Financial Section

Contents

Management's Discussion and Analysis of Operations

1. Operating Environment (For the year ended March 31, 2002, compared with the previous fiscal year)

During the period under review, the global economy experienced a sharp downturn in growth due to moves to trim inventories and reduce investment in plant and equipment following the end of the information technology (IT) boom. The terrorist attacks in the U.S. further clouded the economic prospects in the second half of the fiscal year.

Within Japan, businesses cut back on their plant and equipment investment against a backdrop of falling production levels, and the deteriorating employment situation caused consumer spending to contract further; these developments caused the recession to deepen. As the decline in demand intensified the downward trend in prices, the Bank of Japan responded with further quantitative monetary policy relaxation, and the government adopted a package of antideflationary measures.

In the U.S. the sharp drop in business investment caused the economy to weaken considerably, but continued firmness in consumer spending and residential investment kept the downturn relatively mild.

The economies of the European Union (EU), which had originally seemed to be enjoying sustained growth, also lost speed during the course of the fiscal year as decreased exports caused production to decline, leading in turn to reduced investment in plant and equipment.

Slower growth in the U.S. had a major impact on Asian economies. The downturn was especially pronounced in Taiwan and Singapore, which depend heavily on IT-related exports. Toward the end of the fiscal year, however, some signs of improvement came into view, such as a pickup in semiconductor price levels. The downturn in other economies also had an effect on China, but expansionary policies by the government kept the Chinese economy growing at a relatively rapid clip.

2. Income Analysis (For the year ended March 31, 2002, compared with the previous fiscal year)

Overview

Although there were some factors that affected the Company's performance negatively such as the slowdown in electronic devices market, the weak performance in the PVC conduit business in the U.S. and recognition of the valuation losses of marketable equity securities, several factors contributed to the growth such as the strong performance of the automobile related businesses and overseas plant exporting businesses, net reversal of the provision for doubtful receivables and the improvement of the equity earnings of associated companies. As a result, net income increased by ¥4.9 billion from the previous fiscal year to ¥45.2 billion this year.

Total Trading Transactions

Total trading transactions for fiscal 2001 amounted to ¥9,645 billion, a 4.3% decrease from the previous fiscal year. This was due to both, domestic and foreign economic slowdown and the continued withdrawal from less profitable businesses.

Gross Trading Profit

Although total trading transactions decreased by 4.3%, gross trading profit of ¥487.3 billion was almost the same level as the previous year. The continuous strong performance of automobile related businesses and overseas plant project businesses contributed to the gross profit offsetting the decrease of the gross profit by the slowdown in electric devices market and the weak performance in the PVC conduit business in the U.S.

Other Income (Expenses)

Selling, General and Administrative Expenses

Due to the expansion of subsidiaries' businesses, selling, general and administrative expenses increased by ¥10.2 billion from the previous fiscal year to ¥400.8 billion.

Provision for Doubtful Receivables

Total provision for doubtful receivables decreased by ¥10.8 billion from the previous fiscal year to net reversal of ¥1.9 billion due to the collection of certain doubtful receivables.

Interest Expense (Net of Interest Income)

Net interest expense decreased by ¥4.2 billion from the previous fiscal year to ¥13.8 billion as a result of the decline of interest rates.

Dividends

Total dividends received remained almost the same level as the previous fiscal year at ¥6.7 billion.

Gain on Marketable Securities and Investments

The Company continued to realize gains on investments sold in media and electronics-associated businesses, net gains on sales of marketable securities and investments amounted to ¥27.8 billion. On the other hand, valuation losses of marketable securities and investments amounted to ¥50.4 billion due to other than temporary valuation losses in certain investments caused by the downturn in the stock markets. As a result, gain on marketable securities and investments decreased by ¥59.9 billion from the previous fiscal year, to ¥22.6 billion of net losses.

Gain on Securities Transferred to Pension Fund

The Company contributed a certain of its marketable security to the pension fund at market value. The Company recognized a gain of ¥15 billion.

Gain on Sale of Property and Equipment
Gain on sale of property and equipment increased by ¥1.8 billion from the previous fiscal year to ¥2.8 billion.

Settlement Received/(Paid) on Copper Trading Litigation
The Company received ¥17.7 billion from a U.S. financial institution in a settlement of issues concerning the copper trading litigation and paid ¥6.2 billion to settle civil lawsuits brought against the Company in the U.S. The Company has been doing its best to achieve prompt resolution of the several civil lawsuits against the Company in the U.S.

The Company has also been making maximum efforts to recover our own losses, bringing suits for damages against foreign financial institutions and others that abetted the unauthorized copper trading.

Loss on Termination and Restructuring of Projects
Loss on termination and restructuring of projects decreased by ¥36.6 billion from the previous fiscal year to ¥7.7 billion. This decrease was due to an aggressive restructuring of unprofitable projects conducted in the previous fiscal year.

Provision for Doubtful Receivables and Others in Specific Countries
Provision for doubtful receivables and others in specific countries decreased by ¥35.3 billion from the previous fiscal year to the net reversal of ¥12.3 billion. The reason for this reversal is that the Company no longer expects any related losses from the project in Asia, due to the recovery of the Asian economy.

Impairment Losses of Long-Lived Assets
In the previous fiscal year, a loss of ¥7.8 billion was caused by declines in value of real estate property.

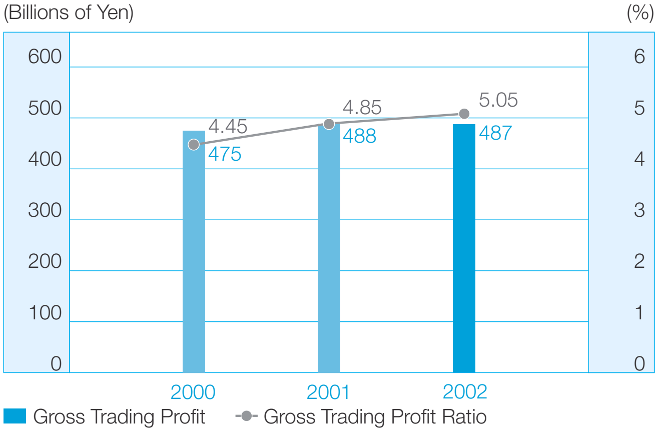
Other Income (Loss)
A loss of ¥9.6 billion was reported due mainly to legal fees in lawsuits concerning the copper trading litigation and expenses related to the relocation of the head office.

Minority Interests in Earnings (Losses) of Subsidiaries, net (after income tax effect)
Minority interests in earnings (losses) of subsidiaries, net (after income tax effect) remained on a par with the previous fiscal year at ¥5.2 billion.

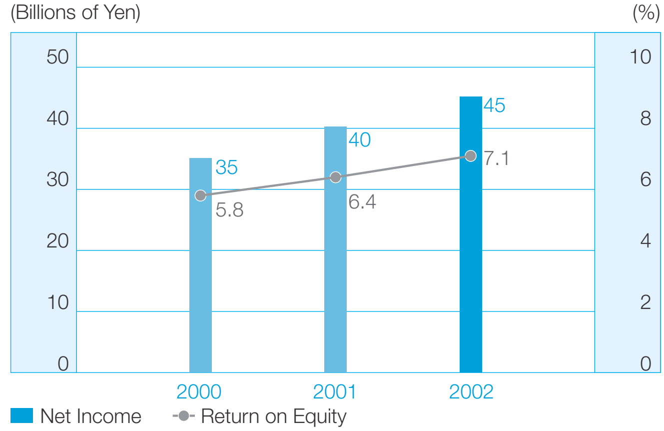
Equity in Earnings (Losses) of Associated Companies
The Company reported a gain of ¥0.2 billion in this category, an increase of ¥6.7 billion from the previous fiscal year. This was due mainly to the strong performance of the business related to Media, Electronics & Network and Mineral Resources & Energy.

Net Income
As a result of the above, the net income for this fiscal year was ¥45.2 billion, an increase of ¥4.9 billion from the previous fiscal year.

■ Gross Trading Profit & Gross Trading Profit Ratio



■ Net Income & Return on Equity



Breakdown of Gross Trading Profit by Operating Segment:

			Billions of Yen	%	Millions of U.S. Dollars
For the years ended March 31, 2002 and 2001	2002	2001	increase/ decrease	increase/ decrease	2002
Metal Products	¥ 36.6	¥ 35.7	¥ 0.9	2.5%	$ 275
Transportation & Construction Systems	78.5	73.0	5.5	7.5	590
Machinery & Electric	30.6	26.5	4.1	15.5	231
Media, Electronics & Network	42.0	49.5	(7.5)	(15.2)	315
Chemical	25.5	28.9	(3.4)	(11.8)	192
Mineral Resources & Energy	30.1	30.1	0.0	0.0	226
Consumer Goods & Service	81.9	77.9	4.0	5.1	616
Materials & Real Estate	42.6	37.0	5.6	15.1	321
Financial & Logistics	14.5	13.4	1.1	8.2	109
Domestic Regional Business Units, Offices and Branch Offices	53.1	55.7	(2.6)	(4.7)	399
Overseas Subsidiaries and Branches	59.1	60.9	(1.8)	(3.0)	444
Segment Total	494.5	488.6	5.9	1.2	3,718
Corporate & Eliminations + U.S. GAAP Adjustments	(7.2)	(0.2)	(7.0)	—	(54)
Consolidated	¥487.3	¥488.4	¥(1.1)	(0.2)	$3,664

Breakdown of Net Income (Loss) by Operating Segment:

			Billions of Yen	%	Millions of U.S. Dollars
For the years ended March 31, 2002 and 2001	2002	2001	increase/ decrease	increase/ decrease	2002
Metal Products	¥ 4.5	¥ 3.3	¥ 1.2	36.4%	$ 34
Transportation & Construction Systems	4.3	2.6	1.7	65.4	33
Machinery & Electric	4.1	(6.0)	10.1	—	31
Media, Electronics & Network	6.3	15.4	(9.1)	(59.1)	47
Chemical	1.9	2.9	(1.0)	(34.5)	14
Mineral Resources & Energy	2.4	(7.1)	9.5	—	19
Consumer Goods & Service	5.1	3.0	2.1	70.0	38
Materials & Real Estate	3.0	(3.7)	6.7	—	22
Financial & Logistics	1.3	1.3	0.0	0.0	10
Domestic Regional Business Units, Offices and Branch Offices	4.1	2.6	1.5	57.7	31
Overseas Subsidiaries and Branches	7.9	6.0	1.9	31.7	59
Segment Total	44.9	20.3	24.6	121.2	338
Corporate & Eliminations + U.S. GAAP Adjustments	0.3	20.0	(19.7)	(98.5)	2
Consolidated	¥45.2	¥40.3	¥ 4.9	12.2	$340

Metal Products
Gross trading profit increased by 2.5% and net income increased by 36.4% from the previous fiscal year due mainly to steady performance of metal products business related to energy for North America and Asia.

