

Overview of Operations

Outline for performance per Business Unit (Years ended March 31, 2003, 2002 and 2001)

(Billions of Yen)

| | | Gross Trading Profit | Net Income | Assets |
|--|------|----------------------|------------|--------|
| Metal Products Business Unit | 2001 | 35.7 | 3.3 | 332.0 |
| | 2002 | 36.6 | 4.5 | 314.1 |
| | 2003 | 37.2 | 6.4 | 344.0 |
| Transportation & Construction Systems Business Unit | 2001 | 73.0 | 2.6 | 660.5 |
| | 2002 | 78.5 | 4.3 | 738.2 |
| | 2003 | 86.2 | 5.6 | 764.9 |
| Machinery & Electric Business Unit | 2001 | 26.5 | -6.0 | 440.1 |
| | 2002 | 30.6 | 4.1 | 421.2 |
| | 2003 | 28.6 | 1.8 | 451.2 |
| Media, Electronics & Network Business Unit | 2001 | 49.5 | 15.4 | 361.3 |
| | 2002 | 42.0 | 6.3 | 291.4 |
| | 2003 | 40.9 | 8.5 | 339.2 |
| Chemical Business Unit | 2001 | 28.9 | 2.9 | 225.0 |
| | 2002 | 25.5 | 1.9 | 204.8 |
| | 2003 | 23.6 | 1.1 | 186.5 |
| Mineral Resources & Energy Business Unit | 2001 | 30.1 | -7.1 | 252.1 |
| | 2002 | 30.1 | 2.4 | 266.7 |
| | 2003 | 31.6 | 3.9 | 309.5 |
| Consumer Goods & Service Business Unit | 2001 | 77.9 | 3.0 | 269.3 |
| | 2002 | 81.9 | 5.1 | 277.4 |
| | 2003 | 86.0 | 5.3 | 271.5 |
| Materials & Real Estate Business Unit | 2001 | 37.0 | -3.7 | 524.8 |
| | 2002 | 42.6 | 3.0 | 480.3 |
| | 2003 | 48.4 | 1.6 | 449.6 |
| Financial & Logistics Business Unit | 2001 | 13.4 | 1.3 | 114.5 |
| | 2002 | 14.5 | 1.3 | 152.5 |
| | 2003 | 15.5 | 2.0 | 161.5 |
| Domestic Regional Business Units, Offices and Branch Offices | 2001 | 55.7 | 2.6 | 706.0 |
| | 2002 | 53.1 | 4.1 | 590.7 |
| | 2003 | 51.2 | -4.9 | 569.8 |
| Overseas Subsidiaries and Branches | 2001 | 60.9 | 6.0 | 482.9 |
| | 2002 | 59.1 | 7.9 | 477.3 |
| | 2003 | 59.3 | 7.1 | 503.7 |

Metal Products Business Unit

We are aiming to build a dominant position in the steel and non-ferrous metals business as the domestic steel industry consolidates around two major groups and higher efficiency becomes essential. We are working to strengthen our core business lines through M&As, and our customer services such as steel service center operations.

BUSINESS STRATEGIES

We expanded the business base of our steel activities, and boosted our profitability through strategic M&As. The acquisition of the steel products business lines from Nichimen Corporation will be completed during fiscal year 2003, following our purchase of the overseas assets from Nomura Trading Holdings Co., Ltd.

For steel sheets, we are reinforcing our domestic and overseas steel service centers. We have 19 centers in eight Asian countries—five of which are in China—and seven in North America, and their total annual process capacity of 3.5 million tons leads the industry. We are also the first Japanese company to set up a steel service center in the Czech Republic. The center is expected to begin operations in 2004. Leveraging our global network of operation centers, we will upgrade our global procurement capabilities and further improve local services for a wide range of customers.

Our steel pipe business has been driven by steady demand for Oil Country Tubular Goods (OCTG) and line pipes, as energy prices remain high and the number of gas exploration projects increase. We intend to strengthen our cost competitiveness and improve customer satisfaction through high value-added services. An example is the comprehensive support we provide through our Tubular Information Management System (TIMS), a proprietary online supply chain management system highly praised by clients globally.

