AA Plan

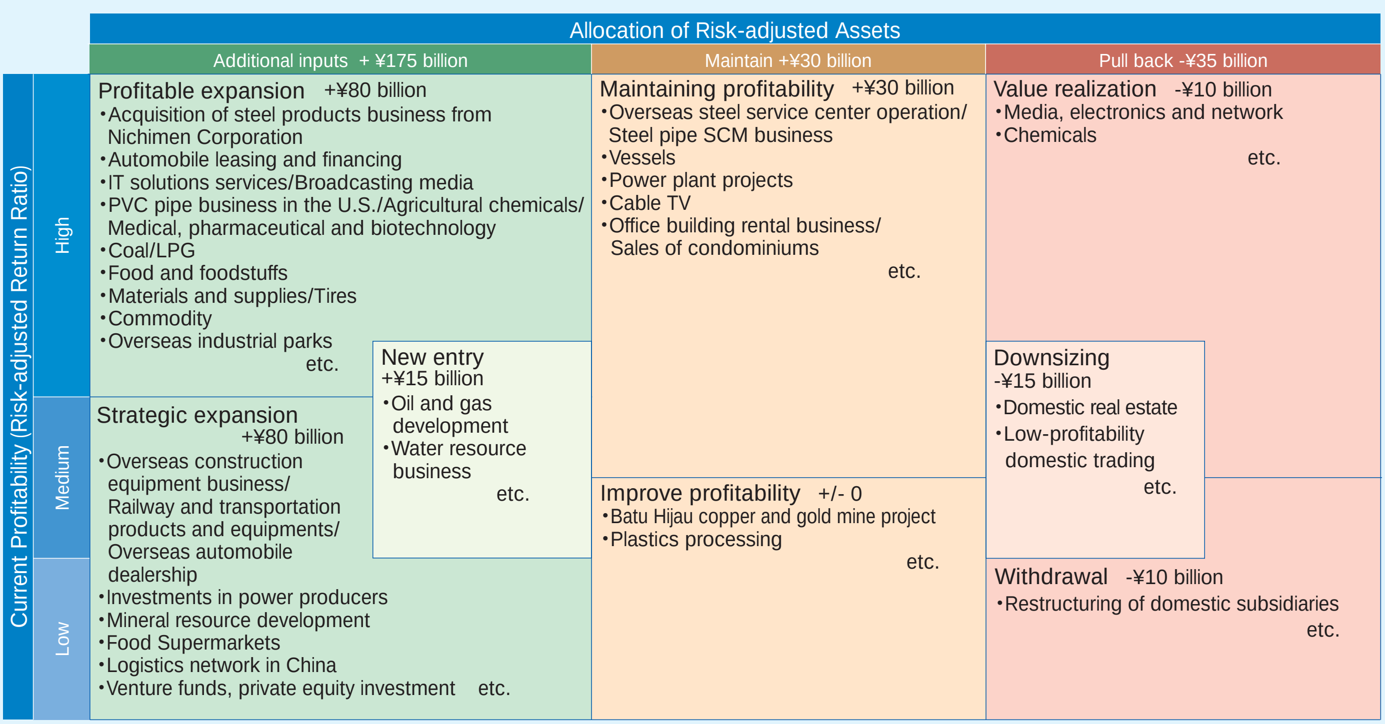
Building on our achievements in the previous two medium-term management plans, the "Reform Package" and the "Step Up Plan," we will continue to strive for further progress in the "AA Plan." We target a two-year average risk-adjusted return ratio of 6% or above (net imcome-based) and net income of ¥60 billion for fiscal 2003 and ¥70 billion for fiscal 2004, renewing record-high profits for the coming two years. In developing the AA Plan, each Business Unit developed a Business Portfolio Strategy that aims to expand its earnings base through optimal allocation of the management resources. We then verified each Unit's strategy to ensure consistency with company-wide financial strategy and risk management policy. Finally, the President and the heads of each Business Unit discussed the plans from the perspective of the whole company's business strategy and the optimal allocation of management resources, which resulted in the plan for the Company.

Business Portfolio Strategy

The AA Plan aims to maximize efficient use of management resources through the advancement of our Business Portfolio Strategy, which clearly defines the future direction for each business line. In preparing the AA Plan, each Business Unit determined the appropriate allocation of risk-adjusted assets by examining the profitability and growth potential for each business line using the Three Strategic Measures (risk-adjusted return ratio, business base, and expected growth rate) introduced in 1998 as a common yardstick for the Company's businesses. The risk profile of each business was also analyzed to assure that each Business Unit would achieve its profit target. We verified which business would be sound, and ensured that the portfolio as a whole was not overly weighted with high-risk businesses. With these considerations, each Business Unit structured its own optimal Business Portfolio Strategy.

