kansai Regional Business Unit that combines the Osaka organization with the surrounding offices.

Contents

METAL PRODUCTS BUSINESS UNIT

There is a recent trend among Japanese trading companies to spin off their metal products business units. However, we have no intention to follow suit as our basic business strategy is to utilize our integrated corporate strength fully, and the Metal Products Business Unit's advantage lies in its extensive customer-centered services.

OPERATING ENVIRONMENT

Although exports to Asia and domestic demand recovered last year, demand for steel products has declined sharply since the beginning of 2001 following the slowdown of the U.S. economy. For the full year, while exports have showed slight recovery partly due to the weak yen, the business environment remains unfavorable. In our metal business, demand for OCTG and steel pipe for pipelines is growing steadily as new investments by oil companies increase with the price of crude oil stabilizing at a high level. In Japan, reorganization of the industry is progressing rapidly, as witnessed in the recent move toward consolidation among major steel companies and the spin-off of steel businesses by major trading companies.

Traditional business practices are also undergoing significant changes, prompted among other factors by the recent move by automakers, which are large users of steel sheet, to cut costs drastically.

STRATEGIES

Some major Japanese trading firms have moved to spin off their metal products business units recently, but we do not intend to follow suit as our basic business strategy is the full utilization of our integrated corporate strength to provide our customers with various advanced services. The core philosophy of our metal business lies in customer service. To meet customers' needs swiftly, we are operating our own steel service centers in Japan, Asia, and the U.S., as well as enhancing our capabilities by making full use of IT.

The structure of our metal business has been strengthened in the recent organizational reform to provide even better customer service. The newly created Metal Products for Automotive Industries Division handles every type of metal product used for motor vehicles, including aluminum, mechanical tube, and magnesium alloy, rather than trading only steel sheet. The division will also provide proactive support to customers in their efforts to achieve objectives such as reducing car weights. By incorporating the Non-ferrous Products & Metals Division in the Metal Products Business Unit, we have strengthened the relations between our steel business and non-ferrous business to meet our customers' needs for these essential materials.

■ Organization

- Metal Products Business Unit
  - Planning & Administration Dept., Metal Products Business Unit
  - Metal Products EC Development Dept.
  - Iron & Steel Division, No.1
    - Steel Business Planning & Investment Dept., No. 1
    - Plate & Steel Structure Dept.
    - Railway Products, Forging & Casting Dept.
    - Construction Steel Products & Steel Scrap Dept., Tokyo
  - Iron & Steel Division, No. 2
    - Steel Business Planning & Investment Dept., No. 2
    - Steel Sheet & Strip International Trade Dept., No. 1
    - Steel Sheets & Strip International Trade Dept., No. 2
    - Steel Sheets & Strip International Trade Dept., No. 3
    - Steel Sheet & Strip (Carbon & Stainless) Dept.
    - Wire Rod & Speciality Steel Dept.
  - Tubular Products Division
    - Tubular Products International Trade Dept.
    - Specialty Tubular Products & Titanium Products Dept.
    - Tubular Products Dept.
  - Metal Products for Automotive Industries Division
    - Steel Sheet Products & Non-Ferrous Products for Automotive Industries Dept.
    - Steel Tubulars for Automotive Industries Dept.
    - Wire Rod & Speciality Steel for Automotive Industries Dept.
  - Non-Ferrous Products & Metals Division
    - Non-Ferrous Products & Metals Development Dept.
    - Light Metals & Products Dept.

We are also stepping up our use of IT in providing customer service. For instance, SC Grainger Co., Ltd., the leading distributor of indirect materials in Japan, will promote maintenance, repair, and operating (MRO) supplies for plant use and will start full fledged operations with Japanese strategic partners in 2001. On the other hand, MetalSite Japan is now providing e-commerce services for steel sheet and plate and is planing to extend service to non-ferrous products.

Fibercoat Co., Ltd., a company manufacturing fiber-coated steel sheet by coating hot-dipped galvanized steel sheet and coil using an electrostatic technique, was established. We are promoting the product as an effective material to prevent condensation dripping from air supply ducts, and are marketing it for home appliances and interior applications as the product can effectively shield heat and its surface is soft to the touch.

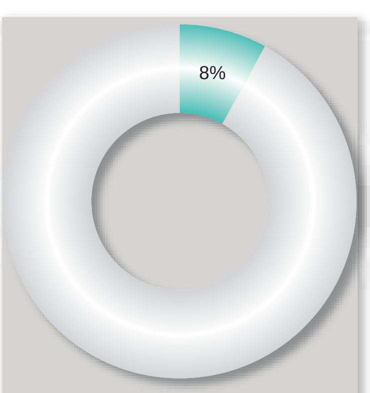
With regard to investments, we have aggressively restructured our portfolio. As part of such moves, we sold Auburn Steel Co., Ltd., an electric furnace mill in the U.S., to improve return on investment by reducing risk assets.

We have launched an online procurement site for indirect materials for plant use, MonotaRO.com, to support manufacturing in Japan.

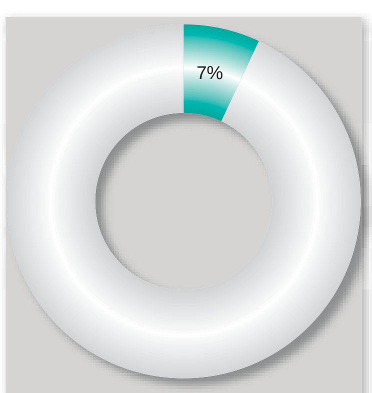
HIGHLIGHTS

We are developing an advanced business model that incorporates IT into the steel business and adding the know-how of our U.S. partners to suit Japanese business practices. SC Grainger, a joint venture with W.W. Grainger, Inc. of the U.S., the largest wholesaler of MRO supplies for plants, launched MonotaRO.com in November 2000 to sell indirect materials online in Japan. MetalSite Japan, a B2B online marketplace specializing in steel sheet and plate, was launched in July 2000 jointly with two other Japanese trading companies and MetalSite Inc. of the U.S. Both Web sites enable customers to increase their operational efficiency and offer various support facilities, like financial services such as providing credit and logistics services such as arranging trucks to transport the goods.

Net Sales



Total Assets



TRANSPORTATION & CONSTRUCTION SYSTEMS BUSINESS UNIT

In order to win high-grade, high-value contracts, we are building a business system that enables us to provide integrated services by making full use of our strong leadership and our comprehensive coordination capabilities that we have been cultivating over the years.

OPERATING ENVIRONMENT

Ship, aerospace, and rolling stock businesses have generally been brisk. With demand for new ships growing thanks to the strong shipping market, orders received by Japanese shipyards are increasing. In the aircraft business, demand for leasing remains strong. In the rail-related field, new investments in railroads in the U.S. have grown vigorously due to growing concern about traffic congestion and environmental issues, while a number of official development assistance (ODA) projects have been initiated in Asia.

Concurrent with the major regroupings in the automobile industry worldwide, including parts suppliers, the profit structure itself is undergoing significant changes as more automakers enter the value chain, providing financing and insurance services, selling used cars, and launching online marketing.

In the construction equipment field, while the domestic market remains weak with the market size contracting to 60% of its peak, demand for rental equipment is growing. On the other hand, international markets are showing signs of softening, as a drop in demand for construction equipment in the U.S., which remained brisk until recently, is affecting Europe and other parts of the world.

STRATEGIES

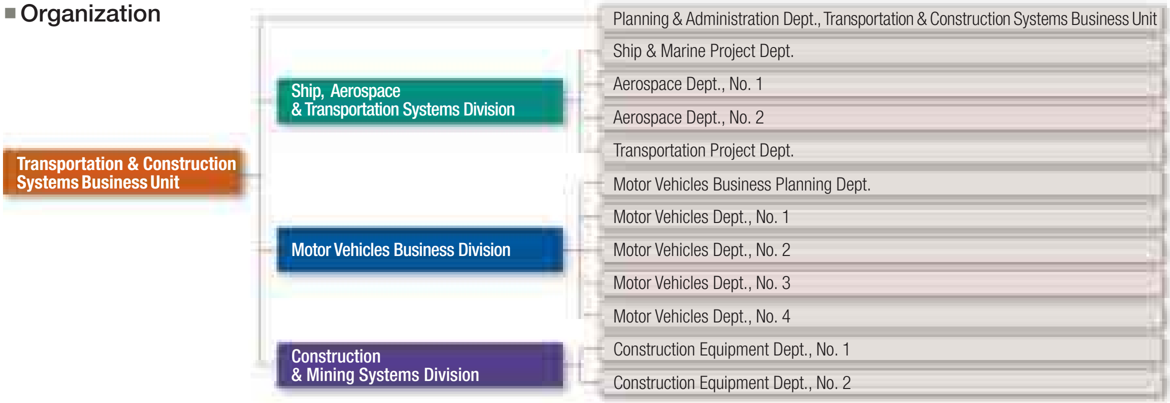
We will promote sophisticated, high-value project contracts, shifting our emphasis from exporting only equipment to full-turnkey contracts. As projects become larger and more complex, the ability to undertake a package contract covering the whole operation from planning to completion is becoming increasingly important. Such contracts require, for instance, the ability to organize a team of specialists consisting of manufacturers, construction companies, etc., and making the preparations for on-site assembly. In response to such trends, we are developing a business to provide integrated services that makes full use of our comprehensive coordination capability that has been cultivated over the years, as well as our strong leadership.

Recent contracts we have won include delivery of a 300,000-ton tanker (to be built by Hitachi Zosen Corp.) to China, which has started to import crude oil as its economy expands rapidly. In addition to the 540 various types of passenger carriages that we have already delivered to the U.S., we have received an order for 300 double-decker passenger carriages from Northeast Illinois Regional Commuter Railroad Corp. (METRA). This is one of the largest contracts for rolling stock export won by a Japanese company.

In the aircraft field, we have incorporated our know-how in risk management and financial technology into the existing operating lease business to enhance its value. We have contracted to lease four A320 aircraft to Iberia Airlines and started to provide services to domestic investors.

In the automobile business, we will promote finance-related services such as leasing, insurance sales, and credit management. We have already started these services in Thailand, Indonesia, Hungary, and

■ Organization



Slovenia, and plan to introduce them in the Czech Republic, Poland, Turkey, and the Middle East. As an Internet-based new business, in April 2001 we launched a used car auction service on Rakuten, a Japanese online marketplace. We also plan to provide used car loans.

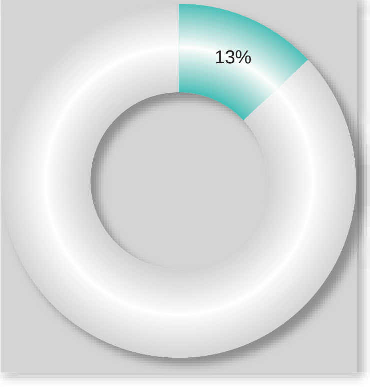
In the construction business, we will strengthen our ties with leading rental companies in Japan and develop original services aimed at niche markets. We will also step up our operations in North America and Europe, as well as enhance our logistics services by introducing a Supply Chain Management (SCM) system for logistics provided for the overseas plants of Japanese manufacturers.

A model of the double-decker passenger cars we delivered to METRA in the U.S.

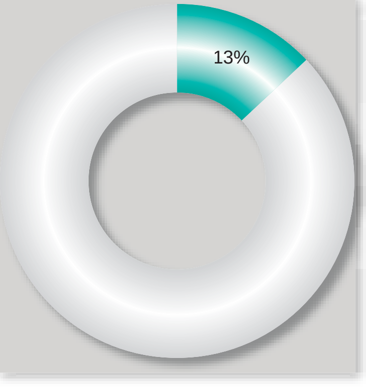
HIGHLIGHTS

In February 2001 we received an order for 300 double-decker passenger cars from Northeast Illinois Regional Commuter Railroad Corp. for its METRA, located in the U.S. This is one of the largest export contracts of its kind won by a Japanese company, bringing the total of new rolling stock orders we have won in the U.S. to about 840 units, including half of METRA's entire rolling stock. While our U.S. subsidiary, Sumitomo Corporation of America, is the prime contractor and handles all contractual matters, the Transportation & Construction Systems Business Unit will engage in sourcing major equipment in Japan and assist local sourcing and assembly in cooperation with Nippon Sharyo, Ltd., to maintain the required ratio of local procurement. With public works on railroad infrastructure in the U.S. increasing due to environmental concerns, we will use this contract as a foundation from which to strengthen our business in this field.

Net Sales



Total Assets



MACHINERY & ELECTRIC BUSINESS UNIT

We are acting as a new type of business organizer in a wide variety of projects, making full use of our domestic and international networks as well as providing finance and capital. We are also actively developing our business in new fields with high growth potential, such as IT, biotechnology, and environmental conservation.

OPERATING ENVIRONMENT

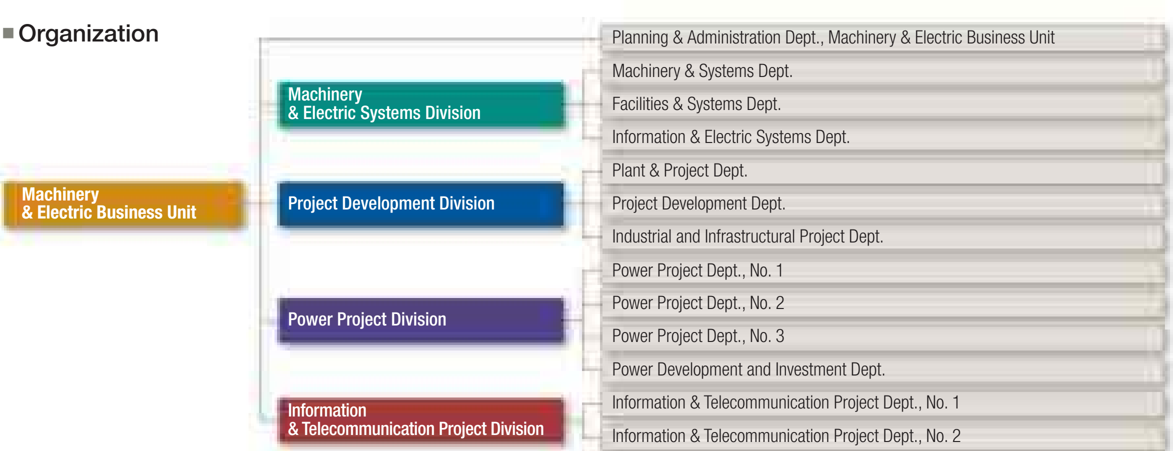
In Japan, although the overall economy remains sluggish, new business areas of IT, biotechnology, and environmental conservation are showing high growth potential. In international business, we have received or secured a number of contracts for large-scale projects around the world, against the backdrop of economic recovery in Asia in the first half of 2000 and the rising oil prices benefiting the Middle East. In particular, as many developing countries are deregulating work on infrastructure, such as power generation, water supply and drainage, pipelines, harbors, and telecommunications, private-sector demand in these fields led by international groups is expected to grow, in addition to existing public-sector demand.

STRATEGIES

Making full use of our comprehensive corporate strength as a global trading company, we will continue to develop our business to provide value-added integrated services for large-scale overseas projects. These services include: analyzing and managing risks by taking into account complicated legal and other systems and regulations in the country where a project is implemented; providing financial services for funding; and creating an efficient logistics structure for the transportation of construction materials and equipment. One such example is the water supply project in Saudi Arabia, for which we obtained the license in January 2001. We will operate an integrated utility business to supply water and electricity to the Riyadh metropolitan area by building a desalination plant and power plant in Al Jubayl on the coast of the Arabian Gulf. Also, in October 2000 we won a ¥20 billion contract to supply a 350-megawatt combined power generator (to be manufactured by General Electric) from SKS Ventures Sdn. Bhd., a leading independent power producer (IPP) in Malaysia. This is the first IPP power station to be built in Malaysia since the Asian economic crisis. The construction work is scheduled to commence in the spring of 2001 and be completed in March 2003.

In addition to the stable revenue base we have in the international project and equipment/machinery businesses, we are expanding revenue opportunities dramatically through investment returns and initial public offerings (IPOs). To this end, we are strengthening our ties with Japanese and overseas venture firms that specialize in high-growth areas such as IT and biotechnology. For instance, in a move to expand our presence in the biotechnology field, in September 2000 we established SC BioSciences Corp., a wholly owned subsidiary to oversee our entire biotechnology business. SC BioSciences will focus on supporting drug discovery using biotechnology. It imports and markets equipment and technologies for genome (single-nucleotide polymorphism) and proteome analysis developed by venture companies in the U.S. and Europe, as well as undertaking contract research for drug dis-

■ Organization



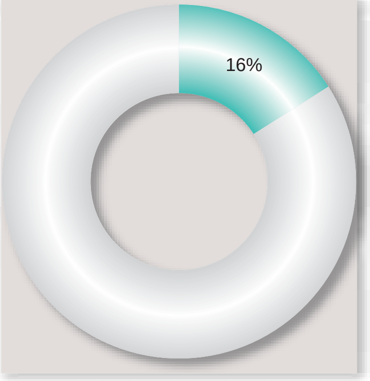
covery at its own laboratory in Kamakura. The company is also considering entering the application service provider (ASP) business to support biotechnology companies' bioinformatics that involve an enormous amount of data concerning genes and proteins. Argonaut Technologies, Inc., developer of the Automatic Compound Synthesizing Robot, and Ciphergen Biosystems, Inc., developer of the protein analysis system, both of which we are investing in and collaborating in marketing, have been successfully listed on the NASDAQ in the U.S.

Coal-fired thermal power station we are constructing in Vietnam through a partnership with manufacturers in Korea, the U.S., the U.K., and Australia.

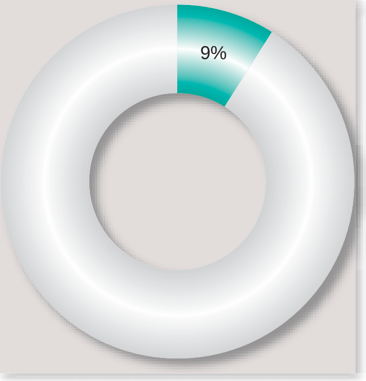
HIGHLIGHTS

Construction of the Pha Lai Thermal Plant in Vietnam, the contract for which we won in 1999, is nearing completion. Large-scale overseas projects such as this require global organization and project management capabilities to meet various conditions such as local regulations, the type of equipment required, and funding. Making full use of our global network, we organized the best team of specialists for the Pha Lai project, including a U.S. generator manufacturer and engineering company, a U.K. boiler manufacturer, an Australian coal transport equipment firm, and a Korean construction company. In managing projects, we provide comprehensive services such as risk management based on a thorough knowledge of local regulations together with logistics services for efficient transportation of equipment.

Net Sales



Total Assets



MEDIA, ELECTRONICS & NETWORK BUSINESS UNIT

Having identified the broadband-related business in information and communications and the network-related business at the convergence of broadcasting and telecommunications as the most important areas, we created the Network Division to consolidate our operations relating to information and communications, the Internet, and network systems.

OPERATING ENVIRONMENT

Despite the bursting of the “Internet bubble” in the U.S. last autumn, new markets are growing in the information and communications industry, mainly for products and services for broadband-based cable, asynchronous digital subscriber line (ADSL), and satellite infrastructure, thanks to the rapid spread of broadband connection. In Japan, digital broadcasting via broadcasting satellite began at the end of 2000, and a communications satellite at 110° east longitude is scheduled to start operating in the spring of 2002[*], promoting further convergence of telecommunications and broadcasting. As a result, demand for high-speed, high-capacity, and interactive content delivery services is increasing steadily. In the electronics field, although the semiconductor market is currently in oversupply it is expected to pick up quickly thanks to brisk demand in IT.

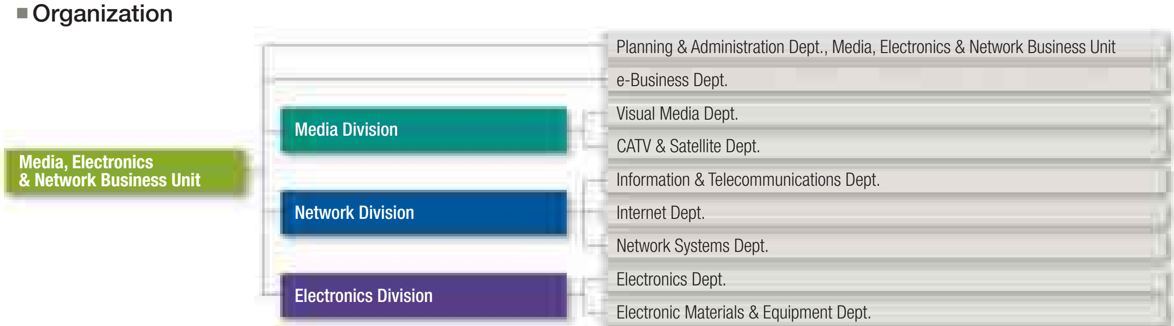
* In addition to conventional services, multifunctional and high-valued (data broadcasting/interactive) services are offered through a communications satellite (CS) located at 110° east longitude with the Broadcasting Satellite (BS). Because the satellite dish is compatible with both BS and CS services, we expect the number of customers to increase.

STRATEGIES

Having identified our two most important areas — broadband-related business in information and communications and the network-related business involving the convergence of broadcasting and telecommunications — we created the Network Division to consolidate our operations relating to information and communications, the Internet, and network systems. Under this new organizational structure, we will further reinforce our operations in network-related hardware and software sales and systems integration, as well as accelerate the development of new e-commerce initiatives. In addition, as part of our network business strategy, we set up SC ComTex Inc., a sales company specializing in network products and services. We also created the “e-Business Department” to develop new B2B e-commerce businesses and adapt existing businesses to an e-commerce model. With a major shakeup in the Internet industry under way in the U.S., we are reducing and hedging risks when introducing Internet-related new technologies to the Japanese market by forming alliances with other firms and carefully selecting technologies that show high viability and meet market needs.

We have been developing a number of infrastructure-related businesses as our core operations. Their fields include CATV (Jupiter Telecommunications Co., Ltd.), satellite (JSAT Corp. and SKY PerfecTV!), Internet service provider (@Home Japan Co., Ltd.), and portal (Lycos Japan, Inc.). In these businesses, we are shifting our emphasis to the development and provision of content for broadband-based services. Specifically, we will expand the content business for cable operators provided by @Home Japan, a high-speed Internet service provider. The number of channels to which Jupiter Programming Co., Ltd. provides programming will be increased from eight to 14 to strengthen the content business for digital broadcasting via communications satellite. Finally, we will

■ Organization



expand Lycos Japan's revenue base by shifting its present business model based on advertising to one based on paid content, corporate portals,[**] and broadband support (including video images).

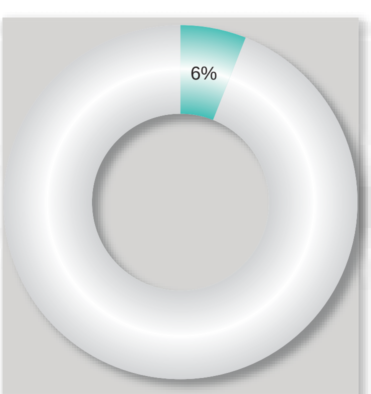
[**] Corporate portal: In addition to consumer portal services, Lycos provides excellent corporate homepage content to increase the number of visitors.

SC ComTex showcases its expertise in "INTEROP 2001 Tokyo," the largest networking, telecommunications, and Internet/intranet exhibition in Asia.

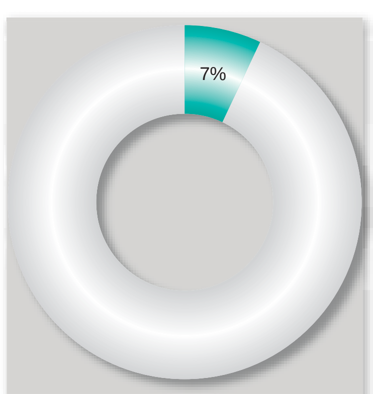
HIGHLIGHTS

Established in April 2001, SC ComTex Inc. markets next-generation communications equipment that uses the latest technologies such as Voice over Internet Protocol (VoIP) and Wavelength Division Multiplexing (WDM), data storage systems, routers, security-related products, and database software to meet the increasing demand for broadband-based communications infrastructure. SC ComTex plans to develop new businesses based on extensive information about cutting-edge technology provided by Presidio Venture Partners, our U.S.-based strategic investment company specializing in IT. In addition to Sumitomo Corp., the company's shareholders comprise NTT Advanced Technology Corp., which has a fine reputation in assessing the potential of new technology, Sumisho Computer Systems Corp., whose expertise lies in systems integration among other system-related services, and Sumisho Electronics Co., Ltd., which has strong software-related operations. Taking advantage of the expertise and know-how of its shareholders, SC ComTex aims to provide a full range of network products and solutions.