Transportation & Construction Systems
Gross trading profit increased by 7.5% from the previous fiscal year due mainly to steady performance of automobile dealership businesses in Europe and increase of sales for Middle East. As a result, net income increased by 65.4% from the previous fiscal year with the steady performance of subsidiary companies which specialized in Ship-Owing/Financing.

Machinery & Electric
Gross trading profit increased by 15.5% from the previous fiscal year due mainly to steady growth of plant projects in Asia such as electricity equipment for Taiwan. As a result, net income increased from the previous fiscal year with the decrease of bad debt losses in the previous fiscal year.

Media, Electronics & Network
Gross trading profit decreased by 15.2% from the previous fiscal year due mainly to weak performance of electric parts and electronics related materials business and MS Communication's change from subsidiary to associated company.

As a result, net income decreased by 59.1% from the previous fiscal year with the decrease of gain on sale of marketable securities and investments in the previous fiscal year.

Chemical
Gross trading profit decreased by 11.8% and net income decreased by 34.5% from the previous fiscal year due mainly to weak performance of PVC conduit business in the U.S. and the decrease of sales of domestic companies.

Mineral Resources & Energy
Gross trading profit was the same level as the previous fiscal year. Although profit rose in coal business in Australia, this was offset by the slowdown in the market of LPG and the decrease of naphtha sales.

Net income increased from the previous fiscal year due to improvement of equity in losses of associated companies and the decrease of loss on termination and restructuring of projects.

Consumer Goods & Service
Gross trading profit increased by 5.1% from the previous fiscal year due mainly to steady performance of food and retail and consumer services.
Net income increased by 70.0% from the previous fiscal year due to the increase of gain on sale of marketable securities and investments.

Materials & Real Estate
Gross trading profit increased by 15.1% from the previous fiscal year due mainly to steady performance of condominiums in Tokyo metropolitan area. As a result, net income increased from the previous fiscal year with the decrease of loss on termination and restructuring of projects.

Financial & Logistics
Gross trading profit increased by 8.2% and net income was the same level as the previous fiscal year due mainly to sale of overseas industrial parks and expansion of financial business.

Domestic Regional Business Units, Offices and Branch Offices
Gross trading profit decreased by 4.7% from the previous fiscal year due mainly to weak performances of domestic markets and consumption. Net income increased by 57.7% from the previous fiscal year due to the change of gain and loss on sale of property and equipment.

Overseas Subsidiaries and Branches
Gross trading profit decreased by 3.0% from the previous fiscal year. Although profit decreased in North America, this was offset by the increase in Europe and Chinese. As a result, net income increased by 31.7% from the previous fiscal year with the decrease of bad debt losses in the previous fiscal year.

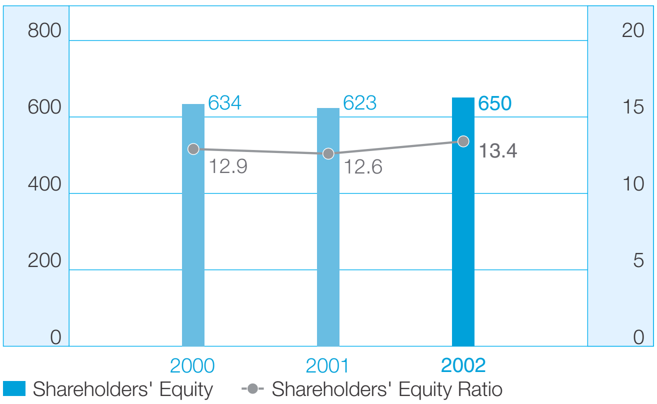
3. Liquidity and Capital Resources (For the year ended March 31, 2002, compared with the previous fiscal year)

Financial Position
As of March 31, 2002, total assets decreased to ¥4,852.6 billion, by ¥97.5 billion from the previous fiscal year. This was due to the reduction of operating assets in domestic business and the impact from deconsolidation and becoming associated companies by forming alliances with other companies, other than temporary valuation losses in certain investments caused by the downturn in the stock markets.
Net interest-bearing liabilities increased by ¥80 billion. This was caused by an increase of ¥60 billion due to depreciation of the yen relating to US$ liabilities and a ¥40 billion increase relating to the impact of FAS133 requiring debt be valued at fair value when hedge accounting is obtained. This is partially offset by a ¥20 billion actual decrease in debt at face value.
While net unrealized holding gains on securities available for sale decreased by the downturn in the stock markets, shareholders' equity amounted to ¥650.4 billion, increased by ¥27.4 billion from the previous fiscal year due to an increase of retained earnings and foreign currency translation adjustments by the depreciation of yen.
Although net interest-bearing liabilities increased, shareholders' equity increased and debt-equity ratio (net interest-bearing liabilities/shareholders' equity) remained the same level as the previous fiscal year at 3.9 points.

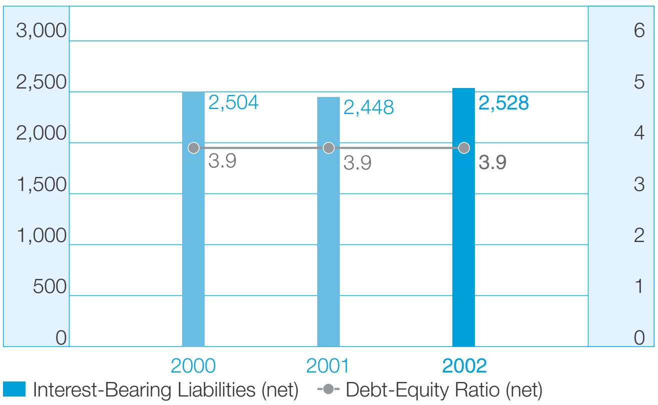
Liquidity and Capital Resources

		Billions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Short-term				
Loans, principally from banks	¥ 385	¥ 405	¥ 273	$ 2,894
Commercial paper	389	416	286	2,924
	774	821	559	5,818
Long-term				
Secured long-term debt	75	75	81	566
Unsecured long-term debt				
Loans	1,615	1,504	1,677	12,146
Bonds and Notes	349	304	404	2,623
	2,039	1,883	2,162	15,335
Interest-bearing liabilities (gross)	2,813	2,704	2,721	21,153
Cash and cash equivalents & Time deposits	285	256	217	2,140
Interest-bearing liabilities (net)	2,528	2,448	2,504	19,013
Total assets	4,853	4,950	4,905	36,485
Shareholders' equity	650	623	634	4,890
Shareholders' equity ratio	13.4%	12.6%	12.9%	
Debt-equity ratio (gross)	4.3	4.3	4.3	
Debt-equity ratio (net)	3.9	3.9	3.9	

■ Shareholders' Equity & Shareholders' Equity Ratio



■ Interest-Bearing Liabilities (net) & Debt-Equity Ratio (net)



Committed Revolving Credit Facility

The Company entered into committed credit facility agreements with three syndicates in order to ensure an adequate level of liquidity. The first syndicate consists of first class European and American banks headed by Citibank and provides a multi-borrower-and-multi-currency credit facility of US$950 million which covers the parent in Tokyo and its subsidiaries in the UK, Netherlands, and the U.S. The second consists of major Japanese banks headed by Sumitomo Mitsui Banking Corporation and provides a ¥250 billion credit facility. The last consists of Japanese regional banks also headed by Sumitomo Mitsui Banking Corporation and provides a ¥100 billion credit facility. As of March 31, 2002, the Company has not drawn down any loans using these credit facilities.

Cash Flow Analysis

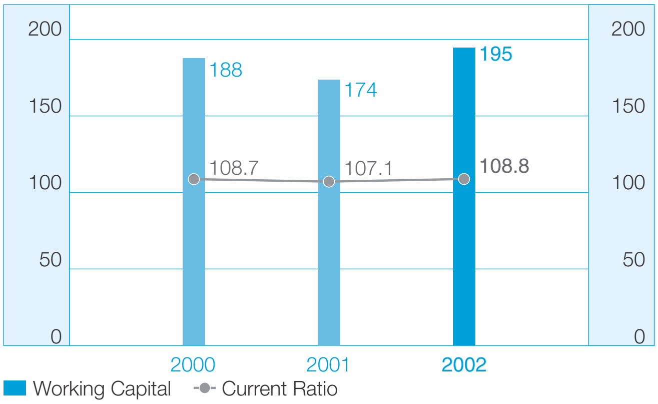
In fiscal 2001, net cash provided by operating activities was ¥72.7 billion, net cash of ¥78.8 billion was used in investing activities by extending the core-businesses and replacing assets. Free cash flow for fiscal year 2001 amounted to negative ¥6.1 billion. On the other hand, net cash provided by financing activities amounted to ¥26.7 billion by raising funds for new businesses, increasing working capital and keeping the liquidity in hand by long-term financing. As a result, cash and cash equivalents increased by ¥25.2 billion from the previous year to ¥276.7 billion.

Summary Statements of Consolidated Cash Flows

		Billions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Net cash provided by operating activities	¥73	¥86	¥110	$547
Net cash provided by (used in) investing activities	(79)	(63)	160	(593)
Free cash flow	(6)	23	270	(46)
Net cash provided by (used in) financing activities	27	14	(350)	200
Effect of exchange rate changes on cash and cash equivalents	5	3	(9)	35
Net increase (decrease) in cash and cash equivalents	¥25	¥40	¥ (89)	$189

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

(Billions of Yen)



4. Critical Accounting Policies

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S. and based on the selection and application of significant accounting policies, which require management to make significant estimates and assumptions. The followings are some of the critical accounting policies that may affect the financial conditions and results of operations.

Collectibility of Receivables

The Company estimates the collectibility of its notes receivables and accounts receivables. The Company assesses the ultimate realization of the receivables including the current creditworthiness of each customer. Changes in these estimates and assessment could occur and result in changes in the required level of allowance.

Recoverability of Long-Lived Assets

The Company's long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The determination of estimated future net cash flows involves significant judgments. Changes in strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded asset balances.

Employee Retirement and Severance Benefit Plan

The Company has significant employee retirement and severance benefit costs and credits which are developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates and expected return on plan assets. The Company is required to consider current market conditions, including changes in interest rates, in selecting these assumptions. Changes in the related employee retirement and severance benefit costs or credits may occur in the future in addition to changes resulting from fluctuations in its related headcount due to changes in the assumptions.

Marketable Securities and Investments

Unrealized losses of available-for-sale securities and held-to-maturity securities deemed to be other than temporary declines of market values are charged to income.