Among non-ferrous metals, our aluminum business covers from ingots procured through participation in overseas smelting proj-

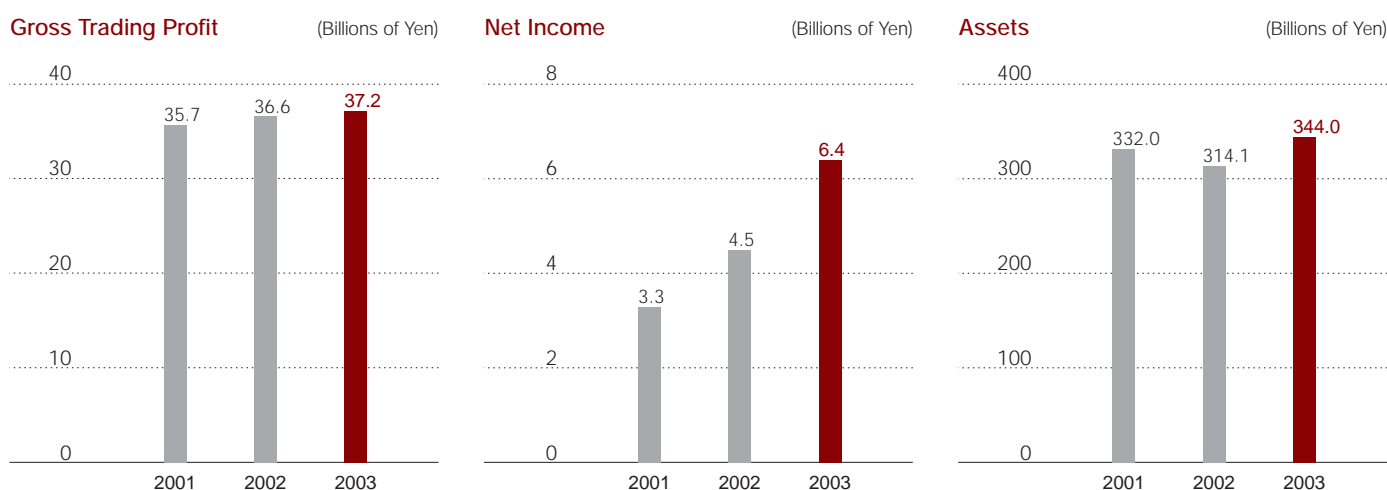


Shigemi Hiranuma
General Manager, Metal Products Business Unit

ects, to products, scraps and secondary alloy ingots. We are committed to maintaining our leading position among trading companies in aluminum products and ingots trading.

In metal products used in automobiles, we will continue to advance our auto industry-oriented services, handling both steel and aluminum products as a One Stop Shop. We are also setting up new steel service centers and distribution systems for car components in markets where auto production is rapidly growing, such as China and central Europe.

SC Grainger Co., Ltd. has steadily increased its online sales of maintenance, repair and operating (MRO) supplies such as factory tools, and the number of client companies topped 30,000 in its second year. We will stay committed to this new business model, targeting 80,000 clients by the end of 2003.



(For the years ended March 31, 2003, 2002 and 2001)

BUSINESS HIGHLIGHTS

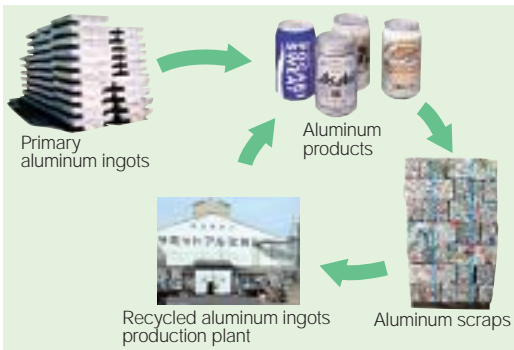
■ Steady progress in our M&A strategy

We promoted three large M&As, focusing on speed, cost and human resources. The purchase of the overseas steel business of Nomura Trading Holdings Co., Ltd. highly contributed to the expansion of our steel service center operation network. It strengthened our Asian business in zinc-coated steel sheets and ushered us into the Vietnamese market. It also reinforced the management of our steel service center operation, as we received human resources from Nomura. By acquiring Nichimen Corporation's steel business lines and combining it with our related businesses, we will strengthen our domestic businesses in stainless steel and specialty steel, automobile-related products and other areas. We also bought the tubular product division of North Star Steel Company in the U.S. with France-based Vallourec & Mannesmann Tubes. This purchase helped us to secure and expand supply source to accommodate the growing market for OCTG.