Net Sales



Total Assets



CHEMICAL BUSINESS UNIT

We have reorganized our structure, previously consisting of the two divisions of Fine & Inorganic Chemicals Division and Plastics & Organic Chemicals Division, to create a three-division system of Inorganic & Specialty Chemicals Division, Life Science Division, and Plastics & Organic Chemicals Division. The new structure is designed to enable us to focus our management resources on areas where we have strong expertise and to specialize in them.

OPERATING ENVIRONMENT

In the fine and inorganic chemicals business, the specialty chemical market, including new and raw materials, is showing a strong upward trend. In the life science field, we are expanding business opportunities in the rapidly growing biotechnology sector. We are also exploring new opportunities in international operations in the pharmaceutical and agricultural chemical sectors, where competition is intensifying.

In the plastics and organic chemicals business, although there are some signs of oversupply due to an output increase in Asia coupled with weakening demand caused by the slowdown of the U.S. economy, the domestic and international markets are gradually improving. We are implementing a number of strategies, including the promotion of our Supply Chain Management (SCM) system, to expand business in this field.

In addition, we are developing various e-commerce initiatives. As part of this effort, we set up Chemical Mall Asia-Pacific Co., Ltd. together with other trading companies.

STRATEGIES

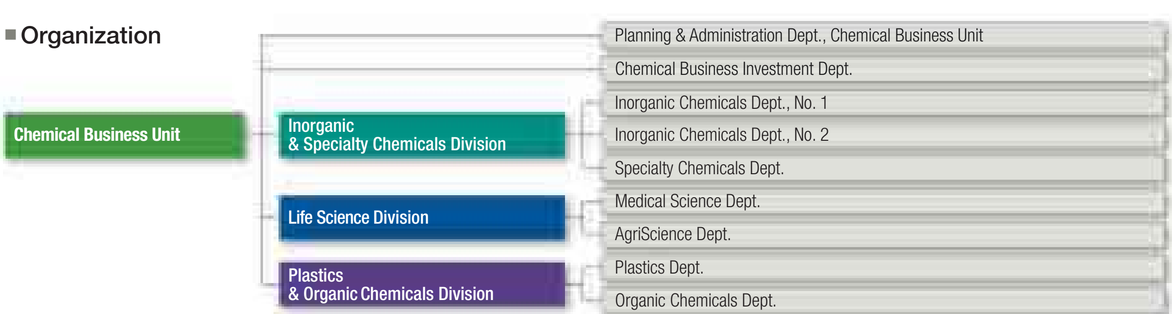
We have reorganized our structure, previously consisting of the two divisions of Fine & Inorganic Chemicals Division and Plastics & Organic Chemicals Division, to create a three-division system of Inorganic & Specialty Chemicals Division, Life Science Division, and Plastics & Organic Chemicals Division. The new structure is designed to enable us to focus our management resources on areas where we have strong expertise and to specialize in them.

We currently handle 60% of the sulfuric acid traded worldwide using Interacid Trading S.A., our subsidiary based in Switzerland, as our main agency. The Inorganic & Specialty Chemicals Division will continue to strengthen this operation as one of our core businesses. The division is also developing a number of new businesses in cooperation with Sumitomo Shoji Chemicals Co., Ltd., a wholly owned subsidiary, in IT-related fields such as materials for electronic components and other areas with high growth potential.

In the agricultural chemicals business, the Life Science Division is vigorously expanding sales in Eastern Europe by making full use of our SCM system, as well as building a sales network in China. In the highly specialized pharmaceutical and biotechnology businesses, the division will focus on niche markets where we have strong expertise. Also, we have decided to establish SC Bio Capital Co., Ltd., a biotechnology venture firm with total funds of ¥10 billion. Furthermore, Summit Pharmaceuticals International Corporation, our wholly owned subsidiary, is steadily expanding its services relating to drug discovery for pharmaceutical companies.

The Plastics & Organic Chemicals Division is increasing operational efficiency in the general plastics business undertaken by Sumitomo Shoji Plastics Co., Ltd., a wholly owned subsidiary. It is also working to expand the business in materials for electronic components. Cantex Inc., a Sumitomo Group company in the U.S., is improving its logistics significantly by introducing the latest enterprise resource planning (ERP) system and warehouse man-

■ Organization



agement system (WMS)* to increase operational efficiency and expand the revenue base. In the phenol business, we are boosting our capability to match supply with demand in Korea, Singapore, Thailand, the U.S., and other countries, thereby expanding our activities in this field.

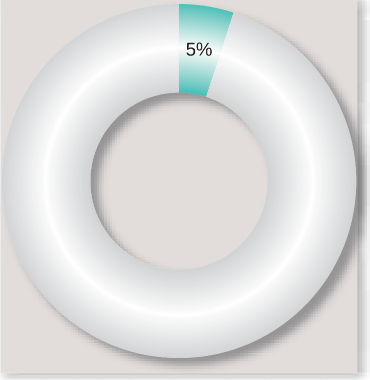
* Warehouse management system. Real-time inventory control system with a bar code linkage with ERP (Enterprise Resource Planning) system.

Cantex's new switch box product, "EZ BOX."

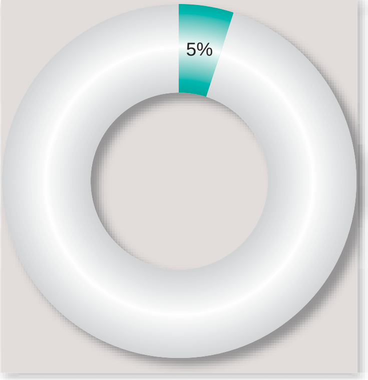
HIGHLIGHTS

In 1992 we acquired the PVC pipe division of Hersco Corp. in the U.S. to set up Cantex Inc. Based in Mineral Wells, Texas, Cantex has plants in five states. In the U.S., Cantex enjoys a 30% market share in PVC conduit for electric wires and telephone lines, its main products, with annual sales of 360 million pounds in volume and U.S. $ 200 million in net sales. Annual sales of PVC fittings and accessories stand at U.S.$56 million, commanding a 35% market share. The Chemical Business Unit is supplying Cantex with cost-competitive raw materials, ensuring stable supplies, as well as conferring creditworthiness on the company. Cantex has grown steadily since we acquired the business, recording the highest profits for the year ending December 31, 2000. The company is currently building a distribution center, and introducing WMS and ERP systems to expand its revenue base by increasing manufacturing and logistics efficiency.

Net Sales



Total Assets



MINERAL RESOURCES & ENERGY BUSINESS UNIT

The need to develop clean energy resources is increasing against the background of rising concern about the global environment. At the same time, deregulation in the energy sector, particularly in the electricity industry, is progressing. With energy becoming ever more important, we established the Mineral Resources & Energy Business Unit to consolidate and strengthen our operational structure in the resources and energy field.

OPERATING ENVIRONMENT

Coal and iron ore imports have increased due to growth in domestic crude steel production. In the energy field, while crude oil prices remained at high levels, we were able to secure some profit margin by transferring the extra cost to the domestic prices of petroleum products. The price of copper has remained sluggish since the autumn of 2000 due to the slowdown of the U.S. economy, following an upward trend prompted by increased demand in the U.S. and a recovery in Asian demand. In the electricity business, new business opportunities have emerged thanks to the deregulation of electricity retailing.

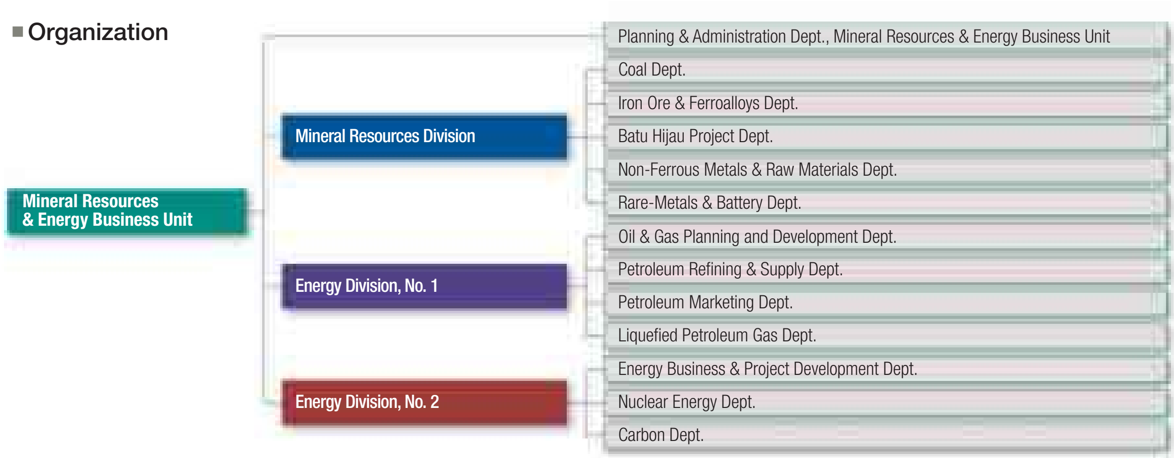
STRATEGIES

In June 2001, we reached a basic agreement with Nissho Iwai Corporation to forge a strategic alliance, including a capital tie-up in the field of liquefied natural gas (LNG), in order to leap to the top position in the industry and to establish a firm business foundation in this field. LNG is expected to become the leading energy source for coming generations. To implement this, Sumitomo Corp. and Nissho Iwai will form an equally owned joint company. The new company will take over Nissho Iwai's business resources including existing interests in such countries as Indonesia and Qatar, as well as its sales organization and workforce, which will be integrated with Sumitomo's business foundation and workforce. The new company will aim to develop its overall LNG business by expanding existing interests and by actively undertaking new projects.

We will continue to concentrate our management resources on the coal business as one of our core operations. Petroleum and liquefied petroleum gas (LPG) are our core revenue bases, and we are reinforcing our trading activities to increase sales volumes in these fields. In the LPG business, we have established a third terminal for imported LPG in Chiba Prefecture, part of the Tokyo metropolitan area, in a bid to attain the 1 million-ton mark in domestic sales. Furthermore, we have entered new contracts with suppliers in Iran and Indonesia to expand the volume of international trading significantly. In the petroleum business, the Back Office Team was set up to deal with all paperwork, thereby enabling the sales staff to concentrate on sales activities. We also established e-OSN.com Pte. Ltd. in Singapore, the operating company of an e-commerce site for naphtha trading, jointly with other Japanese trading companies and major overseas traders to increase market liquidity in the Far East for greater business opportunities. In the nuclear power field, we concluded an agency agreement with Heathgate Resources Pty. Ltd., a uranium concentrate supplier in Australia.

Responding to the deregulation of domestic electricity retailing, in February 2001 we set up Summit Energy Corp., a licensed power supplier, together with Niihama-based Sumitomo Joint Electric Power Co., Ltd. to establish a foothold in the

■ Organization



electricity retailing business. Summit Energy is planning to sell surplus electricity supplied by Sumitomo Joint Electric Power and Amagasaki Utility Service Corp. to customers who are major users of high supply-voltage in western Japan (60-Hz area). The company intends to extend its services to eastern Japan (50-Hz area) once a stable supply is secured in the region.

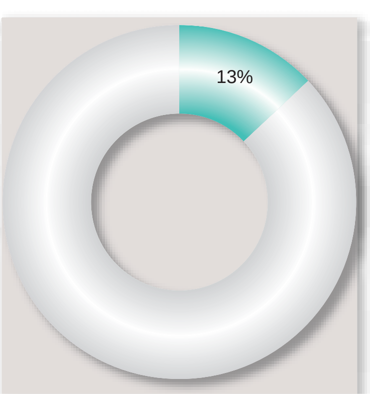
In mineral resources development, we are progressing with our policy of pulling out of low-return businesses. On the other hand, our most important strategy remains strengthening the global supply network of copper, coal, and iron ore. To this end, we are working to secure high-quality sources in Indonesia, Australia, the U.S., Chile, and South Africa. One such source is the Batu Hijau copper and gold mine in Indonesia, one of the largest in existence. Since it began production in September 1999, the mine has steadily increased its output while endeavoring to cut production costs.

We are currently deploying unique functions to hold the highest share in the niche market for carbon electrode products exported from Japan, including electrodes, cathodes, and needle coke. In this field, we are developing a global business that is not limited to exporting from Japan. As part of this strategy, we are enhancing the value of our services by providing additional ones relating to the sales infrastructure, such as those pertaining to our specialist staff, credit, information, and capital. As a result, we won distribution rights for the U.S. market from a European electrode manufacturer.

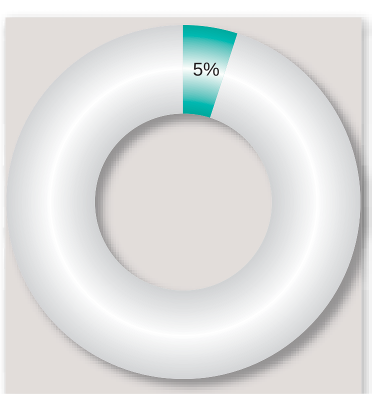
Finally, in the battery field, we established the Rare-Metals & Battery Department to step up our operations, which range from resource development to the trading of raw materials of battery products.

The Batu Hijau copper and gold mine passed completion tests in October 2000 and is now in full operation.

Net Sales



Total Assets



HIGHLIGHTS

The Batu Hijau copper and gold mine in Indonesia successfully began production in September 1999. We arranged U.S.$1 billion project financing together with Newmont Mining Corp. of the U.S., our partner in this project. Having passed the lenders' completion tests in October 2000, the project financing became non-recourse to the partners. The mine is now in full operation with approximately 4,000 employees. Batu Hijau is one of the largest mines in the world, with ore reserves of approximately 1 billion tons (copper content 0.5%), and has an expected operational life of more than 20 years. Batu Hijau is anticipated to produce 700,000 – 900,000 tons of copper concentrate annually in the medium and long term to become a valuable source for copper smelting companies around the world.

CONSUMER GOODS & SERVICE BUSINESS UNIT

The Consumer Goods & Service Business Unit operates in businesses that deal directly with consumers. Its basic strategy is twofold: to strengthen and expand the retail business by quickly responding to quantitative and qualitative changes in consumption patterns, and to promote upstream materials-related operations that reflect changing consumer needs.

OPERATING ENVIRONMENT

The retail environment is undergoing a significant change as consumer spending remains sluggish with shoppers increasingly opting for lower-priced goods, prompting a sharp increase in the imports of cheap apparel and agricultural products. Simultaneously, globalization and the spread of the IT revolution are accelerating a change in the consumption structure, which is also prompted by the aging of the population and declining birth rates. These changes are opening up new business opportunities for us on an unprecedented scale, and we will take full advantage of this situation by closely responding to shifting consumer needs.

STRATEGIES

The Consumer Goods & Service Business Unit operates in business areas that deal directly with consumers. Our basic strategy is twofold: to strengthen and expand the retail business by closely responding to quantitative and qualitative changes in the consumption pattern, and to promote upstream materials-related operations that reflect varying consumer needs.

In April 2000 we acquired a stake in The Seiyu, Ltd., a leading supermarket chain with approximately 200 stores located mainly in the Tokyo metropolitan area. We are currently developing a variety of collaborative projects with Seiyu. For example, we will provide Seiyu with merchandise that is popular with consumers, such as tinned fruits, meat, and bananas in the agricultural and fisheries product sector and clothing manufactured abroad in the textile sector. Joint merchandise sourcing and cooperation in a wide range of fields, such as information systems, logistics, and store development, are also planned.

Summit Inc. is a wholly owned supermarket chain specializing in foodstuffs. It was launched in 1963, making it our first retail operation. The chain now operates 70 stores, mainly in the Tokyo metropolitan area. Despite the continuous slump in consumer spending, Summit recorded a 50% year-on-year increase in annual profits in the fiscal year ending March 31, 2001. In 1999 we acquired a 20% stake in Mammy Mart Corp., a supermarket chain that operates about 40 stores mainly in Saitama Prefecture, and it is also steadily expanding its revenues. We will consider forming further alliances to expand our operational base in this field. We are planning to expand our retail business drastically through the approximately 300 stores operated by Seiyu, Summit, and Mammy Mart. To this end, we will optimize our manufacturing and sourcing operations worldwide by making full use of our global network and our expertise in

■ Organization

- Consumer Goods & Service Business Unit
  - Planning & Administration Dept., Consumer Goods & Service Business Unit
  - Foodstuff & Fertilizer Division
    - Planning & Development Dept. (Foodstuff & Fertilizer)
    - Fertilizer Dept.
    - Meat & Meat Products Dept.
    - Grain Dept.
    - Feedstuff Dept.
    - Oils & Fats Dept.
    - Food Dept., No. 1
    - Food Dept., No. 2
    - Sweeteners & Starch Dept.
    - Fruits & Vegetables Dept.
  - Textile Division
    - Apparel Dept., No. 1, Tokyo
    - Apparel Dept., No. 2, Tokyo
  - Retail & Consumer Service Division
    - Retail & Consumer Service Dept.
    - Direct Marketing Dept.
    - Jewelry Dept.

organizing efficient logistics to provide Japanese consumers with merchandise that meets their increasingly diverse and complex needs.

In the foodstuff business, we are strengthening our supply capacity for perishables (vegetables, meat, and fish) in cooperation with Sumisho Fresh Meat Co., Ltd. and SC Foods Co., Ltd., which recently expanded its procurement and processing bases in China. In the textile business, we are expanding our production capacity in Vietnam, one of our key manufacturing bases. As part of such efforts, in November 2000 we opened Summit Garment Saigon (SGS), a plant under our direct management, to manufacture products exclusively for the Japanese market. Furthermore, in addition to the supermarket business we are developing and expanding various chain store operations, including the TomoD's and American Pharmacy dispensing drugstore chains and the Segafredo Zanetti chain of Italian-style café bars.

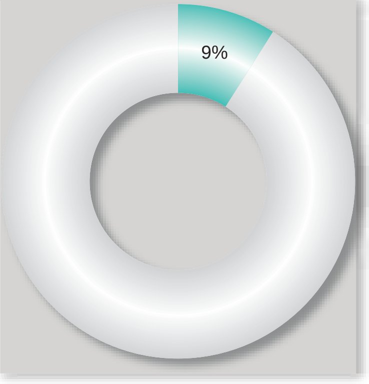
In e-commerce, Otto-Sumisho Inc., a mail-order company mainly selling European-designed women's clothing, and Eddie Bauer Japan Inc., a retail operation specializing in outdoor clothing, are now marketing their merchandise online in addition to the existing sales channels of catalogs and specialty stores. We are developing a number of new e-commerce businesses that meet changing consumer needs. For instance, we launched the Hanacupid flower gift site in May 2000 in partnership with the Japan Florist's Telegraph DeliveryAssociation (http://www.i879.com) and Asia Min² Market (http://store.lycos.co.jp/asia), an online sales site for frozen ethnic foods, jointly with Lycos Japan, Inc. in December 2000.

With approximately 700 employees, the SGS factory produces 250,000 outer garments and trousers and 300,000 shirts a year.

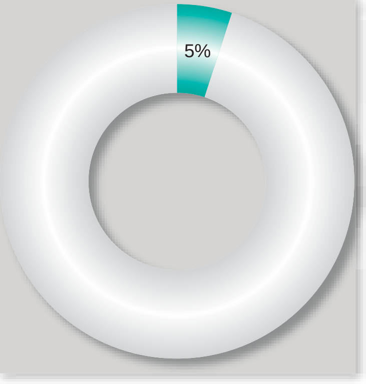
HIGHLIGHTS

The Textile Division is expanding its production capacity in Vietnam, one of our key production bases. We are operating eight apparel manufacturing plants in the country, including three under our direct management. In addition, more than 10 plants are on standby to take orders when we require extra capacity. In November 2000 we consolidated and relocated two plants, out of our three directly managed plants, to a new site and reorganized them to form the SGS plant to increase production capacity and the number of items handled. In addition, we started CAD data transmission tests via the Internet. By 2001, SGS will introduce a Supply Chain Management (SCM) system. Regarding logistics, in cooperation with group companies, we support total distribution from production sites in Vietnam to individual customers' stores in Japan.

Net Sales



Total Assets



MATERIALS & REAL ESTATE BUSINESS UNIT

In the materials business, we will strengthen our operations in areas where we have strong expertise, such as cement, timber, paper pulp, used paper, and tires. In the construction and real estate business, we aim to expand our business with rental, sales, and fee-based operations as our core revenue bases.

OPERATING ENVIRONMENT

In the materials business, demand for timber and cement remained sluggish owing to the prolonged slump in the construction market. On the other hand, demand for paper grew, with annual sales of paper and cardboard increasing 1.1% and 2.1%, respectively, compared with the previous year. Tire exports, mainly to the U.S. market, increased steadily thanks to the previously brisk U.S. economy.

In the construction and real estate business, overall sales of condominiums were steady despite a record supply. However, with the growing popularity of city-center housing, the market is showing signs of increasing polarization, with a greater contrast in popularity observed between properties. In the office building market, demand for offices in the Tokyo metropolitan area is improving, in particular for centrally located, new, and large buildings, as the concentration of firms in Tokyo has accelerated owing to increasing investments in IT and the consolidation of management resources. On the other hand, demand for office buildings in local cities remains depressed.

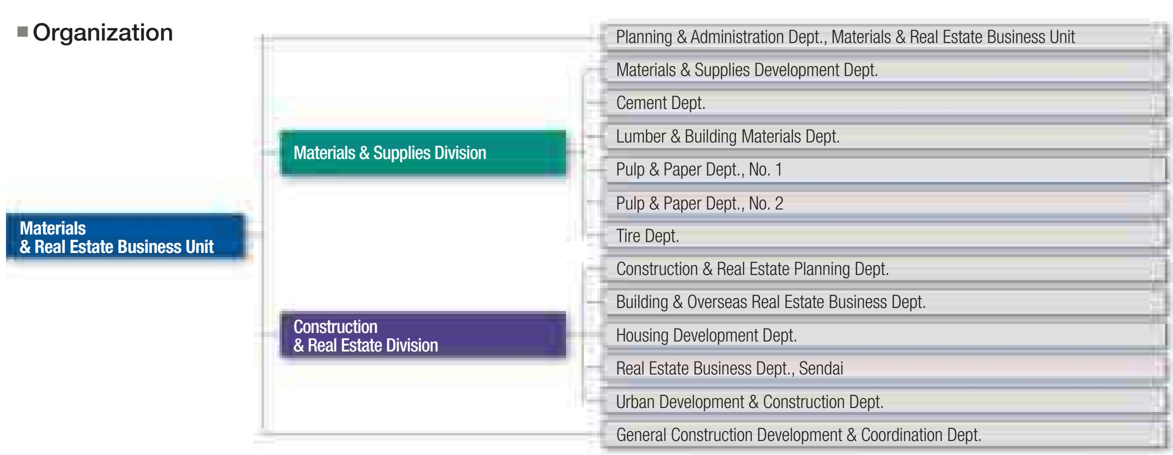
STRATEGIES

In the materials business, we have the largest share in cement trading among Japanese trading companies. We will strengthen sales of ready-mixed concrete to general contractors, while expanding cement sales to ready-mixed concrete manufacturers. In the timber business, we are bolstering the operations of Sumisho Building Materials Co., Ltd., currently the second-largest distributor of building materials in Japan. We are securing a stable supply of timber from sustainable sources in Russia, where we operate two timber plants, by building strong relations with our local partners. To ensure a long-term, stable supply of paper pulp, we are implementing reforestation projects in Chile, Ecuador, and South Africa. In the used paper field, as demand for paper recycling grows rapidly, we will step up our yard operation to collect and sort used paper, while expanding our network in Asia and other parts of the world.

In the tire business, we are currently the fourth-largest distributor of own-brand tires in the U.S. We set up a new logistics center in Memphis, Tennessee, in a bid to increase our share in the country.