The company-wide Strategy Map (see chart below) combines the Business Portfolio Strategies of all Business Units to give an overview of the allocation of risk-adjusted assets under the AA Plan. We will increase risk-adjusted assets by ¥175 billion in businesses we expect to grow further (left column), and by ¥30 billion in businesses where we aim to improve profitability while maintaining the same level of risk-adjusted assets (central column). At the same time, we will reduce risk-adjusted assets by ¥35 billion in businesses we plan to scale back or sell to realize value (right column). Under the AA Plan, we will aggressively increase risk-adjusted assets in high growth and highly profitable core businesses while continuing with replacement of risk-adjusted assets through thorough business selection.

Strategy Map



* Three Strategic Measures
1. Risk-adjusted Return Ratio = consolidated return / consolidated risk-adjusted assets*
2. Business Base = the amount of added value generated by the business + labor costs + depreciation + interest expenses
3. Expected Growth Rate = the rate of increase of the business base mentioned above

* The value of maximum losses that could be incurred if all the potential risks were actually to occur during the accounting period. This is calculated as a sum of (a) receivables, inventory, fixed assets, and securities multiplied by each risk weight on the balance sheet and (b) off-balance sheet risk such as market risk.

Business Unit Strategies

We will aggressively increase risk-adjusted assets by a net ¥170 billion in the Company's core businesses during the two-year period of the AA Plan. We will increase risk-adjusted assets on a net basis in nine out of eleven segments, particularly in the Mineral Resources & Energy Business Unit, the Media, Electronics & Network Business Unit, and the Transportation & Construction Systems Business Unit. The two exceptions are the Materials & Real Estate Business Unit and the Domestic Regional Business Units, Offices and Branch Offices, where we continue to withdraw from low-return domestic businesses.

We will increase ¥30 billion of risk-adjusted assets in the Mineral Resources & Energy Business Unit, the largest investment in our segments. We have been placing strategic focus on this Business Unit, which includes coking coal and a number of other highly profitable areas. The AA Plan aims to acquire upstream assets of excellent quality in areas including coal, oil, and liquefied natural gas (LNG), prioritizing profitability rather than scale. In addition, we will expand electricity retailing and promote businesses related to new technology such as small modular high-temperature gas reactors. The performance of the Batu Hijau copper and gold mine development project is improving, and it is expected to contribute to profits during the Plan.

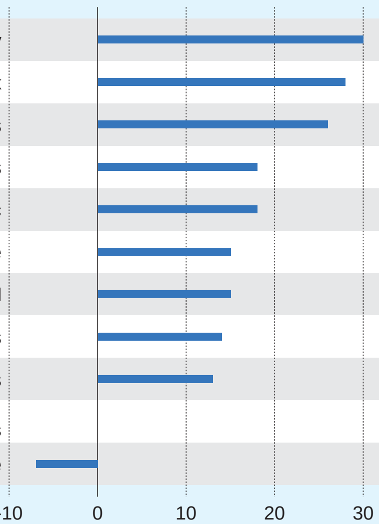
We have the largest amount of risk-adjusted assets in the Media, Electronics & Network Business Unit, reflecting our long-term strategic focus. The Unit has a firm foundation in broadcast media business with Jupiter Telecommunications Co., Ltd., which has a dominant share in the cable TV market, and Jupiter Programming Co., Ltd. It also has a strong presence in IT solutions with Sumisho Computer Systems Corporation and Sumisho Electronics Co., Ltd. In the IT industry, technology develops extremely rapidly and the operating environment is subject to dynamic changes. This presents us with a wealth of opportunities and, while constantly strengthening its core businesses, the Unit will also actively invest in new areas such as interactive broadband content.

The Transportation & Construction Systems Business Unit have created value chains in the auto financing and overseas auto dealerships businesses, combining vehicle sales with leasing, insurance, and maintenance businesses. We will continue to strengthen these businesses, leveraging our integrated corporate strength encompassing global customer relations and financing capabilities. Sumisho Auto Leasing Corporation has increased the number of vehicles it holds for lease to nearly 200,000, and plans to further expand its business through strategic mergers and acquisitions.

We are also investing management resources in growing core businesses in other areas. Our initiatives include the planned acquisition of the steel products business of Nichimen Corporation, and consolidation and expansion of the supermarket business.

Risk-adjusted Assets / Risk-adjusted Return Ratio (net income-based) by Segment

Planned changes in Risk-adjusted Assets under the AA Plan



Segment	Risk-adjusted Assets at fiscal year-end 2002 (Billions of Yen)	Risk-adjusted Assets at fiscal year-end 2004 (target) (Billions of Yen)	Risk-adjusted Return Ratio (net income-based): Step Up Plan	Risk-adjusted Return Ratio (net income-based): AA Plan (target)
Mineral Resources & Energy	97	127	3.0	6.5
Media, Electronics & Network	117	145	5.2	8.2
Transportation & Construction Systems	87	113	5.4	8.9
Overseas Subsidiaries and Branches	80	98	9.8	12.8
Machinery & Electric	72	90	3.9	8.2
Consumer Goods & Service	67	82	6.7	8.5
Chemical	33	48	3.5	9.0
Metal Products	65	79	7.8	9.0
Financial & Logistics	17	30	11.6	11.7
Domestic Regional Business Units, Offices and Branch Offices	61	61	-0.4	8.2
Materials & Real Estate	117	110	2.1	5.3

Note: Risk-adjusted Return Ratios are the average over the two years during each Plan.