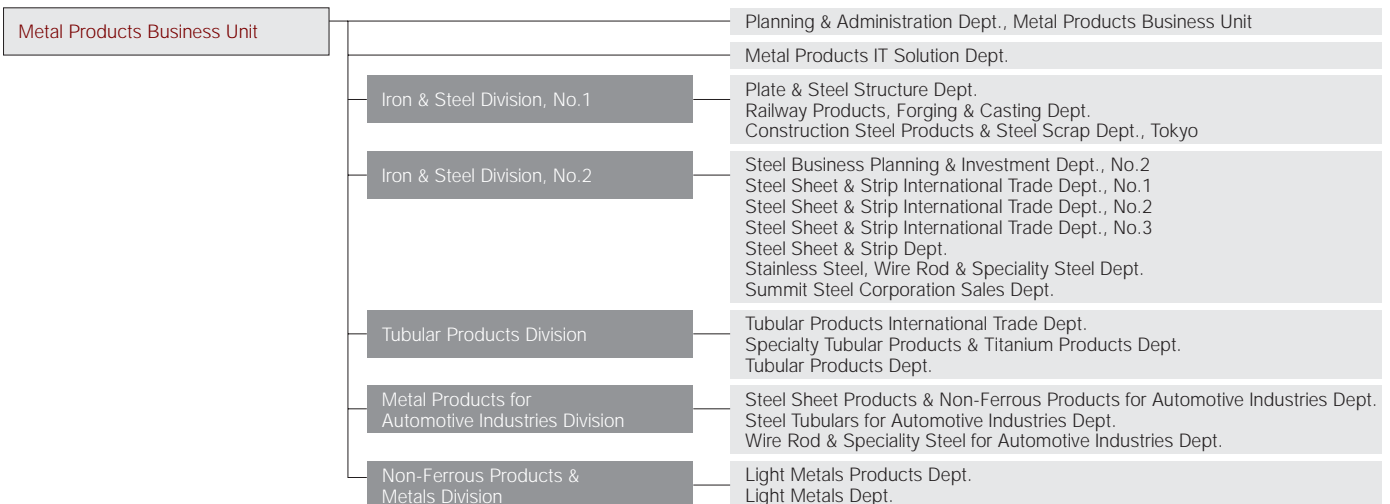
Our global staff at subsidiaries throughout Asia, the U.S. and Europe

■ Our environment-conscious aluminum recycling business



We have been focusing on the aluminum recycling business as part of our efforts in environmentally-friendly businesses. Producing primary aluminum ingots from bauxites and alumina consumes a large amount of electricity, while it only takes 3% of that amount to produce recycled aluminum ingots by re-melting aluminum scraps, saving an enormous amount of energy. Summit Aluminum Ltd., our subsidiary, is the leader in production of recycled aluminum ingots in Japan, producing 120,000 tons annually. The company contributes to the achievement of a recycling-based society, by producing and selling recycled aluminum ingots that are widely used for car components and aluminum sheets for cans.

Organization



Transportation & Construction Systems Business Unit

The strength of the Unit lies in having group companies that are consistently profitable, such as Sumisho Auto Leasing and Oshima Shipbuilding, and in our strong presence in the traditional trade business. We also operate dealerships of automobile and construction equipment in 21 countries, and are expanding our financing business primarily in the area of auto loans.

BUSINESS STRATEGIES

Reflecting buoyant demand in the vessels business, we received orders for 70 new vessels in fiscal year 2002, the largest number of orders we have ever received in a single fiscal year. Oshima Shipbuilding Co., Ltd., our associated company, turned in strong results as well. We further received orders worth about ¥16 billion jointly with Universal Shipbuilding Corporation for two giant 300,000 ton-class oil tankers for Hong Kong Ming Wah Shipping Co., Ltd.

We established a new subsidiary in the Netherlands for the aircraft leasing business, Sumisho Aircraft Asset Management B.V., and we are securing stable revenues by leasing aircraft owned by the Company chiefly to European airlines.