The main areas of our construction and real estate business are rental (office buildings and commercial facilities), sales (condominiums, housing plots, and houses), and fee-based operations (consultancy and management services). We are working to expand our business by adjusting the balance between these asset-, turnover-, and know-how-based operations in accordance with changes in the economic environment. In each sector, we are promoting strategic areas of business. In the rental sector, we are focusing on efficient management of buildings we own in the Kanda and Harumi areas of Tokyo. In sales, we are concentrating on the sale of high-grade condominiums in the Tokyo metropolitan area, where steady demand exists. In the fee-based business, we

■ Organization



are promoting local-authority projects in response to new trends in public-sector work such as private finance initiative (PFI). Furthermore, we have highly sophisticated expertise in the management of commercial complexes. In the past fiscal year we opened three major commercial facilities: Universal City Walk Osaka; Chishima Garden Mall in Osaka; and DECKS Tokyo Beach Island Mall in Daiba, Tokyo. In April 2001 we opened Harumi Triton in Tokyo. As consumer spending remains sluggish, commercial facilities are facing a major shake-up. In this situation, the importance of management know-how is increasing. We have consolidated our commercial facilities management companies in Tokyo, Osaka, and Sendai to unify the information system, strengthen tenant recruitment, and enhance negotiation power.

Bird's-eye view of Harumi Island Triton Square.

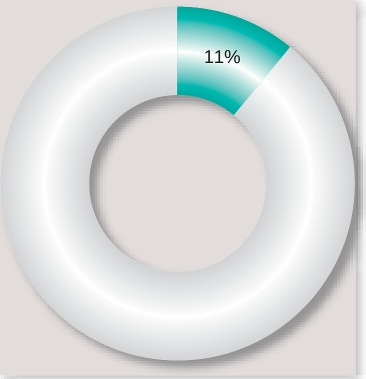
HIGHLIGHTS

Facing Tokyo Bay, Harumi Island Triton Square is a large-scale redevelopment project covering approximately 100,000 m^2 to create a new town that combines work space (offices) with leisure space (cultural and commercial facilities) and living space (housing). Its total floor area amounts to approximately 600,000 m^2.

Since we acquired a parcel of land within the redevelopment area 17 years ago, we have been playing a leading role in the project, providing the partnership of Urban Renewal Cooperative, Urban Development Corp., and the government with sophisticated know-how and coordination capabilities in every step of the project, ranging from the creation of the master plan to the management of facilities. In May 2001 we moved our Tokyo Head Office, which had been spread over several buildings in Chiyoda-ku, Tokyo, to Harumi Island Triton Square together with 35 of our Group companies, marking the beginning of our "Harumi era" at the start of the new century.

Net Sales

Total Assets



FINANCIAL & LOGISTICS BUSINESS UNIT

We aim to create businesses based on entirely new concepts that transcend the traditional function of a trading company by making full use of financial technology (FT) and logistics technology (LT). In the logistics business, we set up the Logistics Business Development Department to enhance our capability to provide logistics services, including the development of Supply Chain Management (SCM) systems by making full use of IT.

OPERATING ENVIRONMENT

In the financial business area, although a temporary slowdown in merger and acquisition activities and venture fund business was observed due to a sharp fall in U.S. stock prices in the technology sector, demand for new financial services such as products for diversification in asset management remains strong. Against this backdrop, the financial industry is expected to undergo further deregulation and reorganization. In addition, as a global trend, the emergence of new financial markets such as emissions trading and weather derivatives is being observed.

In the logistics sector, the rapid spread of IT is promoting the creation of new businesses relating to SCM that make full use of IT and LT.

STRATEGIES

We are aiming at creating businesses with new concepts that are unlike conventional *sogo shosha* by making full use of FT and LT.

In the financial business, in November 2000 we set up Digitalnonbank Co., Ltd., an Internet financial service company, jointly with Sumitomo Group financial companies. Digitalnonbank plans to provide various financial services to the B2B e-commerce community, including the provision of credit.

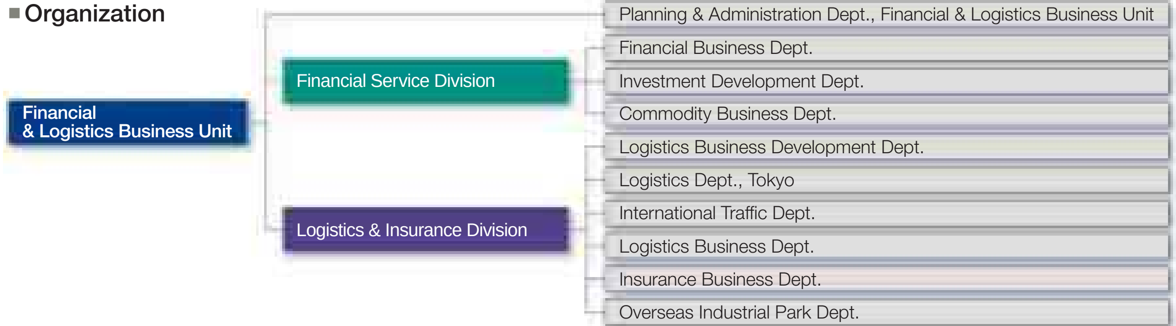
In the venture fund sector, we established a biotechnology venture fund in partnership with Summit Pharmaceuticals International Corp. and SC BioSciences Corp.

Sumisho Capital Management Co., an investment adviser founded in fiscal 2000, started providing alternative investment products that make use of our expertise in managing financial and commodity futures. This service has been expanding steadily since its launch.

In the logistics business, we are building a network by connecting our distribution centers and logistics capabilities across the world to produce their synergistic effects. We set up the Logistics Business Development Department to enhance our capabilities in providing logistics services, including the development and implementation of SCM systems by making full use of IT. Working jointly with our third-party logistics (3PL)* subsidiary, All Trans Co., Ltd., we are rendering a wide range of logistics solutions to create and optimize the value chains with our customers. We also continue to develop new business in logistics. One such example is Logilink Japan Co., Ltd., which we established in September 2000 jointly with other integrated trading companies in Japan. The company provides a logistics portal site on the Internet with a nationwide Matching Site for demand and supply of cargoes, empty trucks, and warehouse space.

The transportation of semiconductor production equipment to overseas production bases is a highly specialized operation and requires sophisticated know-how. Sumitrans (Japan) Corp., our wholly owned subsidiary, enjoys an enviable reputation in this field, serving leading Japanese and U.S. semiconductor

■ Organization



manufacturers.

In the overseas industrial park business, we began marketing the first phase of the Thang Long Industrial Park in Vietnam, where tenants, mainly Japanese companies, are already moving in. The Thang Long Industrial Park is our third industrial park project, following the East Jakarta Industrial Park in Indonesia and the First Philippine Industrial Park. Our involvement in these projects is not limited to their development and marketing: we are also providing tenants with comprehensive support services, aiming to establish the industrial park operation as one of the core bases for development of our logistics business.

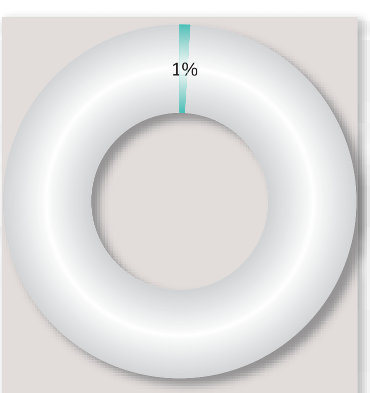
* Third-Party Logistics. Outside contractors of comprehensive corporate logistic activities to achieve logistics optimization.

Universal Studios Japan opened in March 2001. We undertook the transportation of all its 18 attractions to the site from the U.S. and other countries, delivering them on time in accordance with its construction schedule.

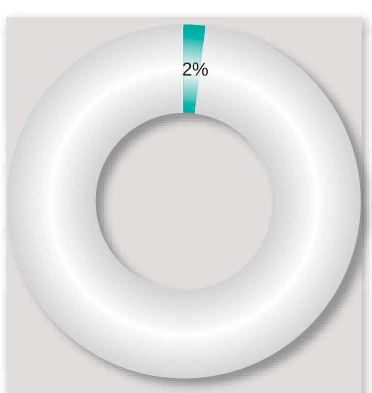
HIGHLIGHTS

The Logistics & Insurance Division, together with the Machinery & Electric Systems Division, transported the equipment for all of the 18 attractions installed at Universal Studios Japan, which opened in Osaka in March 2001. This project involved transporting equipment supplied by some 85 companies spread across the U.S., Europe, and Japan to Universal Studios Japan. We ensured smooth logistics operations by stationing our staff members in the U.S. and at the construction site in Japan. We also set up dedicated warehouses in both countries to manage shipping from each vendor and organized just-in-time delivery in accordance with the construction schedule. In addition, we provided process management information to Universal Studios Japan and contractors using an Internet-based cargo tracking system we developed in 1999 to obtain status information on equipment in transit.

Net Sales



Total Assets



Domestic Offices and Subsidiaries
Overseas Offices and Subsidiaries

■ Domestic Offices and Subsidiaries

Kansai Regional Business Unit

From April 2001, the business administrative structure of the Kansai-Shikoku region has been renovated. In addition to reorganizing the 23 departments in Osaka, the Kobe office and the Kyoto, Wakayama, Himeji, Okayama, Shikoku (Takamatsu), and Niihama branch offices have all become part of the Kansai Regional Business Unit.

Universal City Walk Osaka. The shopping complex boasts unique specialty stores and restaurants direct from Hollywood, offering customers a completely new shopping experience. Many of them are the first such outlets opened in Japan or in the Kansai region.

Taking this opportunity, along with converting to the wide-area management system of regional leadership, we are working toward implementing more efficient management, further strengthening our business, and responding promptly and energetically to customer needs in the Kansai-Shikoku region. We of course intend to promote our business activities in the Kansai region and we will also strive to develop business globally, placing great attention on our integrated strength and networking with each Business Unit of the Tokyo Head Office, the corporate departments, domestic and international local headquarters, and every group company in Sumitomo Corp.

Universal City Walk Osaka Business Launched

Located at the entrance to Universal Studios Japan, which opened in Konohana-ku, Osaka, is the Universal City Walk Osaka. This commercial facility, in which Sumitomo Corp. was a major developer, began operations in March 2001. Universal City Walk Osaka's facilities provide streets brimming with Hollywood ambiance, with 56 unique shops and restaurants. The office building on which construction had started at the same time was completed in March 2001, and two hotels (Keihan and Kintetsu) are scheduled to open in July 2001.

Chubu Regional Business Unit

Central Japan (Chubu) International Airport (CJIA) will be constructed 35 km south of Nagoya in the waters offshore of Tokoname, and will play an important role as an international hub airport along with New Tokyo (Narita) Airport and Kansai International Airport.

The CJIA will be an offshore airport, following Kansai International Airport, enabling aircraft to land and take off 24 hours a day without time constraints.

It is scheduled to open in March 2005, and construction started in August 2000. The total business budget of this airport comes to ¥768 billion, or ¥1,200 billion if related business is included.

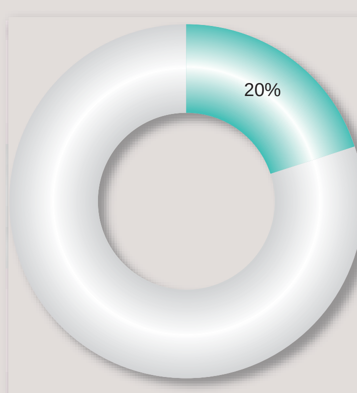
The Chubu Regional Business Unit is working energetically to ensure that it concludes a number of contracts for construction materials, such as steel, ready-mixed concrete, and sand and gravel. As a result, a consortium of Sumitomo Corp., Sumitomo Osaka Cement Co., Ltd., and related organizations has been selected as the official supplier of ready-mixed concrete to the airport island.

Kyushu-Okinawa Regional Business Unit

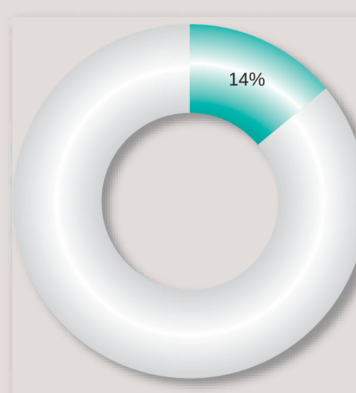
Japan's first modern steel manufacturing began in Kyushu 100 years ago. Today, this southern island accounts for 10% of national GDP and hosts one-third of Japan's semiconductor manufacturing, earning it the nickname of Japan's "Silicon Island." Seven offices have been established in the Kyushu-Okinawa Regional Business Unit, and are contributing to the development of the regional economy.

With strong geographical and historical ties to Asian countries, Sumitomo Corp. is energetically striving to increase imports, for example, of high-quality textile products manufactured under Japanese guidance from countries such as China. We have also invested in companies engaging in IT such as Koala, an asymmetric digital subscriber line (ADSL) communications business in Fukuoka, and Okinawa Digital Center, an archive business in Okinawa, in preparation for the era of electronic administration.

Net Sales



Total Assets



Our aim is to integrate the global product strategy of our business units and the regional strategy of our overseas and domestic offices and subsidiaries, and thus employ our integrated strength to its fullest potential.

We are striving to build stronger and more efficient business of our overseas and domestic offices and subsidiaries through regionally based operations, and are promoting wide-scale operations, by which a wider area is covered in cooperation with neighboring offices.

■ Overseas Offices and Subsidiaries

America

Sumitomo Corporation of America (SCOA) is actively supporting the global product strategy of each business unit of the Tokyo Head Office, and is simultaneously engaging in a wide range of enterprises. In addition to PVC pipe manufacturing, residential development, automobile dealerships, and steel service centers, we are also making optimum use of information technology (IT) and logistics technology (LT) in globally promoting our oil well casing pipe business with major oil companies. We are also cooperating with 54 corporate groups in developing businesses throughout the Americas.

Making the most of Sumitomo Corp.'s integrated strength, we have received orders for equipment for major projects, such as an Automated People Mover system for the Miami International Airport and gallery cars for the Chicago METRA commuter rail system. We are strategically meeting the challenges in such fields as the IT industry, pharmaceuticals, and biotechnology. Through Presidio Venture Partners, we are investing in venture businesses in the IT field, and in addition to capital gains we are striving to discover new businesses and investment enterprises.

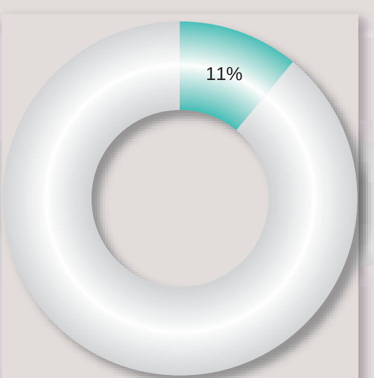
With the expanded trade and investment among the U.S., Canada, and Mexico under the North American Free Trade Agreement (NAFTA), as well as the Free Trade Area of the Americas (FTAA) to be inaugurated in 2005, ties are deepening among the Sumitomo Corp. offices throughout North and South America. As a result, we will be able to employ our fully integrated strength throughout the region to expand investment opportunities and promote even more efficient management.

Europe

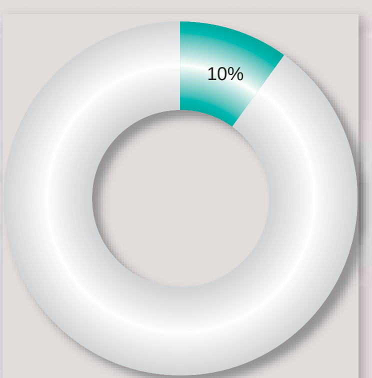
The accelerating move to expand and strengthen the EU by introducing the euro into circulation in January 2002, and the EU's continuing strong economy are leading to a large-scale reorganization of European industry. Against this economic backdrop, Sumitomo Corp. Europe Plc (SCEU) is shouldering its share of implementing the important strategy of each business unit of the Tokyo Head Office. In addition to expanding existing business in the various countries and branches, we are energetically constructing new businesses according to our all-encompassing integrated management system that goes beyond the limits of individual regions and national borders and fully utilizes our offices in 19 cities and 16 countries of Europe.

In recent years in particular, Central Europe (Poland, the Czech Republic, and Hungary) has enjoyed steadily improving economic health as a manufacturing region in which the major impetus comes from the automotive and home appliance industries, and their peripheral industries. This region is expected to establish a firm position as a world-class manufacturing base to rival the Asian region within two or three years. To support the efforts of Japanese enterprises to expand into the region, Sumitomo Deutschland GmbH and others are relocating many specialists to reside in the area and assist companies there. We are striving to broaden our regional operations by exhibiting our integrated strength while utilizing our own logistics, financial, and information technologies.

Net Sales



Total Assets



This 42-story skyscraper in Manhattan, New York symbolizes Sumitomo Corporation of America (SCOA)'s office building business. In addition, SCOA's office space occupies the upper four floors.

China

Over 20 years have passed since China began its Economic Liberalization Policies, and in that time the manufacturing structure has been modernized and the market economy has permeated the country. Private enterprises have also emerged, and today the Chinese economy is undergoing profound change.

China is moving toward joining the World Trade Organization (WTO) in the latter half of 2001. Entering this global organization will result in regulations being loosened and accelerate an inrush of foreign-funded enterprises mindful of the fact that this is a vast territory with an enormous consumer market comprising 1.3 billion people. China is surely the most important market of the 21st century, and without doubt will become a crucial manufacturing base from the global business perspective of seeking lower production costs.

While striving against that backdrop to build efficient operations in three regions such as the north, east, and south of China through promoting unified management that utilizes our integrated strength, our entire organization in China is setting its sights on further expanding its scope by taking full advantage of its wealth of IT-related businesses and Supply Chain Management (SCM), and is energetically promoting transactions utilizing its logistics functions.

Through Sumitomo Corp. (China) Holding Ltd. we will also expand our investments in various local businesses that contribute to the achievements of each of our offices in China.

FINANCIAL SECTION

Contents

Management's Discussion and Analysis of Operations

1. Operating Environment (For the year ended March 31, 2001, compared with the previous fiscal year)

The Japanese economy recovered gradually for a while, due to increased exports and corporate capital outlays. However, consumer spending remained sluggish at the beginning of the year contrary to general expectations and exports declined from the autumn of 2000, as the economies in the U.S. and Asia slowed down. As a result, the economic recovery stalled. Against this backdrop, the stock market showed a general downward trend throughout the year.

Newly industrializing economies (NIEs) and members of the Association of Southeast Asian Nations (ASEAN) continued to recover in the first half of the year, driven by an increase in exports centering on IT-related products coupled with a recovery in domestic demand. Their economic recovery slowed down, however, in the second half as the growth in exports was arrested owing to the slowdown of the U.S. economy. On the other hand, the Chinese economy continued to grow steadily, backed by increasing exports and effective fiscal policies.

In the U.S., the economy continued to grow in the first half of the year, thanks to higher capital spending, mainly in IT. However, a tightening of monetary policy in the first half started to show its effects and industrial output declined in the second half. Business confidence plummeted at the beginning of 2001, with a sharp fall in stock prices led by IT shares, prompting an easing of the monetary policy.

European Union (EU) members saw their economies grow throughout the year, as exports rose with the weak euro, and capital expenditure and consumer spending remained strong. However, some worrying signs have been appearing since the beginning of 2001, such as declining business confidence and unemployment in Germany ceasing to fall.

2. Income Analysis (For the year ended March 31, 2001, compared with the previous fiscal year)

Overview

Net income increased by ¥5.2 billion from the previous fiscal year to ¥40.3 billion this year. The main factors that contributed to this growth were an increase in gross trading profit thanks to the strong performance of the majority of consolidated subsidiaries, reductions in various expenses as implemented to strengthen cost-competitiveness, gains on media and electronics-associated business investment, and settlement received on copper trading litigation. The main factors that affected the Company's performance negatively are aggressive direct write-offs resulting from the sale or pulling out of unprofitable businesses executed as the final step to complete the Reform Package, and the impairment of long-lived assets related to low-return businesses.

Total Trading Transactions

Total trading transactions for fiscal 2001 amounted to ¥10,080 billion, a 5.4% decrease from the previous fiscal year. This was due mainly to a decline in domestic trading of machinery, the sale of the domestic cigarette business, a decrease in infrastructure-associated business in Asia, and a reduction in the international trading of ships, despite the increase in the fuels business due to the rising price of crude oil and petroleum products.

Gross Trading Profit

Although total trading transactions decreased by 5.4%, gross trading profit increased by ¥13.7 billion from the previous fiscal year to ¥488.4 billion due to increased profits from Sumitomo Corporation of America, from the production of PVC pipe for housing use also in North America, and from IT-related business in Japan.

Breakdown of Total Trading Transactions by Operating Segment:

			Billions of Yen	Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Iron & Steel Group	¥ 931	¥ 910	¥ 1,019	$ 7,390
Machinery & Electric Group and Media, Electronics & Information Business Group	3,671	3,958	4,374	29,139
Non-ferrous Metals/Chemicals/Petroleum & Carbon Group	1,866	1,870	1,857	14,806
Living Related Group and Retail & Consumer Services Division	1,902	2,313	2,317	15,094
Domestic Branches	855	860	921	6,784
Overseas Trading Subsidiaries	750	673	825	5,952
Segment Total	9,975	10,584	11,313	79,165
Corporate and Eliminations	105	72	66	835
Consolidated	¥10,080	¥10,656	¥11,379	$80,000

Iron & Steel Group
Trading increased by 2.4% from the previous fiscal year due mainly to the addition of newly consolidated subsidiaries in fiscal 2001.

Machinery & Electric Group and Media, Electronics & Information Business Group
Trading decreased by 7.2% from the previous fiscal year due mainly to a decline in domestic trading of machinery, decrease of infrastructure-associated business in Asia, and decrease in the international trading of ships.

Non-ferrous Metals/Chemicals/Petroleum & Carbon Group
Trading decreased by 0.2% from the previous fiscal year due mainly to a drop in the trading of nonferrous metals, offsetting the increase in the fuels business due to the rising price of crude oil and petroleum products.

Living Related Group and Retail & Consumer Services Division
Trading decreased by 17.8% from the previous fiscal year due mainly to the sale of the domestic cigarette business.

Overseas Trading Subsidiaries
Trading increased by 11.4% from the previous fiscal year due mainly to the steady growth of steel pipe trading through subsidiaries in North America and Asia.

Breakdown of Gross Trading Profit by Operating Segment:

			Billions of Yen	Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Iron & Steel Group	¥ 39	¥ 34	¥ 40	$ 306
Machinery & Electric Group and Media, Electronics & Information Business Group	155	158	144	1,231
Non-ferrous Metals/Chemicals/Petroleum & Carbon Group	75	70	73	598
Living Related Group and Retail & Consumer Services Division	143	159	149	1,138
Domestic Branches	21	20	21	164
Overseas Trading Subsidiaries	61	51	55	483
Segment Total	494	492	482	3,920
Corporate and Eliminations	(6)	(17)	(9)	(44)
Consolidated	¥488	¥475	¥473	$3,876

Iron & Steel Group
Gross profit increased by 13.3% from the previous fiscal year due mainly to the sale of our interests in an unprofitable coal business in Australia and the addition of newly consolidated subsidiaries in fiscal 2001.

Machinery & Electric Group and Media, Electronics & Information Business Group
Gross profit decreased by 2.0% from the previous fiscal year. Although profit rose in the information business thanks to the steady growth of software development and mobile phone sales subsidiaries in Japan, this was offset by the decrease in the infrastructure-associated business in Asia.

Non-ferrous Metals/Chemicals/Petroleum & Carbon Group
Gross profit increased by 8.0% from the previous fiscal year due mainly to the steady growth of the production of PVC pipe for housing use in the chemicals field and the rising price of crude oil and petroleum products in the fuels field.

Living Related Group and Retail & Consumer Services Division
Gross profit decreased by 9.8% from the previous fiscal year due to the sale of the domestic cigarette business, although the retail and consumer services business grew steadily.

Overseas Trading Subsidiaries
Gross profit increased by 20.6% from the previous fiscal year due mainly to the steady growth of steel pipe trading through Sumitomo Corporation of America.

Selling, General and Administrative Expenses

Due to reinforcement of cost-competitiveness and a change in the accounting status of domestic CATV operating companies from consolidated subsidiaries to associated companies, to which the equity method is applied, personnel expenses fell by 6.0% to ¥12.5 billion, while equipment expenses fell by 7.0% to ¥5.4 billion. As a result, selling, general and administrative expenses decreased by ¥18.1 billion from the previous fiscal year to ¥390.5 billion.

Provision for Doubtful Receivables

Total provision for doubtful receivables increased by ¥1.4 billion from the previous fiscal year to ¥8.9 billion.