Steady improvement in earning power

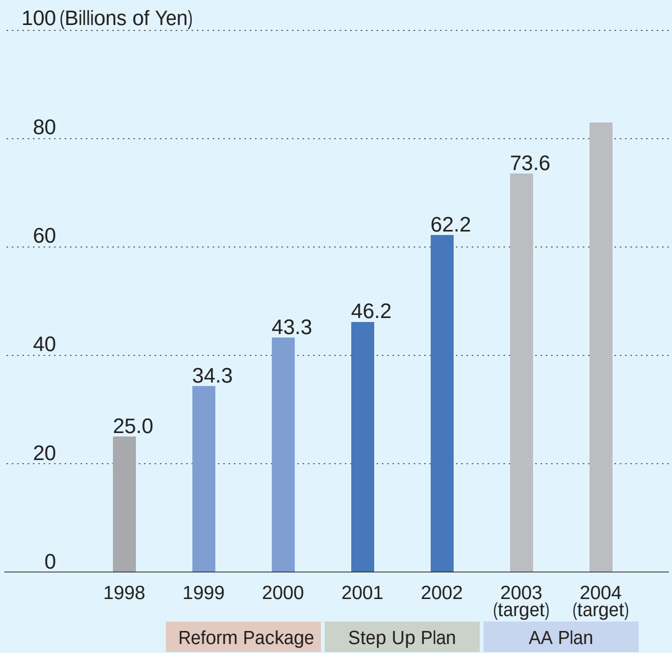
We have consistently been pursuing the target risk-adjusted return ratio of 7.5%, which covers shareholders' cost of capital, and have steadily expanded our earnings base and enhanced our corporate strength towards achieving this goal.

Under the Reform Package started in fiscal year 1999, we reinforced our corporate strength mainly by selecting core businesses and downsizing non-core businesses. In the following Step Up Plan, begun in fiscal year 2001, we focused on improving asset quality by promoting the replacement of low-profitability assets with high-profitability assets. Now under the AA Plan, we will aggressively expand our earnings base while maintaining our basic strategy of improving corporate strength through the selection and reinforcement of core businesses and the replacement of assets.

Changes in the so-called "Basic Profit" show a steady improvement in our earning power as a result of these efforts. The consistent improvement in our corporate strength since the start of our reforms in fiscal year 1998 can be seen more clearly by looking at the breakdown of risk-adjusted assets classified by the level of risk-adjusted return ratio. The proportion of risk-adjusted assets with a risk-adjusted return ratio of 7.5% or higher was only 19% before the reforms were started. By the end of the Step Up Plan at the end of fiscal year 2002, it rose to 46%. During the AA Plan, we aim to increase it further to 56%. We also plan to substantially reduce the proportion of low-profitability risk-adjusted assets with a negative risk-adjusted return ratio to 5% by the end of the AA Plan, which was 30% before the reforms started.

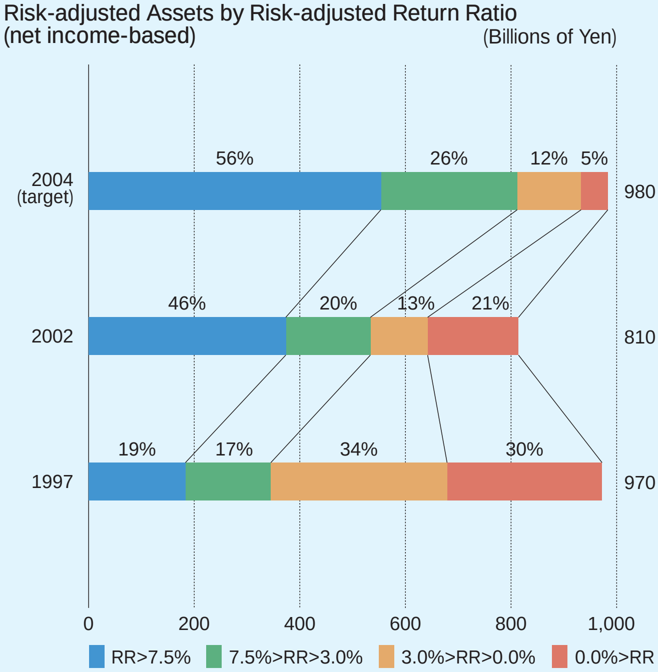
As a company with a strong global network, we see the structural changes playing out across diverse industries as presenting ever expanding opportunities. Under the AA Plan, we will continue with our reforms, strengthen the Company and aggressively expand our earnings base.

Basic Profit*



*(Gross trading profit + Selling, general and administrative expenses,
+ Interest expenses, net of interest income + Dividends) x 58%
+ Equity in earnings (losses) of associated companies, net

Risk-adjusted Assets by Risk-adjusted Return Ratio
(net income-based)



RR: Risk-adjusted Return Ratio

Note: Risk-adjusted Assets of Corporate Group are excluded.