Sumitomo Corporation and Consolidated Subsidiaries

Consolidated Balance Sheets

As of March 31, 2002 and 2001

ASSETS

	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Current assets:			
Cash and cash equivalents	¥ 276,726	¥ 251,532	$ 2,081
Time deposits	7,870	5,194	59
Marketable securities (Notes 5 and 11)	5,567	14,877	42
Receivables—trade (Notes 6, 7 and 11)			
Notes and loans	289,416	396,661	2,176
Accounts	1,072,464	1,174,220	8,064
Associated companies	162,454	195,120	1,221
Allowance for doubtful receivables	(10,683)	(11,600)	(80)
Inventories	406,615	418,585	3,057
Deferred income taxes (Note 12)	24,203	23,697	182
Advance payments to suppliers	46,533	61,072	350
Other current assets	133,970	97,232	1,007
Total current assets	2,415,135	2,626,590	18,159
Investments and long-term receivables:			
Investments in and advances to associated companies (Note 8)	285,418	242,516	2,146
Other investments (Notes 5 and 11)	583,276	704,039	4,385
Long-term receivables (Notes 6 and 11)	680,365	648,156	5,116
Allowance for doubtful receivables (Note 7)	(83,122)	(95,957)	(625)
Total investments and long-term receivables	1,465,937	1,498,754	11,022
Property and equipment, at cost (Notes 9 and 11)	1,120,352	1,038,712	8,424
Accumulated depreciation	(344,006)	(333,368)	(2,587)
	776,346	705,344	5,837
Other assets (Notes 12 and 13)	195,136	119,391	1,467
Total	¥4,852,554	¥4,950,079	$36,485

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Current liabilities:			
Short-term debt (Notes 10 and 11)	¥ 773,829	¥ 820,534	$ 5,818
Current maturities of long-term debt (Notes 10 and 11)	356,527	285,764	2,681
Payables—trade			
Notes and acceptances	166,565	233,473	1,252
Accounts	672,954	824,005	5,060
Associated companies	25,361	51,107	191
Income taxes (Note 12)	9,840	8,701	74
Other accrued expenses	37,456	45,473	282
Advances from customers	64,831	71,462	487
Other current liabilities (Note 12)	113,254	112,321	851
Total current liabilities	2,220,617	2,452,840	16,696
Long-term debt, less current maturities (Notes 10 and 11)	1,883,581	1,772,856	14,162
Accrued pension and severance liabilities (Note 13)	8,544	8,113	64
Deferred income taxes (Note 12)	14,561	24,358	110
Minority interests	74,885	68,955	563
Commitments and contingent liabilities (Notes 11, 22 and 24)			
Shareholders' equity (Notes 14 and 17):			
Common stock — authorized 2,000,000,000 shares; issued 1,064,608,547 and 1,064,462,662 shares in 2002 and 2001, respectively	169,439	169,432	1,274
Additional paid-in capital	189,548	189,536	1,425
Retained earnings:			
Appropriated for legal reserve	17,686	17,235	133
Unappropriated	297,927	261,675	2,240
	315,613	278,910	2,373
Accumulated other comprehensive income (loss) (Note 15)	(23,858)	(14,728)	(179)
Treasury stock, at cost: 415,598 and 185,543 shares in 2002 and 2001, respectively	(376)	(193)	(3)
Total shareholders' equity	650,366	622,957	4,890
Total	¥4,852,554	¥4,950,079	$36,485

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, 2002, 2001 and 2000

	Millions of Yen			Millions of U.S. Dollars
	2002	2001	2000	2002
Total trading transactions (Notes 8 and 18)	¥9,645,379	¥10,080,062	¥10,656,046	$72,522
Gross trading profit (Notes 18 and 19)	¥ 487,274	¥ 488,400	¥ 474,674	$ 3,664
Other income (expenses):				
Selling, general and administrative expenses (Notes 9 and 13)	(400,839)	(390,578)	(408,688)	(3,014)
Reversal (provision) for doubtful receivables (Note 7)	1,933	(8,969)	(7,483)	15
Interest expense (net of interest income: 2002, 2001 and 2000 — ¥32,268 million ($243 million), ¥42,299 million and ¥43,069 million, respectively)	(13,752)	(18,010)	(22,070)	(103)
Dividends	6,653	5,979	5,646	50
Gain (loss) on marketable securities and investments (net of valuation loss: 2002, 2001 and 2000 — ¥50,462 million ($379 million), ¥42,876 million and ¥7,867 million, respectively) (Notes 5, 8 and 13)	(22,628)	37,289	43,480	(170)
Gain on securities transferred to pension fund (Notes 5 and 13)	14,988	35,040	—	113
Gain on sale of subsidiaries	—	—	17,170	—
Gain on sale of property and equipment, net	2,798	1,035	1,312	21
Settlement received on copper trading litigation (Note 24)	11,512	19,125	—	86
Loss on termination and restructuring of projects (Note 20)	(7,650)	(44,294)	(5,461)	(58)
Reversal (provision) for doubtful receivables and others in specific countries (Note 21)	12,289	(22,975)	—	92
Impairment losses of long-lived assets (Note 9)	—	(7,753)	(30,824)	—
Other, net (Note 23)	(9,570)	(7,840)	(14,591)	(72)
Total	(404,266)	(401,951)	(421,509)	(3,040)
Income before income taxes, minority interest in earnings (losses) of subsidiaries, and equity in earnings of associated companies	83,008	86,449	53,165	624
Income taxes (Note 12):				
Current	(26,146)	(30,286)	(24,893)	(196)
Deferred	(6,628)	(4,193)	(2,543)	(50)
Total	(32,774)	(34,479)	(27,436)	(246)
Income before minority interests in earnings (losses) of subsidiaries and equity in earnings (losses) of associated companies	50,234	51,970	25,729	378
Minority interest in earnings (losses) of subsidiaries, net (after income tax effect)	(5,227)	(5,174)	3,684	(39)
Equity in earnings (losses) of associated companies, net (after income tax effect) (Notes 8 and 12)	209	(6,452)	5,652	1
Net income	¥ 45,216	¥ 40,344	¥ 35,065	$ 340

	Yen			U.S. Dollars
Amounts per share (Note 17):				
Net income:				
Basic	¥42.49	¥37.91	¥32.94	$0.32
Diluted	41.59	37.14	32.31	0.31
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 and Comprehensive Income

For the years ended March 31, 2002, 2001 and 2000

			Millions of Yen	Millions of U.S. Dollars
	2002	2001	2000	2002
Common stock:				
Balance, beginning of year	¥169,432	¥169,432	¥169,432	$1,274
Increase	7	—	—	0
Balance, end of year	¥169,439	¥169,432	¥169,432	$1,274
Additional paid-in capital:				
Balance, beginning of year	¥189,536	¥189,536	¥189,536	$1,425
Increase	12	—	—	0
Balance, end of year	¥189,548	¥189,536	¥189,536	$1,425
Retained earnings:				
Balance, beginning of year	¥278,910	¥247,081	¥220,532	$2,097
Net income	45,216	40,344	35,065	340
Cash dividends paid	(8,513)	(8,515)	(8,516)	(64)
Balance, end of year	¥315,613	¥278,910	¥247,081	$2,373
Accumulated other comprehensive income (loss) (Note 15):				
Balance, beginning of year	¥ (14,728)	¥ 28,174	¥ (9,847)	$ (110)
Other comprehensive income (loss) for the year, net of tax	(9,130)	(42,902)	38,021	(69)
Balance, end of year	¥ (23,858)	¥ (14,728)	¥ 28,174	$ (179)
Treasury stock				
Balance, beginning of year	¥ (193)	¥ —	¥ —	$ (2)
Purchase of treasury stock	(183)	(193)	—	(1)
Balance, end of year	¥ (376)	¥ (193)	¥ —	$ (3)
Disclosure of comprehensive income (loss):				
Net income for the year	¥ 45,216	¥ 40,344	¥ 35,065	$ 340
Other comprehensive income (loss) for the year, net of tax (Note 15)	(9,130)	(42,902)	38,021	(69)
Comprehensive income (loss) for the year	¥ 36,086	¥ (2,558)	¥ 73,086	$ 271

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, 2002, 2001 and 2000

		Millions of Yen		Millions of U.S. Dollars
	2002	2001	2000	2002
Operating activities:				
Net income	¥ 45,216	¥ 40,344	¥ 35,065	$ 340
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	65,624	57,424	62,124	493
Reversal (provision) for doubtful receivables	(1,933)	8,969	7,483	(15)
Gain (loss) on marketable securities and investments, net	22,628	(37,289)	(43,480)	170
Gain on securities transferred to pension fund	(14,988)	(35,040)	—	(113)
Gain on sale of subsidiaries	—	—	(17,170)	—
Gain on sale of property and equipment, net	(2,798)	(1,035)	(1,312)	(21)
Loss on termination and restructuring of projects	7,650	44,294	5,461	58
Reversal (provision) for doubtful receivables and others in specific countries	(12,289)	22,975	—	(92)
Impairment losses of long-lived assets	—	7,753	30,824	—
Equity in earnings (losses) of associated companies	(209)	6,452	(5,652)	(1)
Changes in operating assets and liabilities, excluding effect of acquisitions and divestitures:				
Receivables	111,518	(124,889)	130,471	838
Inventories	22,577	(33,115)	20,442	170
Payables	(146,423)	125,476	(85,074)	(1,101)
Other, net	(23,847)	3,429	(28,622)	(179)
Net cash provided by operating activities	72,726	85,748	110,560	547
Investing activities:				
Expenditures for property and equipment	(156,527)	(132,313)	(145,631)	(1,177)
Proceeds from sale of property and equipment	39,459	86,352	47,227	297
Acquisition of investments	(169,868)	(337,386)	(133,537)	(1,278)
Proceeds from sale and maturity of investments	161,711	335,227	306,229	1,216
Increase in loans receivable	(119,033)	(153,391)	(96,525)	(895)
Reduction of loans receivable	166,001	134,124	141,763	1,248
Net increase (decrease) in time deposits	(566)	4,564	40,072	(4)
Net cash provided by (used in) investing activities	(78,823)	(62,823)	159,598	(593)
Financing activities:				
Net decrease (increase) in short-term debt	9,049	269,631	(599,037)	68
Proceeds from long-term debt	302,605	229,532	740,777	2,275
Repayment of long-term debt	(274,588)	(481,186)	(492,177)	(2,065)
Cash dividends paid	(8,513)	(8,515)	(8,516)	(64)
Proceeds from (distributions to) minority interest	(1,902)	4,555	9,164	(14)
Net cash provided by (used in) financing activities	26,651	14,017	(349,789)	200
Effect of exchange rate changes on cash and cash equivalents	4,640	3,205	(9,369)	35
Net increase (decrease) in cash and cash equivalents	25,194	40,147	(89,000)	189
Cash and cash equivalents, beginning of year	251,532	211,385	300,385	1,892
Cash and cash equivalents, end of year	¥276,726	¥251,532	¥211,385	$2,081

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 dollars in the year ended March 31, 2002 are included solely for the convenience of readers and have been made at the rate of ¥133=US$1, the approximate exchange rate on March 31, 2002. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into United States dollars at that 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"). The Company and most of its consolidated subsidiaries' accounting records are maintained principally in accordance with accounting practices prevailing in the countries of incorporation. Adjustments to those records have been made to present U.S. GAAP financial information. The significant adjustments include those relating to the 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, accrual of certain expenses and losses, accounting for derivative instruments and hedging activities, and accounting for business combinations.