Operating Income

As described above, due to the increase in gross trading profit and the decrease in selling, general and administrative expenses, operating income increased by ¥30.3 billion from the previous fiscal year to ¥88.8 billion.

Other Income (Expenses)

Interest Expense (Net of Interest Income)

Net interest expense decreased by¥4 billion from the previous fiscal year to ¥18 billion as a result of a reduction in interest-bearing liabilities due to the disposal of various businesses.

Dividends

Total dividends received remained on a par with the previous fiscal year at ¥5.9 billion.

Gain on Marketable Securities and Investments

Although the Company continued to realize gains on investments sold in media and electronics-associated businesses and sales from unwinding cross-held securities as in the previous year, overall gain on marketable securities and investments decreased by ¥6.1 billion from the previous fiscal year, to ¥37.2 billion net, due to other than temporary valuation losses in certain investments caused by the downturn in the stock markets.

Gain on Securities Transferred to Pension Fund

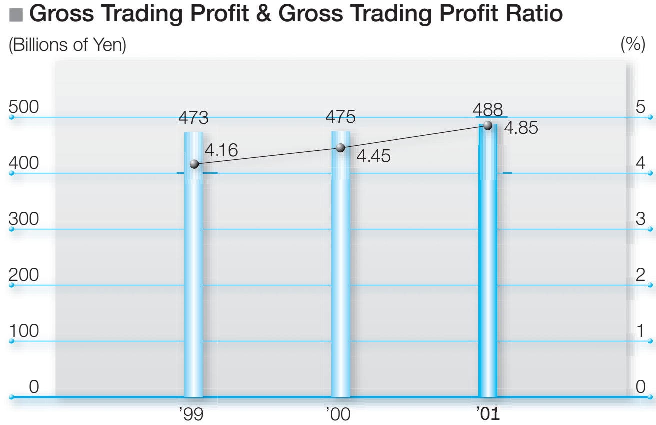
The Company contributed a part of its marketable securities to the pension fund at market price. The Company recognized gain amounted to ¥35 billion.

Gain on Sale of Subsidiaries

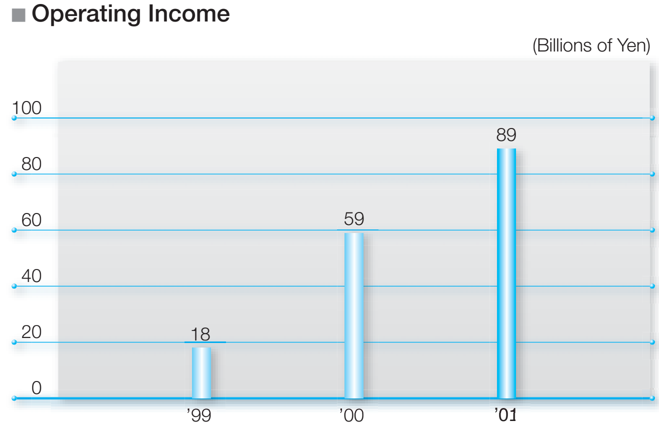
The gain of ¥17.1 billion reported in the previous fiscal year resulted from the sale of a domestic cigarette business and a leasing business in the U.S., implemented as part of the switching of existing assets.

Gain on Sale of Property and Equipment

■ Gross Trading Profit & Gross Trading Profit Ratio



■ Operating Income



Gain on sale of property and equipment remained on a par with the previous fiscal year at ¥1 billion.

Impairment Losses of Long-lived Assets

In the previous fiscal year, assets related to an overseas mining project and certain property held by the Company for sale were deemed to be impaired, resulting in a loss of ¥30.8 billion. This fiscal year, a loss of ¥7.7 billion was reported related to real estate property.

Settlement Received/(Paid) on Copper Trading Litigation

The Company received ¥30 billion from a U.S. financial institution in a settlement of issues concerning the copper trading litigation and paid ¥10.9 billion to settle civil lawsuits brought against the Company in the U.S.

Loss on Termination and Restructuring of Projects

Loss on termination and restructuring of projects increased by ¥61.8 billion from the previous fiscal year to ¥67.2 billion. This increase was due to additional loss of direct write-offs of businesses, amounting to approximately ¥30 billion, as the Company vigorously implemented its policy of selling or pulling out of unprofitable businesses to complete the Reform Package; and provisions of approximately ¥37 billion for losses related to low-performing businesses and Southeast Asia exposures.

Other Income (Loss)

A loss of ¥13 billion was reported due to legal fees in lawsuits concerning the copper trading litigation, minority interests, and amorization of consolidation differences.

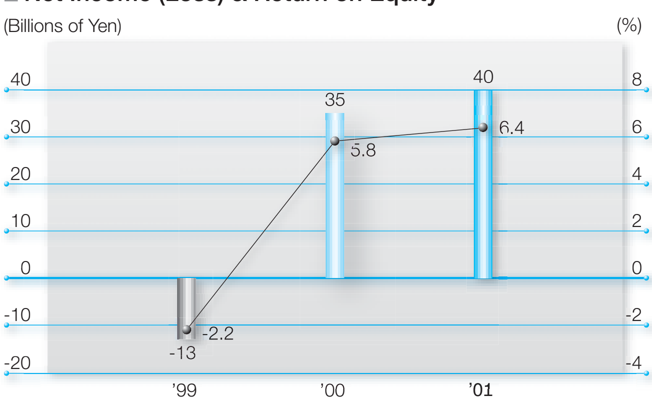
Equity in Earnings (Losses) of Associated Companies

The Company reported a loss of ¥6.5 billion in this category, a decrease of ¥12.1 billion from the previous fiscal year. This was due mainly to the reduction in ownership percentage of certain domestic CATV operating companies, which were categorized as consolidated subsidiaries in the previous fiscal year. Those associated companies currently have operating losses.

Net Income (Loss)

As a result of the above, the net income for this fiscal year was ¥40.3 billion, an increase of ¥5.2 billion from the previous fiscal year.

■ Net Income (Loss) & Return on Equity



3. Liquidity and Capital Resources (For the year ended March 31, 2001, compared with the previous fiscal year)

Financial Position

As of March 31, 2001, total assets amounted to ¥4,950 billion, remaining at about the same level as the previous fiscal year.

This was due to an increase of receivables and payables-trade as a result of steady expansion of operating activities, which offset a reduction caused by the disposal of unprofitable businesses, implemented as the final step to complete the Reform Package, and a decrease in the market value of securities due to the sluggish stock market.

In addition to reduction of assets related to low-return operations, the Company also continued to reduce interest-bearing liabilities. As of March 31, 2001, these amounted to ¥2,704.3 billion, a decrease of ¥16.9 billion from the previous fiscal year.

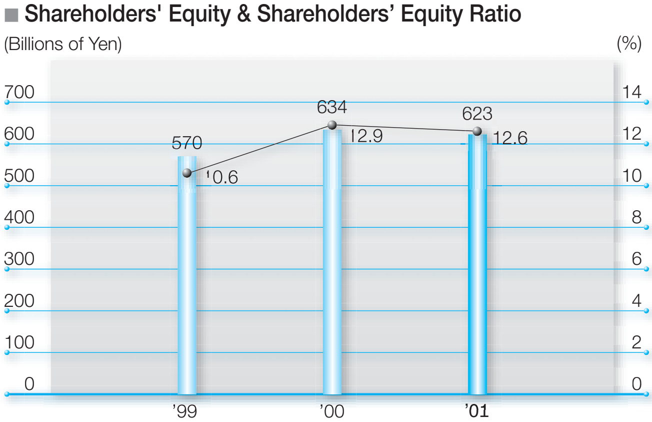
Shareholders' equity amounted to ¥622.9 billion, a decrease of ¥11.2 billion from the previous fiscal year. This was due to a decrease of net unrealized holding gains on securities available-for-sale caused by a downturn in the stock market, although retained earnings increased, with the net income growing to ¥40.3 billion this year. As a result, shareholders' equity ratio fell by 0.3 points to 12.6%.

With both interest-bearing liabilities and shareholders' equity remaining at more or less the same level, debt-equity ratio (interest-bearing liabilities/shareholders' equity) stayed at the same level as the previous fiscal year at 4.3 points.

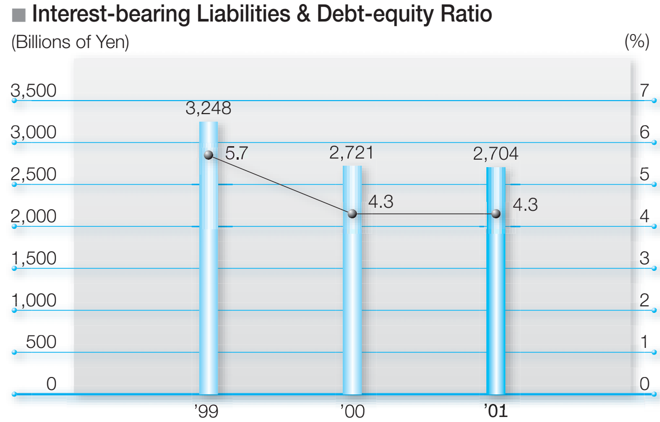
Liquidity and Capital Resources

	Billions of Yen			Millions of U.S. Dollars
As of March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Short-term				
Loans, principally from banks	¥ 405	¥ 273	¥ 781	$ 3,212
Commercial paper	416	286	442	3,300
	821	559	1,223	6,512
Long-term				
Secured long-term debt	75	81	124	597
Unsecured long-term debt				
Loans	1,504	1,677	1,494	11,939
Bonds and notes	304	404	407	2,415
	1,883	2,162	2,025	14,951
Interest-bearing liabilities	2,704	2,721	3,248	21,463
Others	175	179	186	1,387
	¥2,879	¥2,900	¥3,434	$22,850
Total assets	¥4,950	¥4,905	¥5,389	$39,286
Shareholders' equity	¥ 623	¥ 634	¥ 570	$ 4,944
Shareholders' equity ratio (%)	12.6	12.9	10.6	
Debt-equity ratio (times)	4.3	4.3	5.7	

■ Shareholders' Equity & Shareholders' Equity Ratio



■ Interest-bearing Liabilities & Debt-equity Ratio



Credit Lines

The Company entered into line of credit agreements with three syndicates, the first consisting of nine major foreign banks headed by Citibank, the second consisting of seven Japanese city banks headed by Sumitomo Bank, Ltd. as of April 1, 2001, Sumitomo Mitsui Banking Corp., and the last consisting of 12 Japanese regional banks also headed by Sumitomo Bank, Ltd. These lines of credit are US$950 million with the foreign banks and ¥340 billion and ¥150 billion with the Japanese banks, respectively. As of March 31, 2001, the Company has not drawn down any loans using these lines of credit.

Cash Flow Analysis

In fiscal 2001, net cash provided by operating activities was ¥85.7 billion, almost the same amount as the operating income, while net cash of ¥62.8 billion was used in investing activities, mainly relating to completion of the new Harumi Head Office building.

Free cash flow for fiscal 2001 amounted to ¥22.9 billion. The drop of ¥247.2 billion from the previous fiscal year was due to the decrease of application of securities and time deposits last year as a result of securitization of ship loans and reduction of financial assets.

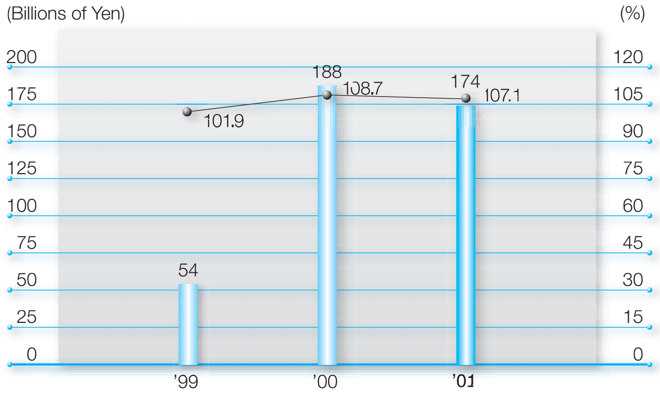
On the other hand, net cash provided by financing activities amounted to ¥14 billion.

As a result, cash and cash equivalents increased by ¥40.1 billion, including the effect of exchange rate changes on cash and cash equivalents.

Summary of Statements of Consolidated Cash Flows

		Billions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Net cash provided by Operating Activities	¥ 86	¥ 110	¥ 15	$ 681
Net cash provided by (used in) Investing Activities	(63)	160	(154)	(499)
Free Cash Flow	23	270	(139)	182
Net cash provided by (used in) Financing Activities	14	(350)	27	111
Effect of exchange rate changes on cash and cash equivalents	3	(9)	(4)	25
Net increase (decrease) in cash and cash equivalents	¥ 40	¥ (89)	¥(116)	$ 318

■ Working Capital & Current Ratio (Current Assets/Current Liability)



Sumitomo Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets

As of March 31, 2001 and 2000

ASSETS

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Current assets:			
Cash and cash equivalents	¥ 251,532	¥ 211,385	$ 1,996
Time deposits	5,194	6,149	41
Marketable securities (Notes 5 and 11)	14,877	30,480	118
Receivables—trade (Notes 6 and 11)			
Notes and loans	396,661	351,526	3,148
Accounts	1,174,220	1,066,175	9,319
Associated companies	195,120	128,841	1,549
Allowance for doubtful receivables (Note 8)	(11,600)	(11,554)	(92)
Inventories	418,585	373,334	3,322
Deferred income taxes (Note 12)	23,697	25,815	188
Advance payments to suppliers	61,072	71,644	485
Other current assets	97,232	78,759	772
Total current assets	2,626,590	2,332,554	20,846
Investments and long-term receivables:			
Investments in and advances to associated companies (Note 7)	242,516	180,264	1,925
Other investments (Notes 5 and 11)	704,039	887,884	5,588
Long-term receivable (Notes 6 and 11)	648,156	661,159	5,144
Allowance for doubtful receivables (Note 8)	(95,957)	(87,185)	(762)
Total investments and long-term receivables	1,498,754	1,642,122	11,895
Property and equipment, at cost (Notes 9 and 11)	1,038,712	1,185,342	8,244
Accumulated depreciation	(333,368)	(367,818)	(2,646)
	705,344	817,524	5,598
Other assets	119,391	112,444	947
Total	¥4,950,079	¥4,904,644	$39,286

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Current liabilities:			
Short-term debt (Notes 10 and 11)	¥ 820,534	¥ 559,182	$ 6,512
Current maturities of long-term debt (Notes 10 and 11)	285,764	398,224	2,268
Payables—trade			
Notes and acceptances	233,473	201,650	1,853
Accounts	824,005	739,045	6,540
Associated companies	51,107	37,381	406
Accrued income taxes	8,701	8,560	69
Other accrued expenses	45,473	57,686	361
Advances from customers	71,462	67,791	567
Other current liabilities	112,321	75,515	891
Total current liabilities	2,452,840	2,145,034	19,467
Long-term debt, less current maturities (Notes 10 and 11)	1,772,856	1,942,900	14,071
Accrued pension and severance liabilities (Note 13)	8,113	41,646	64
Deferred income taxes (Note 12)	24,358	74,068	193
Minority interests	68,955	66,773	547
Commitments and contingent liabilities (Notes 11 and 22)			
Shareholders' equity (Notes 14 and 17):			
Common stock, ¥50 par value—authorized 2,000,000,000 shares; issued 1,064,462,662 shares in 2001 and 2000	169,432	169,432	1,345
Additional paid-in capital	189,536	189,536	1,504
Retained earnings:			
Appropriated for legal reserve	17,235	16,384	137
Unappropriated	261,675	230,697	2,077
	278,910	247,081	2,214
Accumulated other comprehensive income (loss) (Note 15)	(14,728)	28,174	(117)
Treasury stock, at cost: 185,543 shares in 2001	(193)	—	(2)
Total shareholders' equity	622,957	634,223	4,944
Total	¥4,950,079	¥4,904,644	$39,286

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

Sumitomo Corporation and Consolidated Subsidiaries

Statements of Consolidated Income

For the years ended March 31, 2001, 2000, and 1999

			Millions of Yen	Millions of U.S. Dollars
	2001	2000	1999	2001
Total trading transactions (Notes 7 and 18)	¥10,080,062	¥10,656,046	¥11,378,831	$80,000
Gross trading profit (Note 18)	¥ 488,400	¥ 474,674	¥ 472,858	$ 3,876
Selling, general and administrative expenses	390,578	408,688	407,182	3,100
Provision for doubtful receivables (Note 8)	8,969	7,483	47,932	71
Total	399,547	416,171	455,114	3,171
Operating income (Note 18)	88,853	58,503	17,744	705
Other income (expenses):				
Interest expense (net of interest income: 2001, 2000, and 1999—¥42,299 million ($336 million), ¥43,069 million, and ¥64,753 million)	(18,010)	(22,070)	(24,981)	(143)
Dividends	5,979	5,646	6,634	47
Gain on marketable securities and investments, net (Notes 5, 7, and 13)	37,289	43,480	9,821	296
Gain on securities transferred to pension fund (Notes 5 and 13)	35,040	—	—	278
Gain on sale of subsidiaries	—	17,170	—	—
Gain on sale of property and equipment, net	1,035	1,312	28,497	8
Impairment losses of long-lived assets	(7,753)	(30,824)	(12,816)	(61)
Settlement received/(paid) on copper trading litigation (Note 22)	19,125	—	(17,563)	152
Loss on termination and restructuring of projects (Note 20)	(67,269)	(5,461)	—	(534)
Other, net	(13,014)	(10,907)	(3,246)	(103)
Other income (expenses), net	(7,578)	(1,654)	(13,654)	(60)
Income before income taxes and equity in earnings (losses) of associated companies	81,275	56,849	4,090	645
Income taxes (Note 12):				
Current	30,286	24,893	19,360	241
Deferred	4,193	2,543	(4,613)	33
Total	34,479	27,436	14,747	274
Income (loss) before equity in earnings (losses) of associated companies	46,796	29,413	(10,657)	371
Equity in earnings (losses) of associated companies, net (after income tax effect) (Notes 7 and 12)	(6,452)	5,652	(2,419)	(51)
Net income (loss)	¥ 40,344	¥ 35,065	¥ (13,076)	$ 320

			Yen	U.S. Dollars
Amounts per share (Note 17):				
Net income (loss):				
Basic	¥37.91	¥32.94	¥(12.28)	$0.30
Diluted	37.14	32.31	(12.28)	0.29
Cash dividends declared for the year	¥ 8.00	¥ 8.00	¥ 8.00	$0.06

The accompanying notes to consolidated financial statements are an integral part of these statements.

Sumitomo Corporation and Consolidated Subsidiaries

Statements of Consolidated Shareholders' Equity

For the years ended March 31, 2001, 2000, and 1999

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	2001
Common stock:				
Balance, beginning and end of year	¥169,432	¥169,432	¥169,432	$1,345
Additional paid-in capital:				
Balance, beginning and end of year	¥189,536	¥189,536	¥189,536	$1,504
Retained earnings:				
Balance, beginning of year	¥247,081	¥220,532	¥242,124	$1,961
Net income (loss)	40,344	35,065	(13,076)	320
Cash dividends paid	(8,515)	(8,516)	(8,516)	(67)
Balance, end of year	¥278,910	¥247,081	¥220,532	$2,214
Accumulated other comprehensive income (loss) (Note 15):				
Balance, beginning of year	¥ 28,174	¥ (9,847)	¥ 18,298	$ 224
Other comprehensive income (loss) for the year, net of tax	(42,902)	38,021	(28,145)	(341)
Balance, end of year	¥ (14,728)	¥ 28,174	¥ (9,847)	$ (117)
Treasury Stock				
Balance, beginning of year	¥ —	¥ —	¥ —	$ —
Purchase of treasury stock	(193)	—	—	(2)
Balance, end of year	¥ (193)	¥ —	¥ —	$ (2)
Disclosure of comprehensive income (loss):				
Net income (loss) for the year	¥ 40,344	¥ 35,065	¥ (13,076)	$ 320
Other comprehensive income (loss) for the year, net of tax (Note 15)	(42,902)	38,021	(28,145)	(341)
Comprehensive income (loss) for the year	¥ (2,558)	¥ 73,086	¥ (41,221)	$ (21)

The accompanying notes to consolidated financial statements are an integral part of these statements.

Sumitomo Corporation and Consolidated Subsidiaries

Statements of Consolidated Cash Flows

For the years ended March 31, 2001, 2000, and 1999

	Millions of Yen			Millions of U.S. Dollars
	2001	2000	1999	2001
Operating activities:				
Net income (loss)	¥ 40,344	¥ 35,065	¥ (13,076)	$ 320
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	57,424	62,124	53,363	456
Provision for doubtful receivables	8,969	7,483	47,932	71
Gain on marketable securities and investments, net	(37,289)	(43,480)	(9,821)	(296)
Gain on securities transferred to pension fund	(35,040)	—	—	(278)
Gain on sale of subsidiaries	—	(17,170)	—	—
Gain on sale of property and equipment, net	(1,035)	(1,312)	(28,497)	(8)
Impairment losses of long-lived assets	7,753	30,824	12,816	61
Loss on termination and restructuring of projects	67,269	5,461	—	534
Equity in earnings (losses) of associated companies	6,452	(5,652)	2,419	51
Changes in operating assets and liabilities, excluding effect of acquisitions and divestitures				
Receivables	(124,889)	130,471	121,377	(991)
Inventories	(33,115)	20,442	14,687	(263)
Payables	125,476	(85,074)	(189,362)	996
Other, net	3,429	(28,622)	3,708	28
Net cash provided by operating activities	85,748	110,560	15,546	681
Investing activities:				
Expenditures for property and equipment	(132,313)	(145,631)	(97,626)	(1,050)
Proceeds from sale of property and equipment	86,352	47,227	55,429	685
Acquisition of investments	(337,386)	(133,537)	(178,043)	(2,678)
Proceeds from sale and maturity of investments	335,227	306,229	178,235	2,661
Increase in loans receivable	(153,391)	(96,525)	(183,473)	(1,217)
Reduction of loans receivable	134,124	141,763	84,561	1,064
Net increase (decrease) in time deposits	4,564	40,072	(13,279)	36
Net cash provided by (used in) investing activities	(62,823)	159,598	(154,196)	(499)
Financing activities:				
Net decrease in short-term debt	269,631	(599,037)	(295,983)	2,140
Proceeds from long-term debt	229,532	740,777	590,407	1,822
Repayment of long-term debt	(481,186)	(492,177)	(258,501)	(3,819)
Cash dividends paid	(8,515)	(8,516)	(8,516)	(68)
Proceeds from minority interest	4,555	9,164	—	36
Net cash provided by (used in) financing activities	14,017	(349,789)	27,407	111
Effect of exchange rate changes on cash and cash equivalents	3,205	(9,369)	(4,477)	25
Net increase (decrease) in cash and cash equivalents	40,147	(89,000)	(115,720)	318
Cash and cash equivalents, beginning of year	211,385	300,385	416,105	1,678
Cash and cash equivalents, end of year	¥ 251,532	¥211,385	¥ 300,385	$ 1,996

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. BASIS OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which Sumitomo Corporation (the "Company") is incorporated and principally operates. The translation of Japanese yen amounts into United States dollar amounts with respect to the year ended March 31, 2001 are included solely for the convenience of readers and have been made at the rate of ¥126=US$1, the approximate rate of exchange on March 31, 2001. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into United States dollars at above or any other rate.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America ("U.S. GAAP"). In certain respects, effect has been given in the consolidated financial statements to adjustments that have not been entered in the Company and its consolidated subsidiaries' general books of account, which are maintained principally in accordance with accounting practices prevailing in the countries of incorporation. The major adjustments include those relating to valuation of certain investment securities, impairment losses of long-lived assets and loans receivable, accounting for pension costs, deferred gain on sales of property for tax purposes and accrual of certain expenses and losses.

2. DESCRIPTION OF BUSINESS

The Company is one of the major Japanese "sogo shosha," or integrated trading companies. As a "Globally Integrated Trading Corporation," the Company and its consolidated subsidiaries (together, the "Companies") purchase, distribute and market a wide variety of commodities including raw materials, industrial goods, and consumer goods, for Japanese domestic trade, trade between Japan and other nations, and trade between third-party nations.

The Companies not only operate worldwide with trade in various commodities but also provide various services, such as financing arrangements for customers and suppliers, planning and coordinating, and operating industrial projects, and gathering a broad range of information. In connection with these services, the Companies engage in a wide range of business activities—developing market potential, providing services for logistics and transportation and for information and communications, engaging in construction, developing natural resources, functioning as organizer, investing in the growing high-technology and multimedia fields, and promoting environmental protection.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying consolidated financial statements are summarized below:

(a) Consolidation and investments in subsidiaries and associated companies

The consolidated financial statements include the accounts of the Company and all of its majority-owned domestic and foreign subsidiaries. Associated companies consist of companies and corporate joint ventures owned 20% to 50%. Investments in associated companies, with minor exceptions, are accounted for by the equity method. All significant intercompany accounts and transactions have been eliminated. The excess of cost of the Companies' investments in subsidiaries and associated companies over their equity in the net assets at the dates of acquisition is generally amortized over periods ranging from five to twenty years.

The accounts of certain subsidiaries have been included on the basis of fiscal periods ended three months or less prior to March 31.

Minority interests in income of consolidated subsidiaries, which were included in "Other, net" in the accompanying statements of consolidated income, were loss of ¥5,174 million ($41 million), income of ¥3,684 million and income of ¥3,922 million for the years ended March 31, 2001, 2000, and 1999, respectively.

(b) Cash equivalents

For purposes of the statements of consolidated cash flows, the Companies consider highly liquid investments, including short-term time deposits, with an original maturity of three months or less, to be cash equivalents.

(c) Trading transactions

The Companies' total trading transactions includes the sales value of transactions in which the Companies act as principal and generally includes those in which the Companies act as agent. As to a substantial portion of the transactions in which the Companies act as principal, legal title to and payment for the goods pass through the Companies without physical acquisition or delivery by the Companies. Gross trading profit primarily consists of gross profit on principal transactions and commissions received on agency transactions.

(d) Foreign currency translation

Foreign currency financial statements of subsidiaries have been translated in accordance with SFAS No. 52, "Foreign Currency Translation." Pursuant to this statement, the assets and liabilities of foreign subsidiaries and associated companies are translated into Japanese yen at the respective year-end exchange rates. All income and expense accounts are translated at average rates of exchange. The resulting accumulated translation adjustments are included in a separate component of accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets.

Foreign currency receivables and payables are translated into their respective companies' functional currencies at year-end exchange rates and the resulting exchange gains or losses are recognized in earnings (see Note 19).

(e) Inventories

Inventories mainly consist of commodities, materials and real estate for development and resale. Certain commodities such as nonferrous and precious metals, which have immediate marketability at quoted market prices, are marked to market. Cost of other commodities and materials is stated primarily at the lower of average cost or market. Cost of real estate held for development and resale is stated at the lower of cost specifically identified or market.

(f) Marketable securities and other investments

The Companies apply SFAS No.115, "Accounting for Certain Investments in Debt and Equity Securities" to all marketable securities. Under this statement, all debt securities and marketable equity securities are classified as either (1) trading securities, which are accounted for at fair value with unrealized gains and losses included in earnings, (2) available-for-sale securities, which are accounted for at fair value with unrealized gains and losses excluded from earnings and reported in a separate component of the accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets, or (3) held-to-maturity securities, which are accounted for at amortized cost. Unrealized losses deemed to be other than temporary declines of market values are charged to income.

Non-marketable securities held as investments are carried at cost.

The cost of securities sold is determined based on the average cost of all the shares of such security held at the time of sale.

(g) Allowance for doubtful receivables

An allowance for doubtful receivables is established in amounts considered to be appropriate based primarily upon the Companies' past credit loss experience and an evaluation of potential losses in the outstanding receivables.

In addition, the Companies apply SFAS No.114, "Accounting by Creditors for Impairment of a Loan," as amended by SFAS No.118 (collectively, SFAS No.114). Under this statement, loss is recognized for impaired loans if the present value of expected future cash flows discounted at the loan's contractual effective interest rate (or, alternatively, at the observable market price of the loan or the fair value of the underlying collateral) is less than the recorded investment.

(h) Property and equipment

Property and equipment is stated at cost. Depreciation is computed principally on the declining balance method for equipment and on the straight-line or declining balance methods for buildings over their estimated useful lives.

(i) Commodity forwards and futures contracts

The Company and certain subsidiaries enter into commodity forwards and futures contracts principally as a means of hedging their inventories and trading commitments against market price fluctuations. These contracts relate principally to precious metals (mainly gold, platinum and silver) and nonferrous metals (mainly aluminum, nickel and copper). Changes in the market value of those forwards and futures contracts, as well as related inventory positions, are recognized in current income.

(j) Impairment of long-lived assets

The Companies have applied SFAS No.121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to Be Disposed Of." This statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment based on a cash flow analysis of related operations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The statement requires that such assets, if impaired or to be disposed of, be reported at the lower of carrying amount or fair value less cost to sell (see Note 9).

(k) Employees' benefit plans

Costs of defined benefit plans, with certain minor exceptions, have been determined in accordance with the provisions of SFAS No. 87, "Employers' Accounting for Pensions" (as amended by SFAS No.132).

Most of the domestic subsidiaries have unfunded severance indemnity plans and the accrued severance liabilities of these subsidiaries are recorded based on the vested benefit obligation, which is the amount payable if all employees covered by the severance indemnities plan voluntarily terminated their employment at each balance sheet date.

(l) Income taxes

Income taxes are accounted for in accordance with SFAS No.109, "Accounting for Income Taxes."

Under this statement, the tax effect of temporary differences between the financial statements and income tax bases of assets and liabilities is recognized as deferred income taxes, using enacted tax rates applicable to the periods in which the differences are expected to affect taxable income.

Provision for deferred income taxes is not made on undistributed earnings of foreign and certain domestic subsidiaries and associated companies because the Company considers that such earnings are permanently invested and/or would not result in material additional taxation should they be distributed to the Company under current circumstances.

(m) Derivative financial instruments

The Companies utilize interest rate swap, interest rate cap, and futures contracts mainly as a means of managing their interest rate exposures on certain assets and liabilities under current hedge accounting. The amounts received or paid under the swap contracts are recognized as interest on the assets or liabilities hedged over the life of the contracts. Premiums paid for interest rate caps are amortized over the life of contracts and expensed as a part of interest expense.

The Companies also utilize foreign exchange forward contracts principally as hedges of receivables or payables and commitments denominated in foreign currencies. The gains and losses related to these forward contracts are offset against recognized gains and losses on the items hedged.

(n) Use of estimates in the preparation of the financial statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. For example, estimates are used when accounting for the allowance for doubtful receivables, inventories, investments, impairment of long-lived assets, income taxes and contingencies. Due to the inherent uncertainty involved in making estimates, actual results may differ significantly from those estimated and significant changes to estimates could occur in the future.

(o) Comprehensive income

The Companies have applied SFAS No.130, "Reporting Comprehensive Income." Comprehensive income consists of net income (loss), changes in foreign currency translation adjustments, net unrealized holding gains (losses) of securities available-for-sale, and pension liability adjustments, and is included in the statements of consolidated shareholders' equity.

(p) Amounts per share

Basic net income per share has been computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution and has been computed on the basis that all convertible debentures were converted at the beginning of the year or at the time of issuance (if later), and that all convertible bonds were converted at the beginning of the year to the extent that it is not antidilutive.

Cash dividends per share presented in the accompanying statements of consolidated income represent the cash dividends declared applicable to each respective year, including dividends paid and recorded after the end of the year.

(q) Advertising

The costs of advertising are expensed as incurred.

(r) New accounting standards

In September 2000, the Financial Accounting Standards Board ("FASB") issued SFAS No.140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," a replacement of SFAS No.125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No.140 revises the standards for accounting for securitizations and requires certain disclosures. SFAS No.140 is effective for all transfers of financial assets occurring after March 31, 2001, and for disclosures relating to securitization transactions for fiscal years ending after December 15, 2000. The effect of adopting SFAS No.140 has not been material.

In June 1998, FASB issued SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," as amended, in June 2000, by SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No.133." SFAS No.133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No.133 requires, as amended, that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income (loss), depending on whether a derivative is designated as part of a hedge transaction and, if it is, depending on the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. SFAS No.133, as amended by SFAS No.138, is effective for the fiscal year beginning after June 15, 2000. The Companies adopted SFAS No.133 and 138 for the year beginning April 1, 2001. As of April 1, 2001, the adoption of the new accounting resulted in immaterial impact to net income and a decrease to accumulated other comprehensive income of approximately ¥1,500 million ($12 million).

(s) Reclassifications

Certain reclassifications of previously reported amounts have been made to conform with current classifications.

4. CASH FLOW INFORMATION

Additional cash flow information was as follows:

		Millions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	**2001**	2000	1999	**2001**
Cash paid during the year for:				
Interest	**¥69,805**	¥74,966	¥93,773	**$554**
Income taxes	**30,844**	23,192	21,153	**245**
Non-cash investing and financing activities:				
Capital lease obligations incurred	**6,312**	7,778	1,430	**50**
Reduction of loan receivables through securitization:				
Receivable	**—**	44,300	—	**—**
Loan receivables	**—**	46,000	—	**—**
Transfer of securities to pension trust	**¥61,112**	¥ —	¥ —	**$485**

5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

(a) Marketable securities

Pursuant to SFAS No.115, all of the Companies' marketable equity securities and debt securities were classified either as trading, available-for-sale or held-to-maturity securities. Information regarding each category of the securities classified as trading, available-for-sale and held-to-maturity as of March 31, 2001 and 2000, including securities of which certain of the Companies were the beneficial owners under trust agreements with trust companies, was as follows (excluding non-marketable investments discussed below):

				Millions of Yen
As of March 31, 2001:	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading securities	¥ 149	¥ —	¥ —	¥ 149
Available-for-sale:				
Equity securities	305,291	128,567	13,417	420,441
Debt securities	15,224	702	59	15,867
Held-to-maturity	41,014	32	746	40,300
	¥361,678	¥129,301	¥14,222	¥476,757

				Millions of Yen
As of March 31, 2000:	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥370,228	¥273,747	¥30,372	¥613,603
Debt securities	33,513	45	1,400	32,158
Held-to-maturity	60,119	110	870	59,359
	¥463,860	¥273,902	¥32,642	¥705,120

				Millions of U.S. Dollars
As of March 31, 2001:	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading securities	$ 1	$ —	$ —	$ 1
Available-for-sale:				
Equity securities	2,423	1,020	106	3,337
Debt securities	121	6	0	126
Held-to-maturity	325	0	6	320
	$2,870	$1,026	$112	$3,784

A U.S. subsidiary sold its held-to-maturity security portfolio based on the subsidiary's view of the increased risk of issuer's credit worthiness during the year ended March 31, 2001. The sale did not result in a significant gain or loss for the year ended March 31, 2001.

The carrying values of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2001 and 2000 were summarized by contractual maturities as follows:

				Millions of Yen		Millions of U.S. Dollars
		2001		2000		2001
As of March 31, 2001 and 2000	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥ 1,307	¥ 2,678	¥17,118	¥13,362	$ 10	$ 21
Due after one year through five years	14,560	13,277	4,173	13,168	116	105
Due after five years through ten years	—	12,483	1,812	21,365	—	99
Due after ten years	—	12,576	9,055	12,224	—	100
Total	¥15,867	¥41,014	¥32,158	¥60,119	$126	$325

Proceeds from sales and gross realized gains and losses on available-for-sale securities for the years ended March 31, 2001, 2000, and 1999 were as follows:

		Millions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Proceeds from sales	¥163,248	¥102,165	¥62,186	$ 1,296
Gross realized gains	¥ 59,197	¥ 36,127	¥23,491	$ 470
Gross realized losses	1,359	2,239	892	11
Net realized gains	¥ 57,838	¥ 33,888	¥22,599	$ 459

In fiscal 2001, the Company contributed certain marketable equity securities, which did not include those of its subsidiaries and affiliated companies, to an employee retirement benefit trust fully administrated and controlled by an independent bank trustee, with no cash proceeds thereon. The transfer of the available-for-sale securities has been accounted for as a sale in accordance with SFAS No.125 and accordingly the recorded pension liability has been reduced by the fair market value of the transferred securities. The fair market value of those securities at the time of contribution was ¥61,112 million ($485 million). Net realized gain of ¥35,040 million ($278 million) from transfer of securities to the pension fund was recognized in the accompanying statements of consolidated income for the year ended March 31, 2001.

(b) Non-marketable securities and other investments

Other investments as of March 31, 2001 and 2000 included investments in non-traded, unassociated companies and life insurance policies, etc., amounting to ¥241,445 million ($1,916 million) and ¥212,484 million, respectively. Investments in non-traded securities of unassociated companies were carried at cost and investments in life insurance policies were reported at cash surrender value.

6. LOAN SECURITIZATION

In March 2000, the Company entered into a securitization transaction whereby ship loans totaling ¥100 billion were sold to an unrelated special-purpose company ("SPC"). At the same time, the Company made a subordinated loan of ¥10 billion to the SPC. As a result of these transactions, a net amount of ¥90 billion of loans was eliminated from the consolidated balance sheet as of March 31, 2000 in accordance with SFAS No.125 as replaced by SFAS No.140. The Company retained interests, which are subordinate to the investors' interests. Their value is subject to credit and interest rate risk on the sold financial assets, and calculated based on the key assumptions of expected credit loss rate of 0.15% and discount rate of 1.0%. The investors and SPC have no other recourse to the Company's other assets for failure of any loan borrowers to repay.

7. INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES

The associated companies operate principally in the manufacturing and service industries and participate substantially in the Companies' trading transactions as either purchasers or suppliers.

Investments in and advances to associated companies as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
As of March 31, 2001 and 2000	2001	2000	2001
Investments in capital stock	¥197,186	¥150,306	$1,565
Advances	45,330	29,958	360
Total	¥242,516	¥180,264	$1,925

The carrying value of investments in associated companies as of March 31, 2001 and 2000 approximated the companies' equity in the underlying net assets. Investments in common stock of certain associated companies, as of March 31, 2001 and 2000 included marketable securities with the carrying amounts of ¥30,509 million ($242 million) and ¥24,917 million, respectively, with corresponding aggregate quoted market values of ¥24,702 million ($196 million) and ¥26,299 million, respectively.

Summarized financial information with respect to the associated companies, which are accounted for by the equity method as of March 31, 2001 and 2000, and for the years ended March 31, 2001, 2000, and 1999 is presented below:

	Millions of Yen		Millions of U.S. Dollars
As of March 31, 2001 and 2000	2001	2000	2001
Current assets	¥ 686,809	¥ 641,530	$ 5,451
Property, land and equipment—net	683,935	657,549	5,428
Other assets	821,127	653,938	6,517
Total assets	¥2,191,871	¥1,953,017	$17,396
Current liabilities	¥1,206,606	¥ 988,501	$ 9,576
Non-current liabilities	597,164	573,676	4,740
Shareholders' equity	388,101	390,840	3,080
Total liabilities and shareholders' equity	¥2,191,871	¥1,953,017	$17,396

	Millions of Yen			Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Net sales	¥907,992	¥771,845	¥815,961	$7,206
Net income (loss)	¥ (16,063)	¥ 11,983	¥ (23,138)	$ (127)

The Companies' total transactions with associated companies during the years ended March 31, 2001, 2000, and 1999 were as follows:

	Millions of Yen			Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Trading transactions	¥208,607	¥252,614	¥289,002	$1,656
Purchase transactions	525,317	709,776	595,822	4,169

In May 2000, the Company sold a 10% share of Jupiter Telecommunications Co., Ltd. ("Jupiter"), a 60% owned CATV operating subsidiary in fiscal 2000, to a third party. Later in September 2000, Jupiter acquired Titus Communications Corporation ("Titus"), a CATV operating company, by exchanging new shares of Jupiter with the shares of Titus. Jupiter accounted for this acquisition by the purchase method in accordance with APB No.16 and recognized a significant amount of goodwill as of September 1, 2000. As a result of this transaction, the Company's ownership of Jupiter was diluted from 50% to 35% and the Company recognized gains arising from the issuance by Jupiter of its own shares, which was recorded in the accompanying consolidated statement of income in the year ended March 31, 2001.

8. ALLOWANCE FOR DOUBTFUL RECEIVABLES

An analysis of the allowance for doubtful receivables for the years ended March 31, 2001, 2000, and 1999 is presented as follows:

	Millions of Yen			Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Balance, beginning of year	¥ 98,739	¥99,503	¥65,332	$ 784
Provision for doubtful receivables	8,969	7,483	47,932	71
Provision for loss on termination and restructuring of projects	29,712	—	—	236
Net charge-off	(29,786)	(7,592)	(13,299)	(236)
Foreign currency translation adjustments	(77)	(655)	(462)	(1)
Balance, end of year	¥107,557	¥98,739	¥99,503	$ 854

As of March 31, 2001 and 2000, the total recorded trade receivables and long-term loans that were considered to be impaired under SFAS No.114 was ¥134,777 million ($1,070 million) and ¥127,033 million, respectively, and the related valuation allowance provided as at each year-end were ¥81,966 million ($651 million) and ¥73,248 million, respectively.

The Companies generally recognize interest income on impaired loans on a cash basis. Interest income on impaired loans recognized for the years ended March 31, 2001, 2000, and 1999 was not material.

9. PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
As of March 31, 2001 and 2000	2001	2000	2001
Land and land improvements	¥ 243,616	¥ 223,653	$ 1,933
Buildings, including leasehold improvements	378,124	426,063	3,001
Machinery and equipment	402,801	439,495	3,197
Projects in progress	14,171	96,131	113
Total	1,038,712	1,185,342	8,244
Less: Accumulated depreciation	(333,368)	(367,818)	(2,646)
Property and equipment—net	¥ 705,344	¥ 817,524	$ 5,598

Depreciation expenses for the years ended March 31, 2001, 2000, and 1999 were ¥51,770 million ($411 million), ¥54,347 million and ¥49,431 million, respectively.

In accordance with SFAS No.121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," the Companies made assessment for the potential impairment of long-lived assets and as a result certain land for development, assets related to a mining project and other long-lived assets to be held and used were deemed to be impaired because the assets were not expected to recover their entire carrying value through future estimated undiscounted cash flows. The losses recognized for the years ended March 31, 2001, 2000, and 1999, totaling ¥7,753 million ($61 million), ¥30,824 million and ¥12,816 million, respectively, were included in the accompanying Statements of Consolidated Income.

Such impairment losses were calculated based on appraisals for land and building or using the best estimate of discounted future cash flows based on the assumption to continue its operation.

10. SHORT-TERM DEBT AND LONG-TERM DEBT

Short-term debt as of March 31, 2001 and 2000 consisted of the following:

	Millions of Yen				Millions of U.S. Dollars
As of March 31, 2001 and 2000	2001		2000		2001
		Average Interest Rate		Average Interest Rate	
Loans, principally from banks	¥404,689	3.27%	¥272,936	3.36%	$3,212
Commercial paper	415,845	0.95	286,246	0.66	3,300
	¥820,534		¥559,182		$6,512

The interest rates represent weighted average rates in effect at March 31, 2001 and 2000, regardless of borrowing currencies, though the range of the interest rate varies by borrowing currency.

The Companies entered into line of credit agreements with three syndicates of domestic and foreign banks, totaling US$950 million with the foreign bank syndicate and ¥490 billion ($3,889 million) with the Japanese bank syndicates. The Companies have not drawn down any loans using these lines of credit.

Long-term debt as of March 31, 2001 and 2000 consisted of the following:

As of March 31, 2001 and 2000	Millions of Yen 2001	Millions of Yen 2000	Millions of U.S. Dollars 2001
Secured long-term debt:			
Banks and insurance companies, maturing serially through 2011, principally 2.0% to 7.9%	¥ 75,269	¥ 80,970	$ 597
Unsecured long-term debt:			
Banks and insurance companies, maturing serially through 2022, principally 0.1% to 6.9%	1,504,311	1,677,210	11,939
1.6% convertible bonds due 2002 payable in Japanese yen (convertible into common stock at ¥1,074.60 per share)	3,053	3,053	24
1.5% convertible bonds due 2004 payable in Japanese yen (convertible into common stock at ¥1,237.30 per share)	35,702	35,702	283
1.0% bonds due 2004 payable in Japanese yen	50,000	50,000	397
5.15% bonds due 2005 payable in euro	31,966	—	254
3.0% bonds due 2000 payable in Japanese yen	—	60,000	—
Various notes and bonds with interest rates from 0% to 7.3% maturing from 2001 to 2010	183,554	255,241	1,457
Capital lease obligation	42,944	38,468	341
Other	131,821	140,480	1,047
	2,058,620	2,341,124	16,339
Less: Current portion	(285,764)	(398,224)	(2,268)
	¥1,772,856	¥1,942,900	$14,071

As of March 31, 2001 and 2000, 31,695,821 shares of common stock were reserved for conversion of the convertible bonds.

Annual maturities of long-term debt as of March 31, 2001 were as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2002	¥ 285,764	$ 2,268
2003	382,308	3,035
2004	300,098	2,382
2005	282,557	2,242
2006	194,307	1,542
2007 and thereafter	613,586	4,870
Total	¥2,058,620	$16,339

The Companies entered into interest rate swap and currency swap contracts for certain short-term and long-term debt to manage interest rate exposure. The effective interest rates for long-term bank loans and insurance company debt of ¥1,579,580 million ($12,536 million) and ¥1,758,180 million outstanding as of March 31, 2001 and 2000, respectively, and notes, bonds and medium-term notes of ¥304,275 million ($2,415 million) and ¥403,996 million outstanding as of March 31, 2001 and 2000, respectively, after giving effect to such swap agreements, were generally based on LIBOR (London Interbank Offered Rate).

Substantially all the short-term and long-term loans from banks are made under agreements which, as is customary in Japan, provide that the bank may, under certain conditions, require the borrower to provide collateral (or additional collateral) or guarantors with respect to the loans, and that the bank may treat any collateral, whether furnished as security for short-term or long-term loans or otherwise, as collateral for all indebtedness to such bank. Certain agreements relating to long-term bank loans provide that the bank may require the borrower to submit proposals as to the payment of dividends and other appropriations of earnings for the bank's review and approval before presentation to the shareholders. Default provisions of certain agreements grant certain rights of possession to the banks. Under certain agreements, principally with Government-owned financial institutions, the borrower is required, upon request of the lender, to apply the proceeds from the sales of any debentures or common stock to the reduction of such loans. During the years ended March 31, 2001, 2000, and 1999, the Companies did not receive any such request and management does not expect any at present time and for the foreseeable future.

11. PLEDGED ASSETS

The following table summarizes the book value of assets pledged as collateral for short-term and long-term debt and contingent liabilities of the Companies as of March 31, 2001:

As of March 31, 2001	Millions of Yen	Millions of U.S. Dollars
Marketable securities and other investments	¥ 76,840	$ 610
Receivables and long-term receivables	54,074	429
Property and equipment, less related accumulated depreciation	113,901	904
	¥244,815	$1,943

The obligations secured by such collateral were as follows:

As of March 31, 2001	Millions of Yen	Millions of U.S. Dollars
Short-term debt	¥ 14,482	$ 115
Long-term debt	114,942	912
Contingent liabilities—guarantees of contracts	3,289	26
	¥132,713	$1,053

Trust receipts issued under customary import financing arrangements give recipient banks a security interest in the merchandise imported and/or the accounts receivable or sales proceeds resulting from the sale of such merchandise. The Companies follow the practice of repaying the related notes and acceptances payable at the maturity dates without applying the sales proceeds to the specific notes or acceptances. The large number of transactions makes it impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts.

See Note 10 for a description of the right of the lending banks to require the companies to provide collateral (or additional collateral) not included in pledged assets summarized in the table above.