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 goods and commodities including raw materials, industrial goods, and consumer goods, for domestic trade in Japan, trade between Japan and other nations, and trade between third-party nations.

The Companies also provide various services, such as financing for customers and suppliers, planning, coordinating and operating industrial projects, and gathering a broad range of information. 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 an 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 its majority-owned domestic and foreign subsidiaries. Associated companies consist of companies and corporate joint ventures owned 20% to 50%. Investments in associated companies are accounted for by the equity method. All significant intercompany accounts and transactions have been eliminated. Goodwill represents 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. Goodwill acquired up to June 30, 2001 is generally amortized over periods ranging from five to twenty years. Goodwill acquired on or after July 1, 2001 is no longer amortized but measured for impairment (see (q) below).

The accounts of certain subsidiaries that have a fiscal year end within three months prior to March 31 have been included in the financial statements based on their fiscal year.

(b) Cash Equivalents

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) Foreign Currency Translation

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

(d) Inventories

Inventories mainly consist of commodities, materials and real estate for development and resale. Precious metals, that have immediate marketability at quoted market prices, are valued at market value with unrealized gains and losses included in earnings. 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 net realizable value.

(e) Marketable Securities and Other Investments

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 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. For declines in fair value considered other than temporary on non-marketable securities are recognized in earnings.

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.

(f) Allowance for Doubtful Receivables
An allowance for doubtful receivables is maintained at the level which, in the judgment of management, is adequate to provide for probable losses that can be reasonably expected. Management considers individual customers' credit risks such as historical performance, any changes of original terms, internal risk-ratings, industry, and other specific factors applicable to the customer as well as general risk factors including sovereign risk where the customer resides.

The Companies maintain a specific allowance for impaired loans. An impairment allowance is the difference between the loans' book value and either the present value of expected future cash flows discounted at the loans' effective interest rate, the loans' market price if available, or the fair value of collateral if the loans are collateral dependent. In addition to the specific allowance, an allowance is established for probable losses that are not individually identified but are expected to have ocurred that are inherent in the loans portfolio based on default probability and loss severity from the Companies' past experience.

(g) Property and Equipment
Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed principally under the declining-balance method for assets in Japan, and under the straight-line method for assets located outside Japan, over their estimated useful lives.

(h) Impairment of Long-Lived Assets
Long-lived assets and certain identifiable intangibles to be held and used by the Companies are 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. Those assets considered impaired are reported at the lower of carrying amount or fair value. Those assets to be disposed of are reported at fair value less cost to sell.

(i) Employees' Benefit Plans
The Companies have pension plans and/or severance indemnities plans covering substantially all employees other than directors. The costs of these plans are principally accrued based on amounts determined using actuarial methods.

(j) Income Taxes
The tax effect of temporary differences between the financial statement 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 provided for on undistributed earnings of foreign and certain domestic subsidiaries and associated companies. The Companies consider that such earnings are permanently invested or would not result in material additional taxation should they be distributed to the Companies under current circumstances.

(k) Commodity Forwards and Futures Contracts
The Companies enter into commodity forwards and futures contracts principally to economically hedge 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 are recognized in current income.

(l) Derivative Financial Instruments
On April 1, 2001, the Companies adopted Statement of Financial Accounting Standards ("SFAS") No.133, "Accounting for Derivative Instruments and Hedging Activities," as amednded. The standard establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No.133, as amended, requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet 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 the type of hedge transaction. The ineffective portion of all hedges is recognized in earnings. As of April 1, 2001, the adoption of SFAS No.133, as amended, resulted in an immaterial impact to net income and a decrease to accumulated other comprehensive income of approximately ¥1,475 million ($11 million).

Prior to adoption of SFAS No.133 on April 1, 2001, derivatives designated as hedges were accounted for as follows. The amounts received or paid under interest rate swap contracts were recognized as interest through earnings over the life of the contracts. Premiums paid for interest rate caps were amortized over the life of contracts as a part of interest expense. Gains and losses from revaluation of foreign exchange forward contracts were deferred until the time when the hedged transactions occur.

(m) Use of Estimates in the Preparation of the Financial Statements
The preparation of consolidated financial statements in conformity with U.S. GAAP 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 originally estimated and changes to estimates could occur in the future.

(n) Comprehensive Income
Comprehensive income consists of net income, changes in foreign currency translation adjustments, net unrealized holding gains (losses) of securities available-for-sale, pension liability adjustments, and net unrealized holding gains (losses) on derivatives, and is included in the statements of consolidated shareholders' equity and comprehensive income.

(o) Amounts per Share
Basic net income per share has been computed by dividing net income by the weighted-average number of common shares outstanding during each year. Diluted net income per share has been computed assuming 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 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 year end.

(p) Revenue Recognition
The Companies' total trading transactions include the sales value of transactions in which the Companies act as principal and also those in which the Companies act as agent. Gross trading profit primarily consists of gross profit on principal transactions and commissions received on agency transactions.

Gross trading profit is recognized, when the Companies have persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable and collectibility is reasonably assured, in accordance with Staff Accounting Bulletin (SAB) No.101 of the Securities and Exchange Commission (SEC), "Revenue Recognition in Financial Statements." In addition to this general policy, the following are specific revenue recognition policies:

Gross trading profit from principal transactions and similar agency transactions is recognized at the time the delivery conditions agreed with customers are met. These conditions are usually considered met when the goods are received by the customer, title to the warehouse receipts are transferred, or the implementation testing is duly completed and any future obligations are perfunctory and do not affect the customer's final acceptance of the arrangement.

Gross trading profit from service related agency transactions is recognized when the contracted services are rendered to third-party customers according to the terms of contract.

Operating lease income is recognized over the term of underlying leases on a straight-line basis.

Revenue recognition policies regarding derivative instruments entered into hedging transactions and as a part of trading activities are described in the accounting policies for derivative commodity forwards and futures contracts and derivative financial instruments.

(q) New Accounting Standards
In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No.141, "Business Combinations," and SFAS No.142, "Goodwill and Other Intangible Assets." SFAS No.141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. The Companies are required to review goodwill and intangible assets reported in connection with prior acquisitions, disaggregate and report separately previously identified intangible assets and reclassify certain intangible assets into goodwill, if applicable. SFAS No.142 establishes new guidelines for accounting for goodwill and other intangible assets. In accordance with SFAS No.142, goodwill associated with acquisitions consummated after June 30, 2001, is not amortized. Existing goodwill is no longer amortized after March 31, 2002, but instead will be assessed for impairment at least annually. Management does not expect that the adoption of SFAS No.142 will have a material effect on the financial statements.

In June 2001, the FASB issued SFAS No.143, "Accounting for Asset Retirement Obligations." SFAS No.143, addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. The effect of adopting SFAS No.143 cannot be reasonably assessed as of March 31, 2002.

In July 2001, the FASB issued SFAS No.144, "Impairment or Disposal of Long-Lived Assets," which is effective for fiscal years beginning after December 15, 2001. The provisions of this statement provide a single accounting model for impairment of long-lived assets. Management does not expect that the adoption of SFAS No.144 will have a material effect on the financial statements.

(r) Reclassifications
Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

In the fiscal year ended March 31, 2002, the Companies changed the format of the statements of consolidated income from multiple-step to single-step for the purpose of more appropriate presentation of their operations. The statements of consolidated income for the fiscal years ended March 31, 2001 and 2000 have been reclassified to conform to the current year presentation.

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, 2002, 2001 and 2000	2002	2001	2000	2002
Cash paid during the year for:				
Interest	¥47,240	¥69,805	¥74,966	$355
Income taxes	25,018	30,844	23,192	188
Non-cash investing and financing activities:				
Capital lease obligations incurred	5,179	6,312	7,778	39
Transfer of securities to pension trust	21,541	61,112	—	162
Reduction of loan receivables through securitization:				
Receivable	—	—	44,300	—
Loan receivables	—	—	46,000	—

5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

(a) Marketable Securities
Information regarding each category of securities classified as available-for-sale and held-to-maturity as of March 31, 2002 and 2001, including securities of which certain of the Companies were the beneficial owners under trust agreements with trust companies, is as follows (excluding non-marketable investments discussed below):

				Millions of Yen
As of March 31, 2002:	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥246,024	¥73,720	¥22,666	¥297,078
Debt securities	17,939	151	43	18,047
Held-to-maturity	28,859	9	127	28,741
	¥292,822	¥73,880	¥22,836	¥343,866

				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	24,782	702	59	25,425
Held-to-maturity	44,236	32	746	43,522
	¥374,458	¥129,301	¥14,222	¥489,537

				Millions of U.S. Dollars
As of March 31, 2002:	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$1,850	$554	$170	$2,234
Debt securities	135	1	0	136
Held-to-maturity	217	0	1	216
	$2,202	$555	$171	$2,586

The Company decided to liquidate one of it's overseas subsidiaries, and sold its held-to-maturity security portfolio during the year ended March 31, 2002. A U.S. subsidiary sold its held-to-maturity security portfolio due to the significant deterioration of the issuer's credit worthiness during the year ended March 31, 2001. The sale did not result in a significant gain or loss for the years ended March 31, 2002 and 2001, respectively.

The carrying values of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2002 and 2001 are summarized by contractual maturities as follows:

				Millions of Yen		Millions of U.S. Dollars
		2002		2001		2002
As of March 31, 2002 and 2001	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥ 1,790	¥ 3,375	¥ 8,851	¥ 5,877	$ 14	$ 25
Due after one year through five years	16,221	13,285	16,073	13,287	122	100
Due after five years through ten years	36	11,663	501	12,496	0	88
Due after ten years	—	536	—	12,576	—	4
Total	¥18,047	¥28,859	¥25,425	¥44,236	$136	$217

Proceeds from sales and gross realized gains and losses on available-for-sale securities for the years ended March 31, 2002, 2001 and 2000 were as follows:

			Millions of Yen	Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Proceeds from sales	¥47,555	¥163,248	¥102,165	$358
Gross realized gains	¥36,575	¥ 59,197	¥ 36,127	$275
Gross realized losses	3,651	1,359	2,239	27
Net realized gains	¥32,924	¥ 57,838	¥ 33,888	$248

For the years ended March 31, 2002 and 2001, the Company contributed certain marketable equity securities, other than those of its subsidiaries or affiliated companies, to an employee retirement benefit trust fully administrated and controlled by an independent bank trustee. Accordingly, the pension liability was reduced by the fair market value of the transferred securities. The fair market value of those securities at the time of contribution was ¥21,541 million ($162 million) and ¥61,112 million, for the years ended March 31, 2002 and 2001, respectively. A net realized gain of ¥14,988 million ($113 million) and ¥35,040 million from the transfer of securities to the pension fund was recognized in the accompanying statements of consolidated income for the years ended March 31, 2002 and 2001, respectively.