12. INCOME TAXES

Income taxes in Japan applicable to the Companies, imposed by the national, prefectural and municipal governments, in the aggregate resulted in a normal effective statutory rate of approximately 42% for the years ended March 31, 2001 and 2000. Due to changes in Japanese income tax regulations, effective April 1, 1999, the normal statutory tax rate was reduced from approximately 48% to 42%. Such rates have been used in calculating the future expected tax effects of significant temporary differences. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The reconciliation between taxes calculated at the normal statutory tax rate in Japan and the Companies' provision for income taxes for the years ended March 31, 2001, 2000, and 1999 is summarized as follows:

		Millions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Income before income taxes and equity in earnings (losses) of associated companies	¥81,275	¥56,849	¥ 4,090	$745
Tax provision computed at normal income tax rate	¥34,136	¥23,877	¥ 1,963	$271
Increases (decreases) in tax due to:				
Expenses not deductible for tax purposes	2,264	2,823	3,652	18
Operating losses of certain subsidiaries, net of tax benefits realized	(6,117)	2,038	4,944	(49)
Lower income tax rates applicable to income in certain foreign countries	(7,758)	(3,731)	(2,430)	(62)
Effect of taxation on dividends	7,737	3,355	4,213	62
Effect of tax rate change	—	—	2,882	—
Other—net	4,217	(926)	(477)	34
Total provision for income taxes	¥34,479	¥27,436	¥14,747	$274

Total income taxes recognized for the years ended March 31, 2001, 2000, and 1999 were applicable to the following:

			Millions of Yen	Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Income before income taxes and equity in earnings (losses) of associated companies	¥ 34,479	¥27,436	¥14,747	$ 274
Equity in earnings (losses) of associated companies	2,978	1,624	1,693	24
Shareholders' equity:				
Net unrealized holding gains on securities available for sale	(54,929)	50,061	3,484	(436)
Pension liability adjustments	3,544	2,208	(5,752)	28
Total income taxes	¥(13,928)	¥81,329	¥14,172	$ (110)

Significant components of the deferred tax assets and liabilities as of March 31, 2001 and 2000 were as follows:

		Millions of Yen	Millions of U.S. Dollars
As of March 31, 2001 and 2000	2001	2000	2001
Assets:			
Allowance for doubtful receivables	¥ 39,534	¥ 40,957	$ 314
Accrued pension and severance liabilities	11,829	10,520	94
Unrecognized intercompany profit	8,248	9,552	65
Net operating loss carry forwards	61,898	52,682	491
Inventory, and Property and Equipment	23,813	42,252	189
Accrual and other	13,606	15,924	108
Gross deferred tax assets	158,928	171,887	1,261
Less: Valuation allowance	(8,484)	(34,447)	(67)
Deferred tax assets—less valuation allowance	150,444	137,440	1,194
Liabilities:			
Valuation of debt and equity securities	46,116	111,184	366
Deferred gain on sales of property for tax purposes	38,097	37,574	302
Gain on securities transferred to pension fund	14,717	—	117
Undistributed earnings of affiliated companies	22,427	13,987	178
Installment sales	5,641	6,606	45
Other	18,679	13,597	148
Gross deferred tax liabilities	145,677	182,948	1,156
Net deferred tax assets (liabilities)	¥ 4,767	¥ (45,508)	$ 38

A valuation allowance is established to reduce certain deferred tax assets with respect to deductible temporary differences and net operating loss carry forwards where it is more likely than not that the Companies will be unable to realize the benefits of those deferred tax assets.

Provision for income taxes is not made on undistributed earnings of foreign and certain domestic subsidiaries and associated companies because the Company considers that such earnings are permanently reinvested and/or would not result in material additional taxation should they be distributed to the Company under current circumstances. As of March 31, 2001 and 2000, the amounts of undistributed earnings of such subsidiaries on which a deferred tax liability has not been recognized in the accompanying consolidated financial statements aggregated to ¥91,997 million ($730 million) and ¥75,661 million, respectively.

13. ACCRUED PENSION AND SEVERANCE LIABILITIES

The Company has non-contributory defined benefit pension plans covering substantially all employees other than directors. The plans provide benefits based upon years of service, compensation at the time of severance and other factors.

The Company's funding policy is to contribute an amount deductible for income tax purposes. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future.

Net periodic pension costs of the Company's pension plans for the years ended March 31, 2001, 2000, and 1999 included the following components:

			Millions of Yen	Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Service cost—benefits earned during the year	¥3,040	¥3,482	¥3,325	$24
Interest cost on projected benefit obligation	4,235	4,275	4,532	34
Expected return on plan assets	(2,424)	(1,978)	(1,823)	(19)
Net amortization and deferral	1,872	2,264	1,722	14
Net periodic pension cost	¥6,723	¥8,043	¥7,756	$ 53

The reconciliation of beginning and ending balances of the benefit obligations and the fair value of the plan assets of the Company's plans were as follows:

		Millions of Yen	Millions of U.S. Dollars
	2001	2000	2001
Change in benefit obligation:			
Benefit obligation, beginning of year	¥121,715	¥122,153	$ 966
Service cost	3,040	3,482	24
Interest cost	4,235	4,275	34
Actuarial loss	11,818	195	94
Benefits paid	(7,428)	(8,390)	(59)
Benefit obligation, end of year	¥133,380	¥121,715	$1,059
Change in plan assets:			
Fair value of plan assets, beginning of year	¥ 80,810	¥ 67,100	$ 641
Actual return on plan assets	(11,631)	6,305	(92)
Employer contribution	73,656	11,869	585
Benefits paid from plan assets	(5,613)	(4,464)	(45)
Fair value of plan assets, end of year	¥137,222	¥ 80,810	$1,089
Funded status	¥ 3,842	¥ (40,905)	$ 30
Unrecognized actuarial loss	39,697	13,974	315
Unrecognized net obligation at transition being recognized over 14 years	1,722	3,444	14
Net amount recognized	¥ 45,261	¥ (23,487)	$ 359
Net amounts recognized in the consolidated balance sheets consist of:			
Liability for postretirement benefits	¥ —	¥ (33,757)	$ —
Prepaid cost for postretirement benefits	45,261	—	359
Intangible asset included in other assets	—	3,444	—
Accumulated other comprehensive income, gross of tax	—	6,826	—
Net amount recognized	¥ 45,261	¥ (23,487)	$ 359

As described in Note 5, the Company contributed certain marketable equity securities to an employee retirement benefit trust. The securities held in this trust are qualified as plan assets under SFAS No.87.

Because fair value of plan assets exceeded the accumulated benefit obligation as of March 31, 2001, Liability for postretirement benefits and Accumulated other comprehensive income were not recognized.

Assumptions used for fiscal 2001, 2000, and 1999 in determining costs for the plan and the funded status information shown above were principally as follows:

	2001	2000	1999
Weighted-average discount rate	3.0%	3.5%	3.5%
Expected long-term rate of return on plan assets	3.0%	3.0%	3.0%

Most of the subsidiaries have unfunded severance indemnity plans and/or funded pension plans under which their employees, other than directors, are entitled, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, to lump-sum severance indemnities based on compensation at the time of severance, years of service and other factors.

As of March 31, 2001 and 2000, the benefit obligation of subsidiaries under these plans were ¥23,637 million ($188 million) and ¥23,256 million, respectively, at the discount rate of mainly 3.0% and 3.5%, which were approximately equal to the aggregated fair value of plan assets and accruals.

In addition to unfunded severance indemnity plans or funded pension plans, certain domestic subsidiaries and associated companies also participate in an Employee Pension Fund (EPF) as a group, which is stipulated by the Japanese Welfare Pension Insurance Law. This plan serves as a substitute for the Japan Government pension plan funded by social security taxes paid by employees and the employer. The EPF consists of two portions (1) social security tax portion funded by employees and the companies and (2) Corporate portion funded by the companies. Contributions are made based upon the aggregate cost method. The plan assets of EPF cannot be specifically allocated to the individual participants nor to the corporate portion. The Company did not apply accounting for single-employer defined benefit pension plans under SFAS No.87 for the plan as the effect on the consolidated financial statements of the implementation of SFAS No.87 are not significant. The total assets of the EPF reported by the trustee at March 31, 2000 approximately the amount of accrued benefit obligation at that date.

The amounts charged to income by subsidiaries for the years ended March 31, 2001, 2000, and 1999 were ¥4,682 million ($37 million), ¥3,201 million and ¥2,543 million, respectively.

14. SHAREHOLDERS' EQUITY

(a) Common Stock and Capital Surplus

Under the Commercial Code of Japan ("the Code"), certain issuance of common shares, including conversions of debt issued and exercise of warrants, are required to be credited to the common stock account for at least the greater of par value or 50% of the proceeds. The Code permits, upon approval of the Board of Directors, transfer of amounts from additional paid-in capital to the common stock account.

As of March 31, 2001 and 2000, associated companies owned 311,168 shares and 514,119 shares of the Company's common stock, respectively.

(b) Appropriated for Legal Reserve

The Code provides that an amount at least equal to 10% of all cash dividend payments and bonuses to directors, which are made as an appropriation of retained earnings applicable to each fiscal period, shall be appropriated as a legal reserve until such reserve equals 25% of the stated amount of capital stock. Legal reserve may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

(c) Unappropriated Retained Earnings and Dividends

The amount of retained earnings available for dividends under the Code is based on the amount recorded in the Company's general books of account maintained in accordance with generally accepted Japanese accounting practices. The adjustments included in the accompanying financial statements but not recorded in the general books of account, as explained under "Basis of Financial Statements" in Note 1, have no effect on the determination of retained earnings available for dividends under the Code.

In addition to the Code provision requiring an appropriation for legal reserve as discussed above, the Code imposes certain limitations on the amount of retained earnings available for dividends. Retained earnings of ¥170,002 million ($1,349 million) and ¥164,118 million, shown by the Company's general books of account as of March 31, 2001 and 2000, respectively, exclusive of the amount previously appropriated for legal reserve, were not restricted by the limitations under the Code. And there is a restriction on the payment of dividends relating to the treasury stock acquired for the stock option plan, amounting to ¥181 million ($1 million) as of March 31, 2001.

The Code permits transfers, upon approval of shareholders, of a portion of unappropriated retained earnings available for dividends to capital stock account without issuance of any shares.

Dividends are approved by the shareholders at the meeting held subsequent to the statutory fiscal period to which the dividends are payable to shareholders of record at the end of each such fiscal or interim six-month period. Dividends are reported in the consolidated statements of shareholders' equity when paid.

The Board of Directors intends to recommend to the shareholders, at the next general meeting to be held on June 22, 2001, the declaration of a cash dividend to shareholders of record as of March 31, 2001 of ¥4 ($0.03) per share for a total of ¥4,257 million ($34 million), bonuses to directors of ¥250 million ($2 million), and transfer to legal reserve of ¥451 million ($4 million).

(d) Stock Option Plan

On June 23, 2000, the shareholders authorized the acquisition of 161,000 shares of the Company's common stock for the total consideration not exceeding ¥274 million ($2 million) during the period up to the closing of the next annual general shareholders' meeting in 2001. The Company intends to transfer such treasury shares to directors and certain employees under an agreement granting them the right to request such transfers at a predetermined price.The purchase price is set to be equal to an amount obtained by multiplying by 1.05 an average of the closing prices applicable to ordinary transactions of shares of the Company on the Tokyo Stock Exchange on all days for a month immediately preceding the month in which the date of grant of the right falls, provided that the exercise price shall not be less than the average acquisition price of the treasury shares. The options vest 100% on the grant date and will be exercisable from April 1, 2001 to June 30, 2005.

SFAS No.123, "Accounting for Stock-Based Compensation," defines a fair value based method of accounting for a stock option. This statement gives entities a choice of recognizing related compensation expense by adopting the new fair value method or to continue to measure compensation using the intrinsic value approach under APB Opinion No.25 ("Accounting for Stock Issued to Employees"), the former standard. The Company chose to use the measurement prescribed by APB Opinion No. 25 and no additional compensation cost was incurred in fiscal 2001. Had compensation cost for the Company's stock option plans been determined consistent with SFAS No.123, the Company's net income and net income per share for the year ended March 31, 2001 would have been as follows:

For the year ended March 31, 2001	Millions of Yen	Millions of U.S. Dollars
Net income	¥40,310	$320

For the year ended March 31, 2001	Yen	U.S. Dollars
Net income per share:		
Basic	¥37.87	$0.30
Diluted	37.10	0.29

The following table summarizes information about stock option activity for fiscal 2001:

	Number of shares	Weighted average exercise price		Weighted average remaining life
		Yen	U.S. Dollars	
Outstanding at March 31, 2000	—	—	—	
Granted	161,000	¥1,171	$9	
Exercised	—	—	—	
Cancelled or expired	6,000	1,171	9	
Outstanding at March 31, 2001	155,000	¥1,171	$9	4.25
Options exercisable at year-end	—			

The fair value of these stock options was estimated using the Black-Scholes option pricing model under the following assumptions:

	2001
Grant-date fair value	¥372 ($3)
Expected life	5 years
Risk-free rate	0.45%
Expected volatility	38.00%
Expected dividend yield	0.68%

The Board of Directors intends to recommend to the shareholders, at the next general meeting to be held on June 22, 2001, the acquisition of 166,000 shares of the Company's common stock for the total consideration not exceeding ¥183 million ($1 million) during the period up to the closing of the next annual general shareholders' meeting in 2002.

15. OTHER COMPREHENSIVE INCOME (LOSS)

Changes in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2001, 2000, and 1999 were as follows:

			Millions of Yen	Millions of U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Foreign currency translation adjustments:				
Balance, beginning of year	¥ (97,862)	¥ (63,703)	¥ (38,055)	$ (776)
Adjustment for the year	25,114	(34,159)	(25,648)	199
Balance, end of year	¥ (72,748)	¥ (97,862)	¥ (63,703)	$ (577)
Net unrealized holding gains on securities available for sale:				
Balance, beginning of year	¥129,318	¥ 60,188	¥ 56,353	$1,026
Adjustment for the year	(71,298)	69,130	3,835	(566)
Balance, end of year	¥ 58,020	¥129,318	¥ 60,188	$ 460
Pension liability adjustments:				
Balance, beginning of year	¥ (3,282)	¥ (6,332)	¥ —	$ (26)
Adjustment for the year	3,282	3,050	(6,332)	26
Balance, end of year	¥ —	¥ (3,282)	¥ (6,332)	$ —
Total accumulated other comprehensive income (loss):				
Balance, beginning of year	¥ 28,174	¥ (9,847)	¥ 18,298	$ 224
Adjustment for the year	(42,902)	38,021	(28,145)	(341)
Balance, end of year	¥ (14,728)	¥ 28,174	¥ (9,847)	$ (117)

Tax effects allocated to each component of other comprehensive income (loss) were as follows:

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net of tax amount
2001:			
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	¥ 19,651	¥ —	¥ 19,651
Less: Reclassification adjustment for losses included in net income	5,463	—	5,463
Net adjustment	25,114	—	25,114
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains (losses) arising during the year	(105,279)	44,217	(61,062)
Less: Reclassification adjustment for gains included in net income	(20,948)	10,712	(10,236)
Net unrealized gains (losses)	(126,227)	54,929	(71,298)
Pension liability adjustments	6,826	(3,544)	3,282
Other comprehensive income (loss)	¥ (94,287)	¥ 51,385	¥(42,902)
2000:			
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	¥ (32,944)	¥ —	¥(32,944)
Less: Reclassification adjustment for gains included in net income	(1,215)	—	(1,215)
Net adjustment	(34,159)	—	(34,159)
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains arising during the year	149,409	(62,752)	86,657
Less: Reclassification adjustment for gains included in net income	(30,218)	12,691	(17,527)
Net unrealized gains	119,191	(50,061)	69,130
Pension liability adjustments	5,258	(2,208)	3,050
Other comprehensive income (loss)	¥ 90,290	¥(52,269)	¥ 38,021
1999:			
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	¥ (30,309)	¥ —	¥(30,309)
Less: Reclassification adjustment for losses included in net loss	4,661	—	4,661
Net adjustment	(25,648)	—	(25,648)
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains arising during the year	18,126	(8,628)	9,498
Less: Reclassification adjustment for gains included in net loss	(10,807)	5,144	(5,663)
Net unrealized gains	7,319	(3,484)	3,835
Pension liability adjustments	(12,084)	5,752	(6,332)
Other comprehensive income (loss)	¥ (30,413)	¥ 2,268	¥(28,145)

	Millions of U.S. Dollars		
	Pretax amount	Tax (expense) or benefit	Net of tax amount
2001:			
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	$ 156	$ —	$ 156
Less: Reclassification adjustment for losses included in net income	43	—	43
Net adjustment	199	—	199
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains (losses) arising during the year	(836)	351	(485)
Less: Reclassification adjustment for gains included in net income	(166)	85	(81)
Net unrealized gains (losses)	(1,002)	436	(566)
Pension liability adjustments	54	(28)	26
Other comprehensive income (loss)	$ (749)	$ 408	$(341)

16. FINANCIAL INSTRUMENTS

(a) Financial Instruments and Risk Management

The Companies are parties to derivative financial instruments ("derivatives") which they use in the normal course of business to manage the exposure to fluctuations in foreign exchange rates and interest rates. The primary derivatives used by the companies include foreign exchange forward contracts, currency swaps, interest rate swaps, futures and options.

Financial derivative transactions are mainly utilized to hedge interest rate and foreign currency positions associated with their business. Accordingly, market risk in these derivatives is largely offset by corresponding opposite movements in the position of underlying transactions and related assets and liabilities.

Management continuously assesses effectiveness of these derivative transactions and market risks surrounding these transactions to formulate the Companies' policy regarding derivative transactions.

(1) Foreign Exchange Risk Management

The Companies' global operations in over 100 countries expose them to foreign currency risks related to buying, selling and financing in multiple currencies. The Companies have entered into foreign exchange forward contracts and currency swap agreements to hedge against the changes in foreign exchange rates associated with existing assets, obligations and identifiable commitments denominated in foreign currencies.

(2) Interest Rate Risk Management

The Companies' trading, financing and cash manage ment activities expose them to market risk from changes in interest rates. Interest rate swaps are primarily used to convert certain specific debts to a floating basis as well as convert some floating rate assets or debts to a fixed basis. The Companies sometimes utilize interest rate futures and options.

(3) Concentration of Credit Risk

The Companies' global orientation in a variety of busi nesses with diverse customers and suppliers reduces concentrations of credit risks. The Companies deal with selective international financial institutions, with a certain rating or above by the international statistical credit rating agency, to mitigate the credit risk exposure of derivative financial instruments with off-balance-sheet risk. Credit risk represents the possibility that the counterparties may be unable to perform under the terms of the agreements. Management does not expect any losses as a result of counterparty default on financial instruments with off-balance-sheet risk. Credit risk is managed through the credit line approved by management and by monitoring the counterparties periodically.

(b) Fair Value of Financial Instruments

In accordance with the requirements of SFAS No.107, "Disclosures about Fair Value of Financial Instruments," and SFAS No.119, "Disclosures about Derivative Financial Instruments and Fair Value of Financial Instruments," the Companies have provided the following fair value estimates and information about valuation methodologies.

Quoted market prices, where available, are used to estimate fair values of financial instruments. However, quoted market prices are not available for a substantial portion of financial instruments, and fair values for such financial instruments are estimated using discounted cash flow analysis or other valuation techniques.

(1) Current Financial Assets other than Marketable Securities and Current Financial Liabilities

It is assumed that the carrying amount approximated fair value of the majority of these instruments because of their short maturities.

(2) Marketable Securities and Other Investments

See Note 5.

(3) Non-Current Trade Receivables and Advances to Associated Companies

The fair values of non-current trade receivables including long-term loans receivable, except for loans with floating rates whose carrying amount approximates fair value, are estimated by discounted cash flow analysis, using interest rates currently being offered for loans or accounts receivable with similar terms to borrowers or customers of similar credit quality and remaining maturities.

(4) Long-Term Debt

The fair values for long-term debt, except for debt with floating rates whose carrying amount approximates fair value, are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities.

(5) Off-Balance-Sheet Financial Commitments

The Company has not estimated the fair value of certain off-balance-sheet commitments such as financial guarantees and financing commitments (see Note 22). Because of uncertainty involved in attempting to assess the likelihood and timing of commitments being drawn upon, coupled with the lack of an established market, management does not believe it would be meaningful to provide an estimate of fair value.

(6) Interest Rate Swap and Cap Agreements, Currency Swap Agreements, and Currency Option Contracts

The fair values of interest rate swap and cap agreements, currency swap agreements, and currency option contracts are estimated by obtaining quotes from brokers and other appropriate valuation techniques based on information available to the Companies.

(7) Foreign Exchange Forward Contracts

The fair values of foreign exchange forward contracts are estimated based on market prices for contracts with similar terms.

The estimated fair values of certain financial instruments and derivative financial instruments as of March 31, 2001 and 2000 were as follows:

As of March 31, 2001:	Notional amount (Millions of Yen)	Carrying amount (Millions of Yen)	Fair value (Millions of Yen)	Notional amount (Millions of U.S. Dollars)	Carrying amount (Millions of U.S. Dollars)	Fair value (Millions of U.S. Dollars)
Financial Assets:						
Non-current trade receivables and advances to associated companies (less allowance for doubtful receivables)	¥ —	¥ 681,861	¥ 691,892	$ —	$ 5,412	$ 5,491
Financial Liabilities:						
Long-term debt (including current maturities)	—	2,058,620	2,136,944	—	16,338	16,960
Derivative Financial Instruments:						
Interest rate swap and cap agreements	813,254	—	46,085	6,454	—	366
Currency swap agreements and currency option contracts	75,064	(1,137)	(1,137)	596	(9)	(9)
Foreign exchange forward contracts	299,403	(1,427)	(4,307)	2,376	(11)	(34)

As of March 31, 2000:	Notional amount (Millions of Yen)	Carrying amount (Millions of Yen)	Fair value (Millions of Yen)
Financial Assets:			
Non-current trade receivables and advances to associated companies (less allowance for doubtful receivables)	¥ —	¥ 684,684	¥ 700,625
Financial Liabilities:			
Long-term debt (including current maturities)	—	2,341,124	2,396,406
Derivative Financial Instruments:			
Interest rate swap and cap agreements	1,001,508	—	37,456
Currency swap agreements	13,132	—	125
Foreign exchange forward contracts	218,202	81	1,252

17. NET INCOME PER SHARE

The reconciliation of the numerators and denominators of the basic and diluted net income (loss) per share computations for the years ended March 31, 2001, 2000, and 1999 was as follows:

For the years ended March 31, 2001, 2000, and 1999	2001 (Millions of Yen)	2000 (Millions of Yen)	1999 (Millions of Yen)	2001 (Millions of U.S. Dollars)
Net income (loss) available to common stockholders	¥40,344	¥35,065	¥(13,076)	$320
Effect of dilutive securities:				
1.6% Japanese yen convertible debentures, due 2002	31	31	—	0
1.5% Japanese yen convertible debentures, due 2004	325	325	—	3
Diluted net income (loss)	¥40,700	¥35,421	¥(13,076)	$323

For the years ended March 31, 2001, 2000, and 1999	2001 (Number of Shares)	2000 (Number of Shares)	1999 (Number of Shares)
Average common shares outstanding	1,064,306,912	1,064,462,662	1,064,462,662
Dilutive effect of:			
1.6% Japanese yen convertible debentures, due 2002	2,841,057	2,841,057	—
1.5% Japanese yen convertible debentures, due 2004	28,854,764	28,854,764	—
Diluted common shares outstanding	1,096,002,733	1,096,158,483	1,064,462,662

			Yen	U.S. Dollars
For the years ended March 31, 2001, 2000, and 1999	2001	2000	1999	2001
Net income (loss) per share:				
Basic	¥37.91	¥32.94	¥(12.28)	$0.30
Diluted	37.14	32.31	(12.28)	0.29

18. SEGMENT INFORMATION

Segment Reporting SFAS No.131, "Disclosures about Segment of an Enterprise and Related Information," established standards for reporting information about operating segments in financial statements. The following operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The operating segments are managed separately because each operating segment represents a strategic business unit.

The Companies operate on a worldwide basis principally within the following operating segments:
1) Iron & Steel Group, 2) Machinery & Electric Group and Media, Electronics & Information Business Group, 3) Non-ferrous Metals/Chemicals/Petroleum & Carbon Group, 4) Living Related Group and Retail & Consumer Services Division, 5) Domestic Branches, and 6) Overseas Trading Subsidiaries.

The reportable segments are identified based on the nature of products and services for the domestic and certain overseas operations under the control of the Company's headquarters, and based on regional and geographic areas for domestic and overseas operations. Domestic Branches and Overseas Trading Subsidiaries are separate strategic business units and have the primary responsibility to manage the regional and geographic operations.

The Company evaluates performance based on the segment information for domestic operations in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"). The accounts of the Company and domestic subsidiaries are maintained in conformity with Japanese GAAP. The differences between accounting principles in Japan and the U.S. are described in Note 1. The adjustments from Japanese GAAP to U.S. GAAP are included in the line "Corporate and Eliminations" in the tables set forth below (see Note 1).

Information by operating segment and geographic area reported for internal use by management for the years ended March 31, 2001, 2000, and 1999 are summarized as follows:

Operating segments:

								Millions of Yen
2001:	Total trading transactions							
Segment	External customers	Inter segment	Total	Gross trading profit	Operating income	Segment assets	Depreciation and amortization	Capital expenditures
Iron & Steel Group	¥ 931,153	¥121,282	¥ 1,052,435	¥ 38,553	¥ 10,168	¥ 376,883	¥ 3,284	¥ 4,201
Machinery & Electric Group and Media, Electronics & Information Business Group	3,671,452	111,095	3,782,547	155,112	22,110	1,561,798	37,612	69,438
Non-ferrous Metals/Chemicals/Petroleum & Carbon Group	1,865,546	360,452	2,225,998	75,370	16,051	620,629	4,879	6,539
Living Related Group and Retail & Consumer Services Division	1,901,870	44,371	1,946,241	143,402	16,929	1,040,214	13,518	39,074
Domestic Branches	854,816	24,152	878,968	20,579	3,929	272,102	855	789
Overseas Trading Subsidiaries	749,953	332,602	1,082,555	60,883	15,432	482,888	3,942	4,884
Segment Total	9,974,790	993,954	10,968,744	493,899	84,619	4,354,514	64,090	124,925
Corporate and Eliminations	105,272	(993,954)	(888,682)	(5,499)	4,234	595,565	(6,666)	13,541
Consolidated	¥10,080,062	¥ —	¥10,080,062	¥488,400	¥ 88,853	¥ 4,950,079	¥ 57,424	¥ 138,466

2000: Segment	Total trading transactions: External customers	Inter segment	Total	Gross trading profit	Operating income	Segment assets	Depreciation and amortization	Capital expenditures
								Millions of Yen
Iron & Steel Group	¥ 909,738	¥107,771	¥ 1,017,509	¥ 33,959	¥ 1,437	¥ 397,876	¥ 4,622	¥ 5,956
Machinery & Electric Group and Media, Electronics & Information Business Group	3,957,952	83,165	4,041,117	158,356	10,869	1,539,873	46,651	104,056
Non-ferrous Metals/ Chemicals/Petroleum & Carbon Group	1,869,701	290,342	2,160,043	69,722	12,124	560,494	6,451	7,662
Living Related Group and Retail & Consumer Services Division	2,313,047	35,370	2,348,417	158,924	22,984	1,024,654	14,272	32,146
Domestic Branches	860,669	16,639	877,308	20,111	2,904	241,457	287	69
Overseas Trading Subsidiaries	673,279	317,742	991,021	50,469	6,297	454,286	3,642	6,912
Segment Total	10,584,386	851,029	11,435,415	491,541	56,615	4,218,640	75,925	156,801
Corporate and Eliminations	71,660	(851,029)	(779,369)	(16,867)	1,888	686,004	(13,801)	6,479
Consolidated	¥10,656,046	¥ —	¥10,656,046	¥ 474,674	¥58,503	¥4,904,644	¥ 62,124	¥163,280

1999: Segment	Total trading transactions: External customers	Inter segment	Total	Gross trading profit	Operating income	Segment assets	Depreciation and amortization	Capital expenditures
								Millions of Yen
Iron & Steel Group	¥ 1,018,973	¥ 126,721	¥ 1,145,694	¥ 40,492	¥ 6,029	¥ 366,080	¥ 5,513	¥ 11,434
Machinery & Electric Group and Media, Electronics & Information Business Group	4,374,367	101,286	4,475,653	144,291	8,536	1,481,938	35,285	44,577
Non-ferrous Metals/ Chemicals/Petroleum & Carbon Group	1,857,037	256,458	2,113,495	72,724	8,708	517,820	4,232	8,157
Living Related Group and Retail & Consumer Services Division	2,317,046	20,947	2,337,993	149,189	20,890	943,331	10,613	24,517
Domestic Branches	920,493	68,357	988,850	20,517	2,370	249,181	28	636
Overseas Trading Subsidiaries	825,043	1,262,616	2,087,659	55,264	4,597	557,170	3,676	6,188
Segment Total	11,312,959	1,836,385	13,149,344	482,477	51,130	4,115,520	59,347	95,509
Corporate and Eliminations	65,872	(1,836,385)	(1,770,513)	(9,619)	(33,386)	1,273,836	(5,984)	5,157
Consolidated	¥11,378,831	¥ —	¥11,378,831	¥ 472,858	¥ 17,744	¥5,389,356	¥ 53,363	¥100,666

2001: Segment	Total trading transactions: External customers	Inter segment	Total	Gross trading profit	Operating income	Segment assets	Depreciation and amortization	Capital expenditures
								Millions of U.S. Dollars
Iron & Steel Group	$ 7,390	$ 963	$ 8,353	$ 306	$ 81	$ 2,991	$ 26	$ 33
Machinery & Electric Group and Media, Electronics & Information Business Group	29,139	881	30,020	1,231	176	12,395	299	551
Non-ferrous Metals/ Chemicals/Petroleum & Carbon Group	14,806	2,861	17,667	598	127	4,926	39	52
Living Related Group and Retail & Consumer Services Division	15,094	352	15,446	1,138	134	8,256	107	310
Domestic Branches	6,784	192	6,976	164	31	2,160	7	6
Overseas Trading Subsidiaries	5,952	2,640	8,592	483	123	3,832	31	39
Segment Total	79,165	7,889	87,054	3,920	672	34,560	509	991
Corporate and Eliminations	835	(7,889)	(7,054)	(44)	33	4,726	(53)	108
Consolidated	$ 80,000	$ —	$ 80,000	$ 3,876	$ 705	$ 39,286	$ 456	$ 1,099

Unallocated corporate assets consist primarily of cash and cash equivalents and marketable securities maintained for general corporate purposes.

Geographic Information:

2001:	Millions of Yen Total trading transactions	Millions of Yen Long-lived assets	Millions of U.S. Dollars Total trading transactions	Millions of U.S. Dollars Long-lived assets
Japan	¥ 8,803,092	¥ 672,495	$69,866	$5,337
U.S.A.	416,678	39,441	3,307	313
Other	860,292	112,799	6,827	896
Total	¥ 10,080,062	¥ 824,735	$80,000	$6,546

2000:	Millions of Yen Total trading transactions	Millions of Yen Long-lived assets
Japan	¥ 9,354,451	¥717,495
U.S.A.	423,083	47,930
Other	878,512	164,543
Total	¥10,656,046	¥929,968

1999:	Millions of Yen Total trading transactions	Millions of Yen Long-lived assets
Japan	¥ 9,840,724	¥635,974
U.S.A.	417,459	48,373
Other	1,120,648	149,916
Total	¥11,378,831	¥834,263

Transfers between segments are made at arm's-length prices. There were no sales to a single major external customer amounted to 10% or more of the consolidated total trading transactions for the years ended March 31, 2001, 2000, and 1999.

19. FOREIGN EXCHANGE GAINS AND LOSSES

Net foreign currency transaction gains of ¥8,231 million ($65 million), losses of ¥4,236 million and losses of ¥1,569 million are included in the determination of net income (loss) for the years ended March 31, 2001, 2000, and 1999, respectively.

20. LOSS ON TERMINATION AND RESTRUCTURING OF PROJECTS

In order to strengthen the corporate constitution through improving the quality of assets, the Company has been actively shifting to superior assets by pulling out of those businesses that do no produce appropriate returns, disposing of nonperforming assets, and investing in businesses which management believes will have better future prospects and higher growth potential. As part of the process of improving the quality of assets, the Companies have withdrawn from or liquidated certain unprofitable projects including overseas mining projects, an overseas steel manufacturing plant, and a domestic golf business, and recognize the losses related to the exit cost of these projects. The Companies also provided an accrual for the losses on certain Southeast Asia exposures, as well as provisions for anticipated losses of business investments. The total losses recognized for the years ended March 31, 2001 and 2000 were ¥67,269 million ($534 million) and ¥5,461 million, respectively, in the accompanying statement of consolidated income.

21. RENTAL EXPENSE

The Companies lease office space and certain other assets under cancelable and non-cancelable operating leases. Total rental expenses under such cancelable and non-cancelable leases for the years ended March 31, 2001, 2000, and 1999 were ¥20,842 million ($165 million), ¥25,511 million and ¥23,646 million, respectively. Certain lease contracts for equipment were classified as capital lease in conformity with SFAS No.13 "Accounting for Leases" and were capitalized on the accompanying consolidated balance sheets.

As of March 31, 2001, the future minimum lease payments under non-cancelable operating leases were as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2002	¥ 11,432	$91
2003	9,511	75
2004	9,333	74
2005	7,750	62
2006	7,175	57
Thereafter	61,846	491
Total	¥107,047	$850

22. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments and Guarantees

The Companies, in the normal course of trading operations, enter into long-term purchase commitments, which provide for either fixed prices or basic prices adjustable to market. Such purchase commitments are in most instances matched with counterparty sales contracts.

The Companies are contingently liable for discounted trade notes receivable on a recourse basis with banks of \37,406 million ($297 million) as of March 31, 2001.

The Companies' contingent liabilities as of March 31, 2001 as a guarantor of indebtedness of others aggregated to ¥130,367 million ($1,035 million), including ¥36,005 million ($286 million) relating to associated companies. Such guarantees have been provided primarily to suppliers and customers as indirect financing arrangements.

The Companies also had long-term financing commitments aggregating to ¥68,682 million ($545 million) as of March 31, 2001 for loans, investments in equity capital and financing on a deferred-payment basis for the cost of equipment to be purchased by customers.

The Companies have business activities with customers, dealers and associates around the world and their trade receivables from and guarantees to such parties are well diversified to minimize concentrations of credit risks.

Management does not anticipate incurring losses on above commitments and guarantees in excess of established allowances.

(b) Litigation

(1) Settlements

Following the discovery in June 1996 of unauthorized copper transactions by a former employee, several class actions against the Company and other defendants including Sumitomo Corporation of America were filed in New York and California and regulatory investigations were instituted against the Company in the United States and the United Kingdom. These claims alleged violations of relevant U.S. or U.K. laws including the U.S. Commodity Exchange Act and antitrust laws in connection with manipulation of the price of copper and other matters related to the copper incident. Prior to the beginning of fiscal 2000, a substantial number of settlements and agreements had been reached with plaintiffs in these class actions and regulatory authorities in the U.S. and U.K. settling claims. In May 2001, another settlement was reached with 51 companies that had sued the Company in California in October 1999. For these settlements, the Company charged settlement expenses amounting to ¥10,876 million ($86 million) and ¥17,563 million which are included in "Settlement received/(paid) on copper trading litigation" in the accompanying statement of consolidated income for the years ended March 31, 2001 and 1999, respectively.

(2) Pending Litigation

There are several class actions and individual lawsuits claiming recovery of loss incurred by plaintiffs in these suits, which are pending in connection with the copper incident in the United States. In the District Court in Wisconsin, a class action and three individual suits are pending. In California, a class action in the State Superior Court is pending. In New York State Court, a suit filed by an individual is pending. An additional suit was filed in the U.S. District Court for the District of Columbia by an individual. Generally, these suits allege violations of Federal and/or State antitrust laws primarily in connection with alleged manipulation of the price of copper. The class actions purport to represent physical copper purchasers nationwide and/or copper scrap and recycled copper purchasers in various states. The individual suits generally have similar claims and include fraud, unfair trade practices, etc.

The Company is also involved in certain legal actions and claims arising in the ordinary course of business.

Based on the advice of legal counsel, the Company believes it has valid defenses and intends to vigorously defend itself in these actions. In the opinion of management, the above litigation and claims will be resolved without material effect on the Companies' financial position.

(3) Claims Against Others

The Company has sued several firms and banks for recovery of losses it incurred in connection with the copper incident. Apart from these lawsuits, on May 24, 2000, the Company announced that the Company and an investment banking firm resolved all issues between them concerning the copper incident and the investment banking firm paid the Company $275 million plus legal fees and the Company released them from any claims stemming from the trading losses.

The Company recognized ¥30,001 million ($238 million) gain which is included in "Settlement received/(paid) on copper trading litigation" in the accompanying statement of consolidated income for the year ended March 31, 2001.

Report of Independent Public Accountants

ARTHUR ANDERSEN

Sumitomo Corporation:

We have audited the accompanying consolidated balance sheets of Sumitomo Corporation (a Japanese corporation) and consolidated subsidiaries as of March 31, 2001 and 2000, and the related statements of consolidated income, consolidated shareholders' equity and consolidated cash flows for each of the three years in the period ended March 31, 2001, expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Corporation and consolidated subsidiaries as of March 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the amounts in the accompanying consolidated financial statements translated into U.S. dollars have been computed on the basis set forth in Note 1.

Arthur Andersen

Tokyo, Japan
May 16, 2001

Corporate Data

Contents

Principal Subsidiaries and Associated Companies

Metal Products Business Unit

SC Grainger Co., Ltd.
Electric-commerce of MRO (maintenance, repair, and operations) products

Sumisho Tekko Hanbai Co., Ltd.
Sale of steel products

Sekisho Shoji Kaisha, Ltd.
Scrapyard for ferrous and nonferrous metals

Hokkaido Shearing Kaisha, Ltd.
Fabrication and sale of steel products

Fibercoat Co., Ltd.
Manufacture of fiber-coated steel

SC Tubulars Co., Ltd.
Sale of specialty tubular products

Sumisho Pipe and Steel Co., Ltd.
Sale of steel piping and other steel products

Sumisho Tokai Kokan Co., Ltd.
Sale of steel piping, especially seamless type

Mazda Steel Co., Ltd.
Shearing, slitting, and blanking of steel sheet

Sumisho Metalex Corporation
Sale of nonferrous metal products, materials for home heat solution

Summit Aluminum Ltd.
Production of aluminum alloy ingots

Alcut Co., Ltd.
Shearing, slitting, and blanking of aluminum coils, sheets, and circles

SC Steel Investment, Inc. (U.S.A.)
Investment in Arkansas Steel Associates

CST Steel Center Co., Ltd. (Thailand)
Sale of construction steel products

Asian Steel Company Ltd. (Singapore)
Supervision of coil centers and other operations in Asia

JS Steel Cebu Corp. (Philippines)
Shearing, slitting, and sale of steel plates

S.Y. Metal Ltd. (Hong Kong)
Steel service center, sale of steel materials

Shanghai Summit Metal Products Co., Ltd. (China)
Shearing, slitting, and sale of steel plates

Tianjin Hua Zhu Metal Products Co., Ltd. (China)
Shearing, slitting, and sale of steel plates

Myanmar Sai Steel Industry Co., Ltd. (Myanmar)
Manufacture and sale of galvanized plates

Shanghai Hi-Tec Metal Products Co., Ltd. (China)
Manufacture and sale of metal-processing products and metal molds

Thai Special Wire Co., Ltd. (Thailand)
Manufacture and sale of PC wire and strand

JS Steel Corporation (Philippines)
Shearing, slitting, and sale of steel plates

SC Pipe Services Inc. (U.S.A.)
Investment in VAMPTS Co.

SC Metal Pty. Ltd. (Australia)
Investment in aluminum smelting operation in Australia

CS Non-Ferrous Center Co., Ltd. (Thailand)
Shearing, slitting, and sale of nonferrous metal sheets

Transportation & Construction Systems Business Unit

Sumisho Marine Co., Ltd.
Central management of Sumitomo Corp.'s loans and shipping fleet

Sumisho Aero-Systems Corporation
Sale of aerospace equipment

Sumisho Machinery Trade Corporation
Trading of machinery and equipment

Sumisho Auto Leasing Co., Ltd.
Leasing of motor vehicles

R.B.I.
Automotive e-business operator

Blue-Tech Corporation
Rental of aerial work platforms

FCS Dis Ticaret Limited Sirketi (Turkey)
Sales of automotive spare parts and accessories

Summit Motors (Vladivostok) (Russia)
Sale of Toyota motor vehicles

Nissan Otomotiv A.S. (Turkey)
Sale and import of Nissan motor vehicles

Summit Development S.A. (Belgium)
Car business holding unit

Summit Motors (Cameroun) S.A. (Cameroon)
Sale of motor vehicles

Summit Investment Australia Pty. Limited (Australia)
Holding and management company of auto-motive dealership

Summit Auto Management (Thailand)
Holding and management company of auto-motive dealership

Summit Motors Investment (U.K.) Limited (U.K.)
Holding and management company of auto-motive dealership

P.T. Oto Multiartha (Indonesia)
Financing of vehicles

Komatsu Canada Limited (Canada)
Wholesale of construction machinery and management of dealers in Canada

Komatsu España S.A. (Spain)
Sale of construction machinery

SMS International Corporation (U.S.A.)
Sale of construction machinery

Red Australia Equipment Pty. Ltd. (Australia)
Folklift hire/rental, and sale/service for material handling equipment in Australia

SC Construction Machinery (Shanghai) Ltd. (China)
Sale of construction machinery

Beijing HY Construction & Machinery Ltd., (China)
Sale of contruction machinery

Machinery & Electric Business Unit

Sumisho Machinery Trade Corporation
Trading of machinery and equipment

Hokkaido District Heating Co., Ltd.
District heating and cooling in Sapporo

SC Machinex Corporation
Sale of machinery and equipment

SC Machinex Kansai Corporation
Sale of machinery and equipment

Inax Corporation
Sale of industrial washing machines

SC Wado Co., Ltd.
Sale of machine tools

Inamoto Manufacturing Co., Ltd.
Manufacture and sale of industrial washing machines

SC BioSciences Corporation
Sales of biotechnology instruments/technology

Chugoku Systech Corporation
Sale and installation of air-conditioning equipment

GE Packaged Power, Ltd.
Service and maintenance of gas-turbine power plants

Media, Electronics & Network Business Unit

Nippon Card Co., Ltd.
Production and sale of point-card systems and equipment

Nippon Game Card Co., Ltd.
Issuing and marketing of prepaid cards for leisure facilities

Sumisho Tele Mate Co., Ltd.
Sale of telephone circuits and equipment

Cross Beam Networks Corporation
Sale of broadband systems, e-commerce ASP

Lycos Japan, Inc.
Internet portal

Asia Internet Holding Co., Ltd.
Providing international Internet-related tele-communications services

Jupiter Programming Co., Ltd.
Management and operation of programming services

▶ Cable Soft Network Corporation
Supplier of movie programming

▶ Jupiter Golf Network Co., Ltd.
Supplier of golf programming

▶ Jupiter Shop Channel Co., Ltd.
Supplier of TV shopping programming

▶ Discovery Japan Inc.
Supplier of documentary programming

▶ J-Sports Co., Ltd.
Supplier of sports programming

▶ La La Media, Co., Ltd.
Supplier of women's entertainment programming

▶ Animal Plante Japan K.K.
Supplier of animal entertainment programming

Asmik Ace Entertainment Inc.
Production and distribution of movies, videos, and game software

Step Visual Corporation
Production and sale of visual software; acquisition and sale of video rights

United Cinema Co., Ltd.
Construction & operation of multiplex cinemas

Jupiter Telecommunications Co., Ltd.
Cable television multiple system operation

▶ J-COM Tokyo Co., Ltd.
Cable television operation

▶ J-COM Shonan Co., Ltd.
Cable television operation

▶ Urawa Cable Television Network Co., Ltd.
Cable television operation

▶ Media Saitama Co., Ltd.
Cable television operation

▶ Tsuchiura Cable Television Co., Ltd.
Cable television operation

▶ Kisarazu Cable Television Co., Ltd.
Cable television operation

▶ Cable Network Yachiyo Co., Ltd.
Cable television operation

▶ Jupiter Gunma Co., Ltd.
Cable television operation

▶ Osaka Cable TV Corporation
Cable television operation

▶ Hokusetsu Cable Net Co., Ltd.
Cable television operation

▶ J-COM Kansai Co., Ltd.
Cable television operation

▶ Cablenet Kobe Ashiya Co., Ltd.
Cable television operation

▶ Cable Net Shimonoseki Co., Ltd.
Cable television operation

▶ J-COM Kitakyushu Co., Ltd.
Cable television operation

▶ Cablevision 21 Inc.
Cable television operation

▶ Fukuoka Cable Network Co., Ltd.
Cable television operation

▶ Titus Communications Corporation
Cable television operation

▶ ▶ TITUS Sotetsu Corporation
Cable television operation

▶ ▶ J-COM Sapporo Co., Ltd.
Cable television operation

Kansai Multimedia Service Co., Ltd.
Cable-Internet service provider

@Home Japan, Co., Ltd.
Cable-Internet service provider

AJCC Corporation
Leasing of cable television converters

Cable System Engineering Corporation
Engineering and construction of CATV transmission networks and station equipment

Billingsoft Japan Co., Ltd.
Development and sale of CATV billing software

JSAT Corporation
Satellite communications

SKY Perfect Communications Inc.
Satellite digital broadcasting

AlphaBridge Corporation
Digital contents delivery storage/services over broadband network

Sumisho Computer Systems Corp.
Data processing services; development and sale of computer software

Sumisho Electronics Co., Ltd.
Sale of office computers, systems, and software

SC ComTex, Inc.
Sale of corporate data communications systems

SC Hightech Corporation
Sale of software designed for semiconductors

G-Plan Inc.
Point e-marketplace

SC Venture Partners & Co.
Consulting of investment and fund management

SC SemiCon Technology Co., Ltd.
Marketing and maintenance of, and consulting for semiconductor manufacturing systems

Sumitronics Corp.
Sale of eletronic products and parts

Asia Business Venture Holdings Pte. Ltd. (Singapore)
EDI, electronic trading service provider

Sumitronics Inc. (U.S.A.)
Sale of electronic machinery and parts

Sumitronics Taiwan Co., Ltd. (Taiwan)
Sale of electronic materials and parts

Sumitronics Asia Holding Pte. Ltd. (Singapore)
Management and operation of Sumitronics group

SC Electronics Korea Ltd. (Korea)
Sale of electronic products and parts

Technoclean Philippines, Inc. (Phillippines)
High-tech cleaning service of clean room garments

Chemical Business Unit

Sumitomo Shoji Chemicals Co., Ltd.
Sale of chemical products

Sumisho Fine Gas Co., Ltd.
Manufacturing and sales of hydrogen and other industrial gases

Goei Shoji Kaisha, Ltd.
Sale of pharmaceuticals, agricultural chemicals, industrial chemicals, and plastics

Summit Pharmaceuticals International Corporation
Dealing with licenses for new medical products

Summit Agro International, Ltd.
Sale of agricultural chemicals, fertilizers, and other materials; sale and leasing of related equipment

Sumisho Plaschem Co., Ltd.
Sale of chemical products

Hokko Bulk Terminal Corporation
Leasing and management of storage facilities for chemicals

Sumitomo Shoji Plastics Co., Ltd.
Sale and trade of plastics

SPS Minerals Technology Sdn. Bhd. (Malaysia)
Pulverization, processing, and sale of feldspar, etc.