(b) Non-marketable Securities and Other Investments
Other investments as of March 31, 2002 and 2001 included investments in non-traded, unassociated companies and life insurance policies, etc., amounting to ¥244,859 million ($1,841 million) and ¥228,665 million, respectively. Investments in non-traded securities of unassociated companies were carried at cost. Investments in life insurance policies were reported at cash surrender value.

6. LOAN SECURITIZATION

In March 2000, the Company securitized ship loans totaling ¥100 billion by selling them to an unrelated special-purpose company ("SPC"). At the same time, the Company granted a subordinated loan of ¥10 billion to the SPC. As a result of these transactions, a net amount of ¥90 billion of loans were eliminated from the consolidated balance sheet as of March 31, 2000, the balance of which was ¥84 billion ($0.6 billion) as of March 31, 2002. The Company retained interests, which are subordinate to the investor's interests. The value of the Company's interest is subject to credit and interest rate risk on the financial assets it sold, 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 if any loan borrowers fail to repay.

7. ALLOWANCE FOR DOUBTFUL RECEIVABLES

An analysis of the allowance for doubtful receivables for the years ended March 31, 2002, 2001 and 2000 is presented as follows:

			Millions of Yen	Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Balance, beginning of year	¥107,557	¥ 98,739	¥99,503	$809
Provision (reversal) for doubtful receivables	(1,933)	8,969	7,483	(15)
Provision for loss on termination and restructuring of projects	974	6,737	—	7
Provision (reversal) for doubtful receivables and others in specific countries	(12,289)	22,975	—	(92)
Charge-off	(1,281)	(29,786)	(7,592)	(10)
Foreign currency translation adjustments	777	(77)	(655)	6
Balance, end of year	¥ 93,805	¥107,557	¥98,739	$705

As of March 31, 2002 and 2001, the total recorded trade receivables and long-term loans considered impaired was ¥114,211 million ($859 million) and ¥134,777 million, respectively, and the related valuation allowance provided as at each year-end was ¥69,859 million ($525 million) and ¥81,966 million, respectively.

The Companies recognize interest income on impaired loans on a cash basis. Interest income on impaired loans recognized for the years ended March 31, 2002, 2001 and 2000 was not material.

8. 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, 2002 and 2001 consists of the following:

	Millions of Yen		Millions of U.S. Dollars
As of March 31, 2002 and 2001	2002	2001	2002
Investments in capital stock	¥220,559	¥197,186	$1,658
Advances	64,859	45,330	488
Total	¥285,418	¥242,516	$2,146

The carrying value of investments in associated companies as of March 31, 2002 and 2001 approximated the companies' equity in the underlying net assets. Investments in common stock of certain associated companies, as of March 31, 2002 and 2001 included marketable securities with carrying amounts of ¥33,252 million ($250 million) and ¥30,509 million, respectively, with corresponding aggregate quoted market values of ¥31,472 million ($237 million) and ¥24,702 million, respectively.

Summarized financial information of associated companies accounted for by the equity method as of March 31, 2002 and 2001, and for the years ended March 31, 2002, 2001 and 2000 is presented below:

	Millions of Yen		Millions of U.S. Dollars
As of March 31, 2002 and 2001	2002	2001	2002
Current assets	¥ 847,387	¥ 686,809	$ 6,371
Property, land and equipment, net	812,145	683,935	6,107
Other assets	1,029,007	923,913	7,737
Total assets	¥2,688,539	¥2,294,657	$20,215
Current liabilities	¥1,438,175	¥1,206,606	$10,814
Non-current liabilities	720,093	597,164	5,414
Shareholders' equity	530,271	490,887	3,987
Total liabilities and shareholders' equity	¥2,688,539	¥2,294,657	$20,215

	Millions of Yen			Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Net sales	¥1,387,037	¥907,992	¥771,845	$10,429
Net income (loss)	¥ (1,255)	¥ (16,063)	¥ 11,983	$ (9)

The Companies' total transactions with associated companies during the years ended March 31, 2002, 2001 and 2000 were as follows:

	Millions of Yen			Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Trading transactions	¥182,628	¥208,607	¥252,614	$1,373
Purchase transactions	691,952	525,317	709,776	5,203

In May 2000, the Company sold a 10% share of Jupiter Telecommunication Co., Ltd. ("Jupiter"), a 60% owned CATV operating subsidiary, to a third party. Later in September 2000, Jupiter acquired Titus Communications Corporation ("Titus"), another CATV operating company, by issuing new shares of Jupiter in exchange for shares of Titus. As a result of this new share issuance by Jupiter to third parties, the Company's ownership ratio decreased from 50% to 35%. Consequently, Jupiter became an associated company for which equity method accounting is applied during the year ended March 31, 2001. Since the per share fair value of the newly issued shares by Jupiter to third parties was higher than the Company's carrying amount per share in Jupiter, the Company recognized a gain during the year ended March 31, 2001. The resulting goodwill was tested for impairment in accordance with SFAS No.142 without any indication of impairment as of April 1, 2002.

9. PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2002 and 2001 consists of the following:

	Millions of Yen		Millions of U.S. Dollars
As of March 31, 2002 and 2001	2002	2001	2002
Land and land improvements	¥ 275,779	¥ 243,616	$ 2,073
Buildings, including leasehold improvements	389,497	378,124	2,929
Machinery and equipment	444,058	402,801	3,339
Projects in progress	11,018	14,171	83
Total	1,120,352	1,038,712	8,424
Less: Accumulated depreciation	(344,006)	(333,368)	(2,587)
Property and equipment, net	¥ 776,346	¥ 705,344	$ 5,837

Depreciation expense for the years ended March 31, 2002, 2001 and 2000 was ¥60,843 million ($457 million), ¥51,770 million and ¥54,347 million, respectively.

The Company 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 from impairments of long-lived assets for the years ended March 31, 2001 and 2000 were ¥7,753 million and ¥30,824 million, respectively, and no losses were recognized for the year ended March 31, 2002. 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, 2002 and 2001 consists of the following:

	Millions of Yen				Millions of U.S. Dollars
As of March 31, 2002 and 2001	2002		2001		2002
		Average Interest Rate		Average Interest Rate	
Loans, principally from banks	¥384,858	2.43%	¥404,689	3.27%	$2,893
Commercial paper	388,971	0.13	415,845	0.95	2,925
	¥773,829		¥820,534		$5,818

The interest rates represent weighted average rates in effect at March 31, 2002 and 2001, regardless of borrowing currencies, though the range of the interest rates varies by borrowing currency.

The Companies entered into line of credit agreements with three syndicates of domestic and foreign banks, totaling $950 million with the foreign bank syndicate and ¥350 billion ($2,632 million) with Japanese bank syndicates. The Companies have not used these lines of credit.

Long-term debt as of March 31, 2002 and 2001 consists of the following:

	Millions of Yen		Millions of U.S. Dollars
As of March 31, 2002 and 2001	2002	2001	2002
Secured long-term debt:			
Banks and insurance companies, maturing serially through 2006, principally 2.0% to 6.7%	¥ 75,304	¥ 75,269	$ 566
Unsecured long-term debt:			
Banks and insurance companies, maturing serially through 2022, principally 0.1% to 5.1%	1,615,373	1,504,311	12,146
1.6% convertible bonds due 2002 payable in Japanese yen (convertible into common stock at ¥1,074.60 per share)	—	3,053	—
1.5% convertible bonds due 2004 payable in Japanese yen (convertible into common stock at ¥1,237.30 per share)	35,702	35,702	268
1.0% bonds due 2004 payable in Japanese yen	50,735	50,000	381
5.15% bonds due 2005 payable in euro	35,734	31,966	269
Bonds due 2013 payable in Japanese yen (fixed and floating rate: fixed rate 1.1% to 1.5%)	29,712	—	223
Various notes and bonds with interest rates from 0.8% to 6.5% maturing from 2002 to 2014	197,001	183,554	1,482
Capital lease obligation	47,845	42,944	360
Other	152,702	131,821	1,148
	2,240,108	2,058,620	16,843
Less: Current portion	(356,527)	(285,764)	(2,681)
	¥1,883,581	¥1,772,856	$14,162

Common stock reserved for conversion of the convertible bonds, as of March 31, 2002 and 2001, were 28,854,764 and 31,695,821 shares, respectively.

Annual maturities of long-term debt as of March 31, 2002 are as follows:

Years ending March 31	Millions of Yen	Millions of U.S. Dollars
2003	¥ 356,527	$ 2,681
2004	380,315	2,859
2005	297,775	2,239
2006	282,189	2,122
2007	322,046	2,421
2008 and thereafter	601,256	4,521
Total	¥2,240,108	$16,843

The Companies entered into interest rate swap and currency swap contracts to manage interest rate risk for certain short-term and long-term debt. The effective interest rates were generally based on LIBOR (London Interbank Offered Rate) for long-term bank loans and insurance company debt of ¥1,690,677 million ($12,712 million) and ¥1,579,580 million outstanding as of March 31, 2002 and 2001, respectively, and notes, bonds and medium-term notes of ¥348,884 million ($2,623 million) and ¥304,275 million outstanding as of March 31, 2002 and 2001, respectively, after the effects of such swap agreements.