Interacid Trading S.A. (Switzerland)
International trade of sulfur and sulfuric acid

Summit Agro Europe Ltd. (U.K.)
Investment in agricultural chemicals in Europe

Summit-Agro Ukraine L.L.C. (Ukraine)
Sale of agricultural chemicals

Cantex Inc. (U.S.A.)
Manufacture and sale of polyvinyl chloride pipes

New Port Bulk Terminal Sdn. Bhd. (Malaysia)
Storage, transportation, and sale of liquid chemicals

Mineral Resources & Energy Business Unit

Sumisho Reftech Co., Ltd.
Manufacture and sale of and technical service for fireproof materials; import and sale of steel-related materials and equipment

Nusa Tenggara Mining Corporation
Investment in and financing of the Batu Hijau copper/gold mine development project in Indonesia

Sumisho Oil Corporation
Sale of petroleum products and operation of gas stations

Sumisho Ekika Gas Kaisha, Ltd.
Sale and distribution of LPG in Honshu and Shikoku

Sumisho Daiichi Sekiyu Gas Kaisha, Ltd.
Sale and distribution of LPG in Hokkaido

Sumisho Kyushu LP-Gas Co., Ltd.
Sale and distribution of LPG in Kyushu

Nippon Nuclear Service Corporation
Nuclear fuel transport and related services and sale of related equipment

Summit Energy Corporation
Power retailing business

Sumisho Coal Australia Pty. Ltd. (Australia)
Investment in Oaky Creek coal mine and other mines

SC Mineral Resources Pty. Ltd. (Australia)
Investments in the North Parks mine in Australia

SC Minerals America, Inc. (U.S.A.)
Development of nonferrous metals exploration and investment in SMMA for the Morenci copper mine in the U.S. and the La Candelaria copper mine in Chile

Consumer Goods & Service Business Unit

Sumisho Nosan Kaisha, Ltd.
Sale of fertilizers and agriculture-related materials

Nittoh Bion Co., Ltd.
Manufacture and sale of fertilizer

SC Fertilizer Investment Co., Ltd.
Fertilizer trade and investment

Sumisho Fresh Meat Co., Ltd.
Sale of beef, pork, and processed meats, including chicken

Chiba Grain Handling Center, Ltd.
Grain storage

Kanazawa German Bakery Co., Ltd.
Production and sale of baked goods

Ryohan Co., Ltd.
Retailing of rice

Summit Oil Mill Co., Ltd.
Manufacture and sale of vegetable oil and oil meal

Yoshihara Oil Mill, Ltd.
Manufacture and sale of vegetable oil and oil meal

SC Foods Co., Ltd.
Import, development, and sale of foodstuffs

Shinko Sugar Co., Ltd.
Sugar refining

Sumifru Corporation
Import and sale of fruits and vegetables

Allied Co., Ltd.
Import of flowers

Summit Inc.
Supermarket chain

Summit Colmo, Inc.
General merchandise store chain

Mammy Mart Corp.
Supermarket chain

Otto-Sumisho Inc.
Mail-order business with Otto-Versand, Germany

Eddie Bauer Japan Inc.
Import and sale of Eddie Bauer brand apparel and goods

Club Créateurs Beauté Japon, Inc.
Mail-order sale of cosmetics

Sumisho Retail Stores Inc.
Drugstore chain

Asahi Medix Co., Ltd.
Drugstore chain and DPE

Pasona Caregiver Inc.
Caregiver service

Sumisho Fine Goods Corp.
Interior designing and installation, import and sales of consumer goods such as furniture for residential and contract use

Sumisho Gourmet Coffee Inc.
Cafe chain

Oriental Diamond, Inc.
Manufacturing and wholesaling of polished diamonds and jewelry

Sumifert Sdn. Bhd. (Malaysia)
Sale of fertilizers

Summit-Quinphos (NZ) Ltd. (New Zealand)
Import and sale of fertilizers in New Zealand

Thai SPF Products Co., Ltd. (Thailand)
Production and sale of SPF pork in Thailand

Summit Specialty Oil Co., Inc. (U.S.A.)
Contracting of vegetable oil crushing and refining in the U.S.

SC Investment Holdings, Inc. (U.S.A.)
Investment in citrus plantation in Florida

Pressa Holding, Inc. (U.S.A)
Investment in hay compressing operation in the U.S.

SC Agri Produce Pty Ltd (Australia)
Investment in hay compressing operation in Australia

Sumitex Hong Kong Limited (Hong Kong)
Sale of textile products and materials

Dalian Huayou Knitting Co., Ltd. (China)
Manufacture and sale of tussah silk sweaters

Materials & Real Estate Business Unit

S.C. Cement Co., Ltd.
Sale of ready-mixed concrete and concrete products

Sumisho Building Materials Co., Ltd.
Sale of building materials

Sumisho Paper Co., Ltd.
Sale of paper products

Seiko Paper Board Manufacturing Co., Ltd.
Manufacture of corrugated paper board

Daiichi Packaging Co., Ltd.
Manufacture and sale of corrugated carton boxes (flexography printed and offset printed)

Kamikawachi Development Co., Ltd.
Owning of golf course (Eastwood Country Club); owning, leasing, of office building and apartments

Yasato Kosan Kaisha, Ltd.
Owning and operating of golf course; Summit Golf Club (Ibaraki Pref.)

Yokohama Izumi Corporation
Owning, leasing, and management of a building complex in Minato Mirai 21

Yokohama City Management Co., Ltd.
Management, operation, and leasing of multi-purpose facilities in Minato Mirai 21

Sumisho Building Management Co., Ltd.
Management and operation of office buildings and shopping centers

Sumisho Urban Kaihatsu Co., Ltd.
Planning, development, management, and operation of shopping centers; microbrewery

Sumisho Tatemono Kaisha, Ltd.
Sale and management of residential properties

Sumisho Estate Co., Ltd.
Management and operation of shopping center in Sendai

SC Properties Co., Ltd.
Ownership and leasing of office buildings and other real estate

Sumisho Development Co., Ltd. (Thailand)
Leasing of apartment and office buildings

P.T. Summitmas Property (Indonesia)
Leasing of office buildings

Financial & Logistics Business Unit

Sumisho Capital Management Co. (Cayman)
Financial services

Digitalnonbank Co., Ltd.
Financial services

Sumisho Materials Corporation
Manufacturing, processing, and trading of precious metals and other products

Summit Finance Co., Ltd.
Financial services

Sumisho Logistics Co., Ltd.
Logistics service provider

Summit Air Service Corporation
Travel agency

Sumitrans (Japan) Corporation
Global logistics provider

All Trans Co., Ltd.
Logistics service provider

Bluewell Corporation
Agent for casualty insurance and life insurance

Sumitomo Corporation Capital Asia Pte. Ltd. (Singapore)
Investment activities in venture businesses and financial services to group companies

Nava Nakorn Distribution Centre Co., Ltd. (Thailand)
Warehousing and distribution services

P.T. Indo Summit Logistics (Indonesia)
Warehousing and distribution services

Dragon Logistics Co., Ltd. (Vietnam)
Integrated logistics services

AR Summit L.L.C. (UAE)
Warehousing and distribution services

Shanghai Huayou International Forwarding Co., Ltd. (China)
Warehousing, distribution and processing

Yangsan International Distribution Center Ltd. (Korea)
International logistics services

Bluewell Insurance (Singapore) Pte. Ltd. (Singapore)
Captive insurance company

Thang Long Industrial Park Corporation (Vietnam)
Development, sales, and operation of industrial estate in Vietnam

P.T. East Jakarta Industrial Park (Indonesia)
Sales, operation, and maintenance of industrial estate in Indonesia

Domestic

S･C Material Co., Ltd.
Scrap-iron yard operation

Fukusaki Coil Center Company, Ltd.
Processing and sale of steel sheets

Sumisho Steel Sheets Works Co., Ltd.
Fabrication and sale of steel products

Sumisho Iron & Steel Corporation
Trading of special steel, wire rods, and steel bars

Daiei Steel Pipe Co., Ltd.
Sale of steel piping, especially seamless type

Nippon Katan Co., Ltd.
Manufacture and sale of hardware for transmitters and automotive parts

Sumisho Textile Company, Ltd.
Processing and sale of textile goods

Tortoise Co., Ltd.
Processing and sale of interior goods and home furnishing to consumers' cooperatives

Sumisho Montblanc Co., Ltd.
Processing and sale of work uniforms and related clothing products

SC Interior Co., Ltd.
Sale and installation of office carpeting, curtains, and other interior products

Sumisho Estem Corporation
Sale and management of residential properties

Sumisho Urban Development Co., Ltd.
Ownership, leasing, and management of shopping center

Osaka Hokko Development Co., Ltd.
Ownership, management, and operations of shopping center in front of Universal Studios Japan

SC Building Management Corporation
Management and operation of office buildings

Reibi Corporation
Management of buildings

SC Machinex Kobe Corporation
Sale of machinery and equipment

Tamashima Sport Plaza Co., Ltd.
Sports club

Mars International Co., Ltd. (Myanmar)
Production and sale of mosquito coils and other household insecticides

Summit Wool Spinners Limited (New Zealand)
Manufacture and sale of wool yarn for carpets

Hokkaido Sekisan Kogyo Co., Ltd.
Macadam production

SC Machinex Tohoku Corporation
Sale of machinery and equipment

Chukyo Kokan Co., Ltd.
Sale of steel piping and other steel materials

Summit FA System Co., Ltd.
Sale of various kinds of machines and equipment

Sumisho Chemicals & Plastics Nagoya Co., Ltd.
Wholesaling of general composite resins and chemicals

SC Machinex Chubu Corporation
Sale of machinery and equipment

Sumisho Material Chugoku Co., Ltd.
Sale of civil engineering and construction steel materials, pottery industry materials, and manufactured goods

Sumisho Infra Service Co., Ltd.
Sale of civil engineering and construction materials

Sumisho Chemicals & Plastics Kyushu Co., Ltd.
Sale of chemicals and related materials in the Kyushu region

Sumisho Management Kyushu Co., Ltd.
Contracting of administrative work and accounting

SC Machinex Kyushu Corporation
Sale of machinery and equipment

Overseas

AB Tube Processing, Inc. (U.S.A.)
Tube processing for airbag inflators

Michigan Steel Processing, Inc. (U.S.A.)
Steel service center (slitting and blanking of steel sheet for automotive industry)

Servilamina Summit Mexicana S.A. de C.V. (Mexico)
Steel service center (processing and sale of steel materials)

Vicksmetal Corporation (U.S.A.)
Steel service center (processing and sale of electromagnetic steel plates for transformers)

Distributor Metals Corporation (U.S.A.)
Sale of stainless steel materials

Premier Pipe, Inc. (U.S.A.)
Distribution of pipes for petroleum industry

Clickstream Capital L.L.C. (U.S.A.)
Investment in venture capital funds

SCOA Capital LLC (U.S.A.)
Investments in buyouts

Diversified CPC International, Inc. (U.S.A.)
Mixing, refining, and sale of aerosol gases

Summit Agriculture Co., Inc. (U.S.A.)
Investment in carnation seedling production and sale

Summit Pulp & Paper Inc. (U.S.A.)
Processing and sale of wastepaper

Treadways Corporation (U.S.A.)
Sale of tires

600 Third Avenue Associates (U.S.A.)
Office building leasing

Summit Chemicals Holding Corp. (U.S.A)
Specialty chemicals trade and sales

Steel Summit Holdings, Inc. (U.S.A)
Steel service center

SCOA Residential L.L.C. (U.S.A)
Investment in house/apartment developments

Atlantic Hills Corporation (U.S.A.)
Investment in residential area development company

SCOA Finance Company (U.S.A.)
Financial services

SCOA Investment Corporation (U.S.A.)
Financial investments

Bluewell (U.S.A.), Incorporated (U.S.A.)
Casualty insurance brokerage and reinsurance

Sumitrans Corporation (U.S.A.)
International intermodal transport

Presidio Venture Partners, L.L.C. (U.S.A.)
Investments in IT ventures

Uniq Distributing Corp. (U.S.A.)
Sale of tiles

SUMMIT Motor Management, Inc. (U.S.A)
Holding and management company of automotive dealership

Pressa Agri GP (U.S.A)
Sale of hay

Summit Chemicals Asia Pte. Ltd. (Singapore)
Trading of and investment in fine chemicals in ASEAN and west Asian regions

Summit Chemicals Europe GmbH (Germany)
Sale of fine chemicals

Others

Sumisho Administration Service Co., Ltd.
Personnel & general affairs service

Four-S Inc.
Information services, including the development of business software as a system integrator

Sumitomo Shoji Financial Management Co., Ltd.
Financial services such as cash management, trade settlement, and accounting services to Sumitomo Corporation and its subsidiaries

Sumisho Lease Co., Ltd.
Leasing

Sumitomo Corporation Capital Europe Plc (U.K.)
Financial services to group companies

Global Network

ASIA

Beijing
Shanghai
Tianjin
Dalian
Chenyang
Qingdao
Jinan
Nanjing
Shengdu
Guangzhou
Shenzhen
Xiamen
Hong Kong
Taipei
Kaohsiung
Seoul
Ulaanbaatar
Bangkok
Singapore
Manila
Kuala Lumpur
Kuching
Kota Kinabalu
Jakarta
Surabaya
Bandung
Medan
Hanoi
Ho Chi Minh City
Vung Tau
Danang
Phnom Penh
Vientiane
Yangon
New Delhi
Calcutta
Mumbai
Chennai
Bangalore
Karachi
Lahore
Islamabad
Colombo
Dhaka
Chittagong
Kathmandu

MIDDLE EAST

Bahrain
Teheran
Istanbul
Ankara
Abu Dhabi
Dubai
Amman
Damascus
Kuwait
Sanaa
Tel Aviv
Doha
Baghdad
Muscat
Riyadh
Jeddah
Alkhobar

EUROPE AND CIS

London
Oslo
Stockholm
Brussels
Rotterdam
Düsseldorf
Paris
Milan
Turin
Madrid
Barcelona
Athens
Warsaw
Krakow
Prague
Vienna
Budapest
Bucharest
Sofia
Moscow
Khabarovsk
Vladivostok
Nakhodka
Yuzhno-Sakhalinsk
St. Petersburg
Kiev
Almaty
Tashkent
Bishkek
Ashgabat
Baku

AFRICA

Algiers
Casablanca
Cairo
Nairobi
Addis Ababa
Dar es Salaam
Lusaka
Harare
Antananarivo
Maputo
Luanda
Abidjan
Dakar
Johannesburg

(As of June 1, 2001)

NORTH AMERICA

New York
Philadelphia
Detroit
Pittsburgh
Washington, D.C.
Atlanta
Chicago
Houston
Denver
Seattle
San Francisco
Portland
Santa Clara
Los Angeles
Vancouver
Calgary
Toronto
Montreal

CENTRAL AMERICA AND SOUTH AMERICA

Mexico City
Monterrey
Guatemala
San Salvador
Managua
Havana
Panama
Quito
Caracas
Port of Spain
Bogota
Lima
Buenos Aires
Santiago
Sao Paulo
Rio de Janeiro
Diadema
Porto Alegre
Recife

OCEANIA

Sydney
Melbourne
Perth
Brisbane
Auckland

Japan

Tokyo
Sapporo
Chitose
Muroran
Hakodate
Sendai
Aomori
Yokohama
Ibaraki
Shizuoka
Hamamatsu
Nagoya
Toyama
Kanazawa
Osaka
Kyoto
Wakayama
Kobe
Himeji
Okayama
Takamatsu
Niihama
Hiroshima
Ube
Kita-kyushu
Fukuoka
Nagasaki
Oshima
Oita
Kumamoto
Kagoshima
Naha

Officers

(As of June 22, 2001)

Shigemi Hiranuma
Executive Vice President

Keitaro Yokohata
Executive Vice President

Naoki Kuroda
Executive Vice President

Takashi Nomura
Executive Vice President

Kenji Miyahara
Chairman of the Board of Directors

Motoyuki Oka
President and CEO

Fumio Wada
Executive Vice President

CHAIRMAN OF THE BOARD OF DIRECTORS

Kenji Miyahara

PRESIDENT AND CEO

Motoyuki Oka

EXECUTIVE VICE PRESIDENTS

Takashi Nomura
Responsible for Internal Auditing Group
Responsible for Legal Group
Responsible for Personnel & General Affairs Group
Responsible for Planning & Coordination Group
Responsible for Finance & Accounting Group
Responsible for Risk Management Group

Fumio Wada
General Manager, Consumer Goods & Service Business Unit
General Manager, Materials & Real Estate Business Unit

Keitaro Yokohata
General Manager, Transportation & Construction Systems Business Unit
General Manager, Media, Electronics & Network Business Unit

Shigemi Hiranuma
General Manager, Metal Products Business Unit

Naoki Kuroda
General Manager, Mineral Resources & Energy Business Unit

SENIOR MANAGING DIRECTORS

Masabumi Kimura
General Manager, Kansai Regional Business Unit

Muneo Shigematsu
General Manager, Financial & Logistics Business Unit

Atsushi Nishijo
General Manager for Americas
Director & President, Sumitomo Corporation of America

Kosaburo Morinaka
General Manager, Machinery & Electric Business Unit

Hironori Kato
General Manager, Chemical Business Unit

MANAGING DIRECTORS

Tsunehiro Ichiki
Assistant General Manager, Mineral Resources & Energy Business Unit

Hideki Yamane
General Manager for China
General Manager, Sumitomo Corporation (China) Holding Ltd.

Kenichi Nagasawa
General Manager, Chubu Regional Business Unit

Koji Nakajima
Assistant General Manager, Consumer Goods & Service Business Unit
General Manager, Textile Div.
Assistant General Manager, Kansai Regional Business Unit

Yuji Tamura
Assistant General Manager, Media, Electronics & Network Business Unit
General Manager, Media Div.

Takaaki Shibata
General Manager for Europe
Director & President.
Sumitomo Corporation Europe Holding Limited
Director, Chairman & President, Sumitomo Corporation Europe Plc

Shuji Hirose
Deputy General Manager, Transportation & Construction Systems Business Unit

DIRECTORS

Shigeki Sato
General Manager, Risk Management Group

Kenzo Okubo
General Manager, Iron & Steel Div., No. 2

Tadahiko Mizukami
General Manager, Logistics & Insurance Div.

Shizuka Tamura
General Manager, Life Science Div.

Masaomi Bando
General Manager, Construction & Real Estate Div.
General Manager, General Construction Development & Coordination Dept.

Noriaki Shimazaki
Senior Assistant to Executive Vice President, Responsible for Planning & Coordination Group
General Manager, Finance & Accounting Group

Nobuhide Nakaido
General Manager, Network Div.
General Manager, e-Business Dept.

Takehiro Yamanaka
General Manager, Tubular Products Div.

Katsuichi Kobayashi
General Manager, Motor Vehicles Business Div.

Sakuo Namba
Executive Vice President, CFO and CAO, Sumitomo Corporation of America

Susumu Kato
General Manager, Personnel & General Affairs Group
General Manager, Planning & Coordination Group

Hiroo Kimura
General Manager, Financial Service Div.

Michio Ogimura
General Manager, Power Project Div.

STANDING CORPORATE AUDITORS

Takehiko Yonezu

Isao Yamamoto

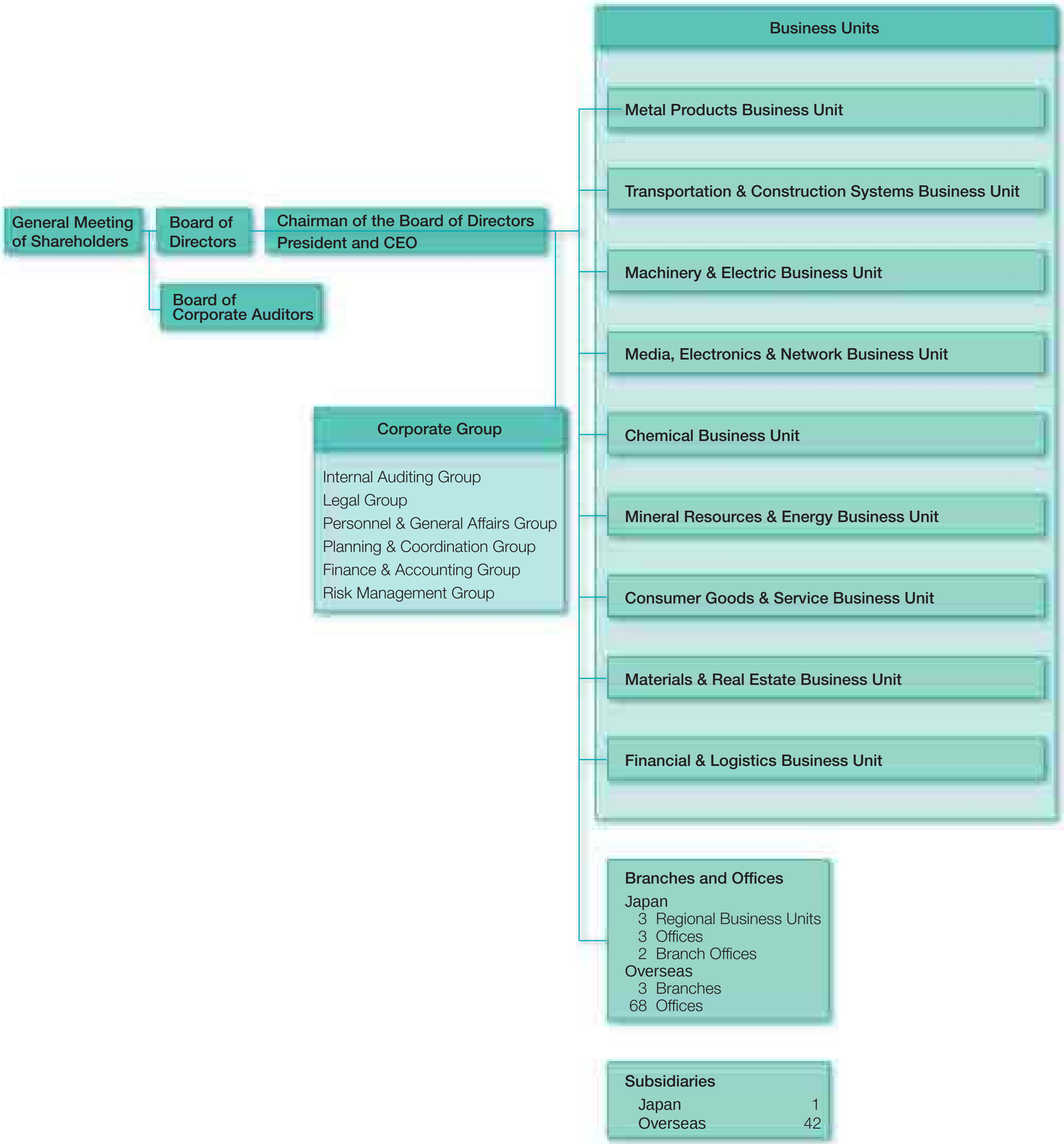
CORPORATE AUDITORS

Hiroshi Maeda

Itsuo Sonobe

Organization

(As of June 22, 2001)



Corporate Information

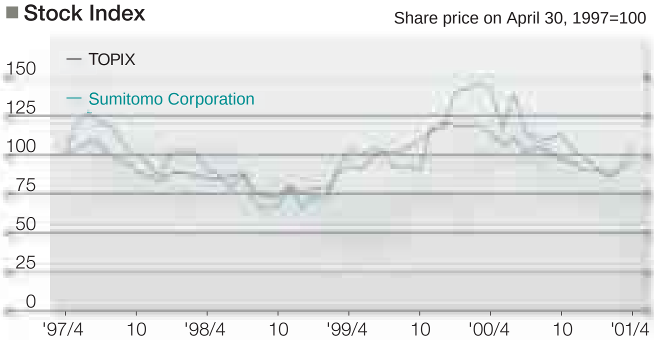
(As of March 31, 2001)

Date of Establishment:	December 24, 1919	
Paid-in Capital:	¥169,432 million	
Number of Offices*:	Overseas	158 (87 Countries)
	Domestic	35
	Total	193
Number of Consolidated Subsidiaries:	Overseas	331
	Domestic	189
Associated Companies:	Overseas	119
(equity method)	Domestic	88
	Total	727
Stock Listings:	Tokyo, Osaka, Nagoya, Fukuoka, Frankfurt	
Fiscal Year ends:	March 31	
Headquarters*:	1-8-11, Harumi, Chuo-ku, Tokyo 104-8610	
Number of Employees:	5,042	
(Total incl. Consolidated Subsidiaries	30,715)	
Homepage Address:	http://www.sumitomocorp.co.jp	

*As of June 1, 2001

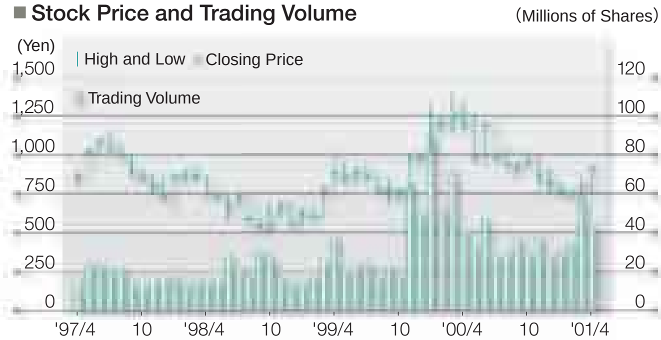
■ **Stock Index**

Share price on April 30, 1997=100



■ **Stock Price and Trading Volume**

(Millions of Shares)



		'00/4	5	6	7	8	9	10	11	12	'01/1	2	3	4	5
Stock Price (Yen)	High	1,350	1,280	1,201	1,240	1,040	949	1,030	996	919	833	787	886	920	935
	Low	1,140	943	952	963	913	844	905	790	755	750	707	680	759	851
Trading Volume		41,239	33,549	47,401	28,164	29,712	37,147	29,577	37,909	26,169	30,993	34,446	57,753	43,380	36,185

Note: Above stock prices and trading volume are based on Tokyo Stock Exchange data.

The distinctive *igeta* (well frame) symbol, adopted as the company emblem by Sumitomo Corporation and most other enterprises of the Sumitomo Group, represents a frame placed around wells in old Japan.

The *igeta* emblem symbolizes the fresh, sparkling water gushing from a fountainhead, which forms a mighty river and finally flows into the vast ocean.

For further information contact:

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