Substantially all short-term and long-term loans from banks contain certain agreements customary in Japan. The banks may, under certain conditions, require the Companies to provide collateral (or additional collateral) or guarantors. The banks may treat any collateral as collateral for all indebtedness to such banks. Certain agreements relating to long-term bank loans provide that the banks may require the borrower to receive bank approval prior to the payment of dividends and other appropriations of earnings, 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 reduce such loans. During the years ended March 31, 2002, 2001 and 2000, the Companies did not receive any such request and management does not currently expect any 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, 2002:

As of March 31, 2002	Millions of Yen	Millions of U.S. Dollars
Marketable securities and other investments	¥ 70,368	$ 529
Receivables and long-term receivables	43,267	326
Property and equipment, less related accumulated depreciation	127,306	957
	¥240,941	$1,812

Such collateral secured the following obligations:

As of March 31, 2002	Millions of Yen	Millions of U.S. Dollars
Short-term debt	¥ 17,915	$ 135
Long-term debt	118,473	890
Contingent liabilities—guarantees of contracts	3,419	26
	¥139,807	$1,051

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 repay the related notes and acceptances payable at the maturity dates without applying the sales proceeds to 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 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, 2002, 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%. 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, 2002, 2001 and 2000 is summarized as follows:

		Millions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Income before income taxes, minority interest in earnings (losses) of subsidiaries, and equity in earnings (losses) of associated companies	¥83,008	¥86,449	¥53,165	$624
Tax provision computed at normal income tax rate	¥34,863	¥36,309	¥22,329	$262
Increases (decreases) in tax due to:				
Expenses not deductible for tax purposes	2,258	2,264	2,823	17
Operating losses of certain subsidiaries, net of tax benefits realized	626	(6,117)	2,038	5
Lower income tax rates applicable to income in certain foreign countries	(4,771)	(7,758)	(3,731)	(36)
Effect of taxation on dividends	526	7,737	3,355	4
Other—net	(728)	2,044	622	(6)
Total provision for income taxes	¥32,774	¥34,479	¥27,436	$246

Total income taxes recognized for the years ended March 31, 2002, 2001 and 2000 were applicable to the following:

			Millions of Yen	Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Income before income taxes, minority interest in earnings (losses) of subsidiaries, and equity in earnings (losses) of associated companies	¥32,774	¥ 34,479	¥27,436	$246
Equity in earnings (losses) of associated companies	3,870	2,978	1,624	29
Shareholders' equity:				
Foreign currency translation adjustments	5,436	—	—	41
Net unrealized holding gains (losses) on securities available for sale	(30,469)	(54,929)	50,061	(229)
Net unrealized gains and losses on derivatives	(682)	—	—	(5)
Pension liability adjustments	—	3,544	2,208	—
Total income taxes	¥10,929	¥(13,928)	¥81,329	$ 82

Significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001 are as follows:

		Millions of Yen	Millions of U.S. Dollars
As of March 31, 2002 and 2001	2002	2001	2002
Assets:			
Allowance for doubtful receivables	¥ 28,958	¥ 39,534	$ 218
Accrued pension and severance liabilities	12,492	11,829	94
Unrecognized intercompany profit	13,409	8,248	101
Net operating loss carry forwards	36,756	61,898	276
Inventory, and property and equipment	29,845	23,813	224
Accrual and other	47,288	13,606	356
Gross deferred tax assets	168,748	158,928	1,269
Less valuation allowance	(9,733)	(8,484)	(73)
Deferred tax assets, less valuation allowance	159,015	150,444	1,196
Liabilities:			
Valuation of debt and equity securities	20,231	46,116	152
Deferred gain on sales of property for tax purposes	44,628	38,097	336
Gain on securities transferred to pension fund	20,964	14,717	158
Undistributed earnings of associated companies	22,405	22,427	168
Installment sales	4,247	5,641	32
Other	25,945	18,679	195
Gross deferred tax liabilities	138,420	145,677	1,041
Net deferred tax assets	¥ 20,595	¥ 4,767	$ 155

A valuation allowance is established to reduce certain deferred tax assets relating 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.

Income taxes are not provided for on undistributed earnings of foreign and certain domestic subsidiaries and associated companies because the Companies consider that such earnings are permanently reinvested and/or would not result in material additional taxation should they be distributed to the Companies under current circumstances. As of March 31, 2002 and 2001, the amounts of undistributed earnings of such subsidiaries on which a deferred tax liability has not been recognized in the accompanying consolidated financial statements totalled to ¥123,628 million ($930 million) and ¥91,997 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, 2002, 2001 and 2000 include the following components:

		Millions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Service cost—benefits earned during the year	¥3,458	¥3,040	¥3,482	$26
Interest cost on projected benefit obligation	4,003	4,235	4,275	30
Expected return on plan assets	(2,466)	(2,424)	(1,978)	(19)
Net amortization and deferral	3,918	1,872	2,264	30
Net periodic pension cost	¥8,913	¥6,723	¥8,043	$67

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

	Millions of Yen		Millions of U.S. Dollars
	2002	2001	2002
Change in benefit obligation:			
Benefit obligation, beginning of year	¥133,380	¥121,715	$1,003
Service cost	3,458	3,040	26
Interest cost	4,003	4,235	30
Actuarial (gain) loss	(879)	11,818	(7)
Benefits paid	(5,053)	(7,428)	(38)
Benefit obligation, end of year	¥134,909	¥133,380	$1,014
Change in plan assets:			
Fair value of plan assets, beginning of year	¥137,222	¥ 80,810	$1,032
Actual return on plan assets	(30,174)	(11,631)	(227)
Employer contribution	35,987	73,656	270
Benefits paid from plan assets	(5,055)	(5,613)	(38)
Fair value of plan assets, end of year	¥137,980	¥137,222	$1,037
Funded status	¥ 3,071	¥ 3,842	$ 23
Unrecognized actuarial loss	69,262	39,697	521
Unrecognized net obligation at transition being recognized over 14 years	—	1,722	—
Prepaid cost for retirement benefits	¥ 72,333	¥ 45,261	$ 544

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, 2002 and 2001, liability for retirement benefits and accumulated other comprehensive income was not recognized. Prepaid cost for retirement benefits as of March 31, 2002 and 2001 are included in other assets.

Assumptions used for fiscal 2002, 2001 and 2000 in determining costs for the plan and the funded status information shown above were principally as follows:

	2002	2001	2000
Weighted-average discount rate	3.0%	3.0%	3.5%
Expected long-term rate of return on plan assets	3.0%	3.0%	3.0%
Rate of expectable salary increase	3.0%	3.2%	3.8%

Most of the subsidiaries have unfunded severance indemnity plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, lump-sum severance indemnities based on compensation at the time of severance, years of service and other factors. As of March 31, 2002 and 2001, the benefit obligation of subsidiaries under these plans were ¥28,090 million ($211 million) and ¥23,637 million, respectively, at the discount rate of mainly 3.0%, 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, 2002 approximated the amount of accrued benefit obligation at that date.

The amounts charged to income by subsidiaries for the years ended March 31, 2002, 2001 and 2000 were ¥3,859 million ($29 million), ¥4,682 million and ¥3,201 million, respectively.

14. SHAREHOLDERS' EQUITY

(a) Common Stock and Additional Paid-in Capital

Under the Commercial Code of Japan ("the Code"), at least 50% of the proceeds of certain issues of common shares, including conversions of convertible debentures and exercise of warrants, shall be credited to the common stock account. The remainder of the proceed shall be credited to the additional paid-in capital. 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, 2002 and 2001, associated companies owned 311,168 shares of the Company's common stock.

(b) Appropriated for Legal Reserve

The Code provided that an amount equal to at least 10% of all cash dividend payments and bonuses to directors, 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 common stock. The Code, amended effective on October 1, 2001, provides that at least 10% of all cash dividend payments and bonuses to directors, made as an appropriation of retained earnings applicable to each fiscal period, shall be appropriated as a legal reserve until an aggregate amount of additional paid-in capital and legal reserve equals 25% of common stock. Legal reserve may be used to eliminate or reduce a deficit, transferred to common stock, or transferred to retained earnings until an aggregate amount of additional paid-in capital and the legal reserve equals 25% of capital stock, by resolution of the shareholders.

(c) Unappropriated Retained Earnings and Dividends

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

The Code limits the amount of retained earnings available for dividends. Retained earnings of ¥176,796 million ($1,329 million) and ¥170,002 million, shown by the Company's accounting records as of March 31, 2002 and 2001, respectively, exclusive of the amount previously appropriated for legal reserve, were not restricted by the limitations under the Code. There are also restrictions on the payment of dividends relating to net unrealized gains on investment in securities and earnings impact of derivatives under accounting principles generally accepted in Japan, amounting to ¥23,000 million ($173) as of March 31, 2002. The payment of dividends relating to the treasury stock acquired for the stock option plan amounting to ¥323 million ($2 million) as of March 31, 2002 is not permitted.

The Code permits transfers, upon shareholder approval, 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. Interim dividends are approved by the Board of Directors for the interim six-month period. Dividends are reported in the consolidated statements of shareholders' equity when approved.

The Board of Directors intends to recommend to the shareholders, at the general meeting to be held on June 21, 2002, the declaration of a cash dividend to shareholders of record as of March 31, 2002 of ¥4 ($0.03) per share for a total of ¥4,256 million ($32 million), bonuses to directors of ¥226 million ($2 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 shareholders' meeting held in 2001. On June 22, 2001, the shareholders authorized 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. The Company intends to transfer such treasury shares to directors and certain employees under an agreement granting them the right to purchase the shares at a predetermined price. The purchase price is equal to 105% of the 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. 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, 2002 to June 30, 2006.

SFAS No.123, "Accounting for Stock-Based Compensation," defines a fair value based method of accounting for stock options. This statement gives entities a choice of recognizing related compensation expense by adopting the new fair value method or continuing 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 for the years ended March 31, 2002 and 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 years ended March 31, 2002 and 2001 would have been as follows:

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2002 and 2001	2002	2001	2002
Net income : As reported	¥45,216	¥40,344	$340
Pro forma	45,195	40,310	340

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31, 2002 and 2001	2002	2001	2002
Basic earnings per share : As reported	¥42.49	¥37.91	$0.32
Pro forma	42.47	37.87	0.32
Diluted earnings per share : As reported	41.59	37.14	0.31
Pro forma	41.58	37.10	0.31

The following table summarizes information about stock option activity for fiscal 2002 and 2001:

	Number of shares	Weighted average exercise price		Weighted average (years) remaining life
		Yen	U.S. Dollars	
Outstanding at March 31, 2000	—	—	—	
Granted	161,000	¥1,171	—	
Exercised	—	—	—	
Cancelled or Expired	6,000	1,171	—	
Outstanding at March 31, 2001	155,000	1,171	$ 9	4.25
Granted	166,000	858	6	
Exercised	—	—	—	
Cancelled or Expired	20,000	1,108	8	
Outstanding at March 31, 2002	301,000	¥1,003	$ 8	3.79
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:

	2002	2001
Grant-date fair value	¥ 235 ($ 2)	¥ 372
Expected life	4.5 years	5 years
Risk-free rate	0.37%	0.45%
Expected volatility	46.31%	38.00%
Expected dividend yield	0.88%	0.68%

15. OTHER COMPREHENSIVE INCOME (LOSS)

Changes in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2002, 2001 and 2000 are as follows:

	Millions of Yen			Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Foreign currency translation adjustments:				
Balance, beginning of year	¥(72,748)	¥ (97,862)	¥ (63,703)	$ (546)
Adjustment for the year	25,973	25,114	(34,159)	195
Balance, end of year	¥(46,775)	¥ (72,748)	¥ (97,862)	$ (351)
Net unrealized holding gains on securities available for sale:				
Balance, beginning of year	¥ 58,020	¥129,318	¥ 60,188	$ 436
Adjustment for the year	(34,162)	(71,298)	69,130	(257)
Balance, end of year	¥ 23,858	¥ 58,020	¥129,318	$ 179
Net unrealized gains and losses on derivatives:				
Balance, beginning of year	¥ —	¥ —	¥ —	$ —
Cumulative effect of accounting change	(1,475)	—	—	(11)
Adjustment for the year	534	—	—	4
Balance, end of year	¥ (941)	¥ —	¥ —	$ (7)
Pension liability adjustments:				
Balance, beginning of year	¥ —	¥ (3,282)	¥ (6,332)	$ —
Adjustment for the year	—	3,282	3,050	—
Balance, end of year	¥ —	¥ —	¥ (3,282)	$ —
Total accumulated other comprehensive income (loss):				
Balance, beginning of year	¥(14,728)	¥ 28,174	¥ (9,847)	$ (110)
Adjustment for the year	(9,130)	(42,902)	38,021	(69)
Balance, end of year	¥(23,858)	¥ (14,728)	¥ 28,174	$ (179)

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

	Millions of Yen		
2002:	Pretax amount	Tax (expense) or benefit	Net of tax amount
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	¥ 28,739	¥ (5,436)	¥23,303
Less: Reclassification adjustment for losses included in net income	2,670	—	2,670
Net adjustment	31,409	(5,436)	25,973
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains (losses) arising during the year	(81,245)	34,123	(47,122)
Less: Reclassification adjustment for (gains) losses included in net income	16,614	(3,654)	12,960
Net unrealized gains (losses)	(64,631)	30,469	(34,162)
Net unrealized gains and losses on derivatives:			
Cumulative effect of accounting change	(2,542)	1,067	(1,475)
Unrealized gains (losses) arising during the year	—	—	—
Less: Reclassification adjustment for losses included in net income	919	(385)	534
Net unrealized gains (losses)	(1,623)	682	(941)
Pension liability adjustments	—	—	—
Other comprehensive income (loss)	¥(34,845)	¥25,715	¥ (9,130)

2001:	Pretax amount	Tax (expense) or benefit	Net of tax amount
			Millions of Yen
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 (losses) 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:	Pretax amount	Tax (expense) or benefit	Net of tax amount
			Millions of Yen
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 (losses) 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

2002:	Pretax amount	Tax (expense) or benefit	Net of tax amount
			Millions of U.S. Dollars
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	$ 216	$ (41)	$175
Less: Reclassification adjustment for losses included in net income	20	—	20
Net adjustment	236	(41)	195
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains (losses) arising during the year	(611)	257	(354)
Less: Reclassification adjustment for losses included in net income	125	(28)	97
Net unrealized gains (losses)	(486)	229	(257)
Net unrealized gains (losses) on derivatives:			
Cumulative effect of accounting change	(19)	8	(11)
Unrealized gains (losses) arising during the year	—	—	—
Less: Reclassification adjustment for losses included in net income	7	(3)	4
Net unrealized gains (losses)	(12)	5	(7)
Pension liability adjustments	—	—	—
Other comprehensive income (loss)	$(262)	$193	$ (69)

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, and interest rate swaps. The Companies utilize interest rates futures, options, and currency options in certain occasions.

Derivatives 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 and firm commitments. Certain derivatives are entered into for trading purposes. These derivatives are recorded at fair value as required by SFAS No.133.

Fair value hedges:

Under SFAS No.133, fair value hedges are hedges that eliminate the risk of changes in the fair values of assets, liabilities and firm commitments. The Companies use interest rate swaps to hedge the interest rate risk on fixed-rate borrowings used to fund assets earning interest at variable rates. The Companies receive a fixed rate of interest and pay a variable rate of interest to change the cash flow profile of a fixed rate borrowing to match the variable rate financial asset that it is funding. The Companies use foreign exchange forward contracts and currency swaps to hedge the effect of foreign currency exchange rates on firm commitments. Changes in the fair value of derivatives designated and effective as fair value hedges are recorded in earnings and are offset by corresponding changes in the fair value of the hedged item.

Cash Flow hedges:

Under SFAS No.133, cash flow hedges are hedges that use derivatives to offset the variability of expected future cash flows. Principally, the Companies use interest rate swaps to hedge the variability of cash flows related to floating-rate borrowings. Changes in the fair value of derivatives designated and effective as cash flow hedges are recorded in other comprehensive income as a separate component of equity and released to earnings contemporaneously with the earnings effects of the hedged item.

At March 31, 2002, the amount that is expected to be reclassified into earnings, net of the related tax effect, within the next year is ¥323 million ($2 million).

Derivatives not designated as hedges:

SFAS No.133 specifies criteria that must be met in order to apply hedge accounting. For example, hedge accounting is not permitted for hedged items that are marked to market through earnings. As described in Note 3 (k), the Companies enter into commodity forwards and futures contracts principally to economically hedge their inventories and trading commitments against market price fluctuations. These derivatives do not qualify as hedges under SFAS No.133 for the Companies and any changes in the fair value are charged to earnings.

Earnings effects of derivatives:

As of March 31, 2002, there were no significant gains or losses on derivatives or portions thereof that were either ineffective as hedges, excluded from the assessment of hedge effectiveness, or associated with an underlying exposure that did not occur.

In the context of hedging relationships, "Effectiveness" refers to the degree to which fair value changes in the hedging instrument offset corresponding fair value changes in the hedged item. Certain elements of hedge positions cannot qualify for hedge accounting under SFAS No.133 whether effective or not, and must therefore be marked to market through earnings.

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, liabilities and firm commitments.

(2) Interest Rate Risk Management

The Companies' trading, financing and cash management 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 businesses 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 derivatives 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 material 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," 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

The carrying amount approximates fair value 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 24). 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 is practicable to estimate the fair value of these commitments.

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

The fair values of interest rate swap, 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, 2002 and 2001 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
As of March 31, 2002:	Notional amount	Carrying amount	Fair value	Notional amount	Carrying amount	Fair value
Financial Assets:						
Non-current trade receivables and advances to associated companies (less allowance for doubtful receivables)	¥ —	¥ 749,283	¥ 761,682	$ —	$ 5,634	$ 5,727
Financial Liabilities:						
Long-term debt (including current maturities)	—	2,240,108	2,260,590	—	16,843	16,997
Derivative Financial Instruments:						
Interest rate swap	885,583	36,712	36,712	6,659	276	276
Currency swap agreements	43,546	(2,055)	(2,055)	327	(15)	(15)
Foreign exchange forward contracts:						
To sell foreign currencies	169,714	(8,558)	(8,558)	1,276	(64)	(64)
To buy foreign currencies	165,156	9,827	9,827	1,242	74	74

	Millions of Yen		
As of March 31, 2001:	Notional amount	Carrying amount	Fair value
Financial Assets:			
Non-current trade receivables and advances to associated companies (less allowance for doubtful receivables)	¥ —	¥ 681,861	¥ 691,892
Financial Liabilities:			
Long-term debt (including current maturities)	—	2,058,620	2,136,944
Derivative Financial Instruments:			
Interest rate swap	813,254	—	46,085
Currency swap agreements	75,064	(1,137)	(1,137)
Foreign exchange forward contracts	299,403	(1,427)	(4,307)

17. NET INCOME PER SHARE

The reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the years ended March 31, 2002, 2001 and 2000 was as follows:

			Millions of Yen	Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Net income available to common stockholders	¥45,216	¥40,344	¥35,065	$340
Effect of dilutive securities:				
1.6% Japanese yen convertible debentures, due 2002	38	31	31	0
1.5% Japanese yen convertible debentures, due 2004	325	325	325	3
Diluted net income	¥45,579	¥40,700	¥35,421	$343

			Number of Shares
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000
Weighted-average shares	1,064,206,644	1,064,306,912	1,064,462,662
Dilutive effect of:			
1.6% Japanese yen convertible debentures, due 2002	2,825,490	2,841,057	2,841,057
1.5% Japanese yen convertible debentures, due 2004	28,854,764	28,854,764	28,854,764
Weighted-average shares for diluted earnings per share computation	1,095,886,898	1,096,002,733	1,096,158,483

			Yen	U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Net income per share:				
Basic	¥42.49	¥37.91	¥32.94	$0.32
Diluted	41.59	37.14	32.31	0.31

Stock options issued and outstanding had no dilutive effect because the average market price of the common stock did not exceed the exercise prices of the options.

18. SEGMENT INFORMATION

The Companies operate on a worldwide basis principally within the following operating segments:

1) Metal Products, 2) Transportation & Construction Systems, 3) Machinery & Electric, 4) Media, Electronics & Network, 5) Chemical, 6) Mineral Resources & Energy, 7) Consumer Goods & Service, 8) Materials & Real Estate, 9) Financial & Logistics, 10) Domestic Regional Business Units, Offices and Branch Offices, and 11) Overseas Subsidiaries and Branches.

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 Companies evaluate 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).

During the fiscal year ended March 31, 2002, the Companies have undergone a reorganization of its operating segments structure. Due to the impracticability of collecting all the data, the Companies have restated only the last year (2001) segment information and have presented the 2001 and 2000 segment information under the old basis for the convenience of readers of the financial statements.

As noted in "Reclassification" section of the footnote (see Note 3(r)), the Companies also changed its format of statement of consolidated income from multiple-step to single step in the fiscal year ended March 31, 2002. Due to this change in the format, the Companies no longer report operating income in the statement of consolidated income and, accordingly, it is not included in the segment information section of the footnote. The Companies instead report net income from each operating segment in the footnote. As noted above, the Companies have presented the 2001 and 2000 segment information under the old basis, which includes the operating income for these years, for the convenience of readers of financial statements.

Information by operating segment and geographic area reported for internal use by management for the years ended March 31, 2002 and 2001 are summarized as follows:

Operating Segments (New Basis):

2002: Segment	Total trading transactions	Gross trading profit	Net income	Segment assets	Depreciation and amortization	Capital expenditures
						Millions of Yen
Metal Products	¥ 915,232	¥ 36,602	¥ 4,463	¥ 314,112	¥ 1,774	¥ 2,564
Transportation & Construction Systems	1,280,539	78,459	4,357	738,215	41,515	56,797
Machinery & Electric	1,701,871	30,643	4,072	421,239	4,462	5,398
Media, Electronics & Network	464,752	41,946	6,318	291,370	1,837	8,404
Chemical	427,071	25,534	1,864	204,780	1,360	2,608
Mineral Resources & Energy	1,203,170	30,059	2,462	266,705	2,407	3,147
Consumer Goods & Service	907,885	81,925	5,089	277,404	862	8,239
Materials & Real Estate	613,214	42,616	2,970	480,349	5,698	20,282
Financial & Logistics	105,064	14,546	1,345	152,510	370	2,422
Domestic Regional Business Units, Offices and Branch Offices	1,706,893	53,077	4,124	590,681	3,140	29,628
Overseas Subsidiaries and Branches	1,001,664	59,090	7,879	477,281	4,019	3,449
Segment Total	10,327,355	494,497	44,943	4,214,646	67,444	142,938
Corporate and Eliminations	(681,976)	(7,223)	273	637,908	(1,820)	6,584
Consolidated	¥ 9,645,379	¥487,274	¥45,216	¥4,852,554	¥65,624	¥149,522

2001: Segment	Total trading transactions	Gross trading profit	Net income	Segment assets	Depreciation and amortization	Capital expenditures
						Millions of Yen
Metal Products	¥ 826,850	¥ 35,662	¥ 3,279	¥ 331,974	¥ 2,544	¥ 3,091
Transportation & Construction Systems	1,284,680	72,977	2,631	660,452	31,902	55,815
Machinery & Electric	1,647,780	26,466	(5,999)	440,089	3,364	5,545
Media, Electronics & Network	524,741	49,588	15,416	361,320	1,870	7,416
Chemical	499,762	28,957	2,877	225,049	1,845	2,563
Mineral Resources & Energy	1,288,561	30,089	(7,071)	252,091	2,794	4,247
Consumer Goods & Service	956,457	77,919	3,014	269,348	4,669	8,698
Materials & Real Estate	592,810	37,038	(3,719)	524,826	6,757	26,552
Financial & Logistics	115,063	13,379	1,257	114,497	425	431
Domestic Regional Business Units, Offices and Branch Offices	1,999,740	55,681	2,594	706,008	3,487	4,777
Overseas Subsidiaries and Branches	1,082,555	60,883	5,996	482,888	3,939	4,817
Segment Total	10,818,999	488,639	20,275	4,368,542	63,596	123,952
Corporate and Eliminations	(738,937)	(239)	20,069	581,537	(6,172)	14,514
Consolidated	¥10,080,062	¥488,400	¥40,344	¥4,950,079	¥57,424	¥138,466

2002: Segment	Total trading transactions	Gross trading profit	Net income	Segment assets	Depreciation and amortization	Capital expenditures
						Millions of U.S. Dollars
Metal Products	$ 6,882	$ 275	$ 34	$ 2,362	$ 13	$ 19
Transportation & Construction Systems	9,628	590	33	5,550	312	427
Machinery & Electric	12,796	231	31	3,167	34	41
Media, Electronics & Network	3,494	315	47	2,191	14	63
Chemical	3,211	192	14	1,540	10	20
Mineral Resources & Energy	9,046	226	19	2,005	18	24
Consumer Goods & Service	6,826	616	38	2,086	6	62
Materials & Real Estate	4,611	321	22	3,612	43	152
Financial & Logistics	790	109	10	1,147	3	18
Domestic Regional Business Units, Offices and Branch Offices	12,834	399	31	4,441	24	223
Overseas Subsidiaries and Branches	7,531	444	59	3,588	30	26
Segment Total	77,649	3,718	338	31,689	507	1,075
Corporate and Eliminations	(5,127)	(54)	2	4,796	(14)	49
Consolidated	$72,522	$3,664	$340	$36,485	$493	$1,124

Operating Segments (Old Basis):

Millions of Yen

2001: Segment	Total trading transactions: 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

Millions of Yen

2000: Segment	Total trading transactions: External customers	Inter segment	Total	Gross trading profit	Operating income	Segment assets	Depreciation and amortization	Capital expenditures
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

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

Geographic Information:

2002:	Millions of Yen Total trading transactions	Long-lived assets	Millions of U.S. Dollars Total trading transactions	Long-lived assets
Japan	¥6,814,565	¥734,975	$51,237	$5,526
U.S.	564,399	42,025	4,244	316
Other	2,266,415	136,999	17,041	1,030
Total	¥9,645,379	¥913,999	$72,522	$6,872

2001:	Millions of Yen Total trading transactions	Long-lived assets
Japan	¥ 6,698,465	¥666,464
U.S.	884,504	36,024
Other	2,497,093	111,506
Total	¥10,080,062	¥813,994

2000:	Millions of Yen Total trading transactions	Long-lived assets
Japan	¥ 7,184,616	¥715,212
U.S.	908,984	47,761
Other	2,562,446	164,076
Total	¥10,656,046	¥972,049

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 trading transactions for the years ended March 31, 2002, 2001 and 2000.

During the fiscal year ended 2002, the Companies changed the basis for recording geographic information from sales location to the location of customers. Prior year amounts have been restated to conform to the current year presentation.

19. FOREIGN EXCHANGE GAINS AND LOSSES

Net foreign currency transaction gains of ¥2,018 million ($15 million), gains of ¥8,231 million and losses of ¥4,236 million are included in the determination of net income for the years ended March 31, 2002, 2001 and 2000, respectively.

20. LOSS ON TERMINATION AND RESTRUCTURING OF PROJECTS

Loss on termination and restructuring of projects represent those costs that are directly associated with the Companies' decision to terminate or transform those businesses that do not produce appropriate returns and to dispose non-performing assets from those businesses. These terminations or transformations are a part of the Companies' normal operations and on-going efforts to strengthen the corporate constitution through improving the quality of assets by actively shifting its resources to superior assets, and investing in businesses which management believes will have better future prospects and higher growth potential.

Such costs include, 1) loss on investment, 2) allowance for loss on doubtful receivables, 3) allowance for additional liabilities from guarantees and assumed obligations, 4) loss on tangible assets, 5) other termination or transformation costs such as severance payments, clean-up costs, demolition costs, etc.

21. REVERSAL (PROVISION) FOR DOUBTFUL RECEIVABLES AND OTHERS IN SPECIFIC COUNTRIES

The Company has provided an accrual for anticipated future loss on certain exposures mainly in Asia as a provision for doubtful receivables and others in specific countries for ¥22,975 million for the year ended March 31, 2001. This year, the Company reversed a provision for receivables on a project in Asia, which was suspended due to the sudden unstable social and economic situation of that country.

The reason for this year's reversal is that the project was resumed. Accordingly, the Company does not expect any related losses from this project. Reversal (provision) for doubtful receivables and others in specific countries includes its reversal of ¥16,275 million ($122 million) netted against new provision of ¥3,986 million ($30 million) for the year ended March 31, 2002.

22. 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, 2002, 2001 and 2000 were ¥17,937 million ($135 million), ¥20,842 million and ¥25,511 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, 2002, 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
2003	¥ 12,325	$ 93
2004	10,312	77
2005	9,287	70
2006	8,386	63
2007	7,667	58
Thereafter	56,893	428
Total	¥104,870	$789

23. DETAILS OF OTHER INCOME AND EXPENSES

Details of "other, net" shown on the accompanying Statements of Consolidated Income were as follows:

	Millions of Yen			Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Professional fee on copper trading litigation	¥(7,216)	¥(6,685)	¥ (1,862)	$(54)
Head office relocation expenses	(2,832)	—	—	(21)
Amortization of goodwill	(322)	(1,344)	(4,098)	(2)
Other, net	800	189	(8,631)	5
Total	¥(9,570)	¥(7,840)	¥(14,591)	$(72)

24. 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 ¥41,079 million ($309 million) as of March 31, 2002.

The Companies' contingent liabilities as of March 31, 2002 as a guarantor of indebtedness of others aggregated to ¥193,740 million ($1,457 million), including ¥122,849 million ($924 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 of ¥72,128 million ($542 million) as of March 31, 2002 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) The Copper-Related Litigations

In June 1996, the Company announced that it had incurred significant losses arising from the decade-long unauthorized copper trading by a former employee. Following the announcement, regulatory authorities in the U.S. and the U.K. conducted investigations into copper-related trading activities of the Company. Several lawsuits were also brought against the Company alleging, among other things, manipulation of the price of copper. In prior years, a number of settlements and agreements had been reached with plaintiffs in these lawsuits and the U.S. and U.K. regulatory authorities.

During the year ended March 31, 2002, the Company settled several lawsuits in connection with the copper incident. In May 2001, the Company settled a lawsuit that 51 companies filed in California in 1999. The settlement amount was $87.5 million. In July 2001, the Company settled two lawsuits that had been pending in Wisconsin since 1999 and 2001, respectively for $40 million.

In October 2001, the Company and a plaintiff who brought a class action in California in 1999 executed a settlement agreement. The Company agreed to pay $10.75 million to the class, and the court issued a judgment approving the settlement in February 2002. Certain companies appealed the judgment and the appeal is pending.

As of the end of March 2002, besides the pending class action in California, the Company has one class action pending in Wisconsin and has several individual lawsuits pending against it in the U.S. and in the U.K. The class action purports to represent physical copper purchasers nationwide. The plaintiffs assert federal and state antitrust laws claims. The individual lawsuits in the U.S. generally have similar antitrust laws claims, racketeering law claims, fraud claims etc. The U.K. claimant alleges the defendants were in breach of EC Treaty and Financial Service Act 1986. The Company believes it has a number of valid defenses to these actions and intends to vigorously defend itself. In the opinion of management, the outcome of these litigations will not have a material adverse effect on the financial position of the Company.

The Company has sued several financial institutions for recovery of losses incurred in connection with the copper incident. Of these actions, on March 30, 2002, the Company settled two lawsuits that it filed in New York in 1999. As a result of the settlement, the defendants in the two actions paid the Company $125 million in April 2002.

Those settlement receipts and payments are stated in "Settlement received on copper trading litigation" in the accompanying statements of consolidated income for the years ended March 31, 2002, 2001 and 2000, and are as follows:

	Millions of Yen			Millions of U.S. Dollars
For the years ended March 31, 2002, 2001 and 2000	2002	2001	2000	2002
Receipt	¥17,708	¥30,001	¥ —	$133
Payment	6,196	10,876	—	47
	¥11,512	¥19,125	¥ —	$ 86

(2) Other Litigations

In addition to the situation described in the preceding paragraphs (1), the Company is also involved in certain legal actions and claims incidental to its business.

In the opinion of management, none of these actions or claims will have a material adverse effect on the financial position of the Company.

Independent Auditors' Report

KPMG

Hibiya Kokusai Building 22F
2-3, Uchisaiwai-cho 2-chome
Chiyoda-ku, Tokyo 100-0011
Japan

Tel +81(3)3509-7800
Fax +81(3)3509-7811

Sumitomo Corporation:

We have audited the accompanying consolidated balance sheet of Sumitomo Corporation and consolidated subsidiaries as of March 31, 2002, and the related statements of consolidated income, consolidated shareholders' equity and comprehensive income, and consolidated cash flows for the year then ended, 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 audit. The accompanying consolidated financial statements of Sumitomo Corporation as of and for the years ended March 31, 2001 and 2000, were audited by other auditors whose report thereon dated May 16, 2001, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Corporation as of March 31, 2002, and the results of its operations and its cash flows for the year then ended 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.

KPMG

Tokyo, Japan
May 9, 2002

Shin Nihon & Co.
Shin Nihon & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law, is a member firm of KPMG International, a Swiss non-operating association.