In the railroad and transportation-related area, we received consecutive orders for large-scale projects in the U.S. and Asia. In the U.S., we received a ¥25 billion order in partnership with Mitsubishi Heavy Industries, Ltd. (MHI) for an automated people-mover system at Washington Dulles International Airport. In Asia, through a consortium of seven companies including MHI, we jointly won a contract worth about ¥100 billion to lay tracks for a high-speed train in northern Taiwan.

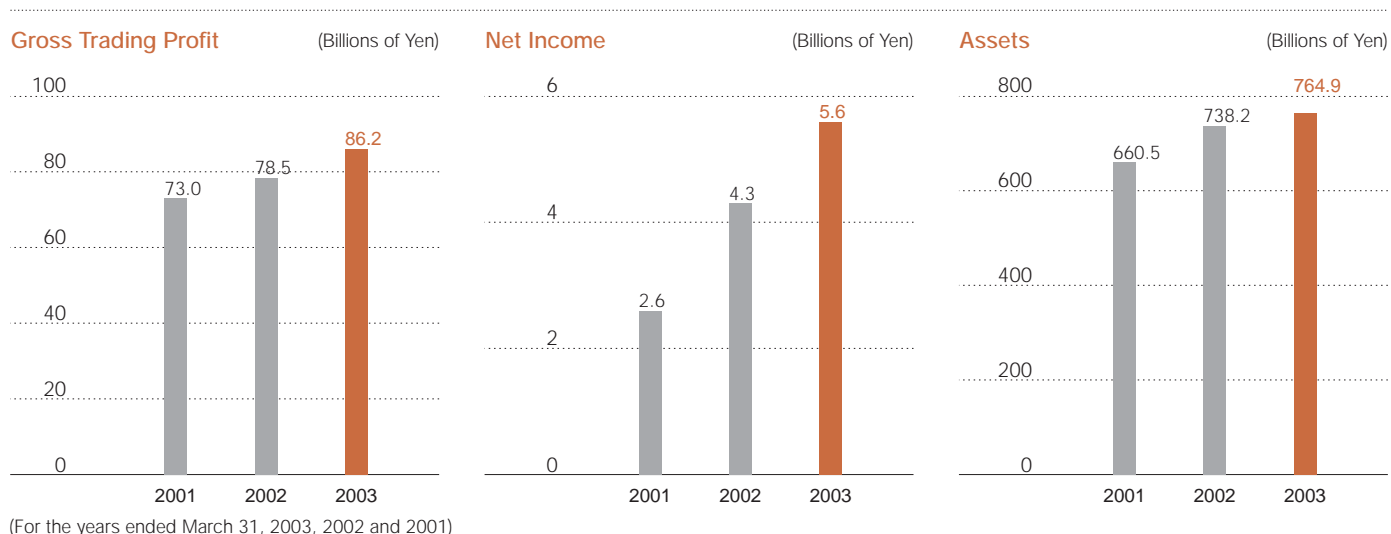
In the automobile-related area, Sumisho Auto Leasing Corporation consolidated its business by acquiring Kubota Lease



Shuji Hirose
General Manager, Transportation & Construction Systems Business Unit

Corporation and the auto leasing business of Kawasho Lavie Corporation. We also expanded our lease finance business overseas through our subsidiaries including Indonesia-based P.T. Oto Multiartha. In October 2002, we established Sumisho Pocket Finance Corporation in partnership with Sanyo Shinpan Finance Co., Ltd. and entered the auto loan retailing business. Sumisho Pocket Finance offers a new type of loan to customers who want to sell their cars before completely repaying their auto loan. Our automobile dealership business, which began full operations in 1992 in Australia, currently has expanded to 19 countries globally. Automobile sales in central and eastern Europe have been especially robust.

As for our construction equipment business, beginning with the establishment of a subsidiary, Komatsu Canada Limited, in 1972, we have built a top-class network of dealerships for Komatsu construction equipment in the U.S. In March 2003, we additionally acquired Mitchell Distributing Company LLC and further strengthened our base in North America. In addition to our strong trade performance in the Middle East and Asia, we operate construction equipment sales companies in Spain, Australia, China and Russia.



BUSINESS HIGHLIGHTS

■ Order received for a people-mover system at Washington Dulles International Airport

We won a contract together with Mitsubishi Heavy Industries, Ltd. (MHI) to build MHI's automated people-mover system, Crystal Mover, at Washington Dulles International Airport. Phase one of the project, a length of about 3.5 km, is scheduled to be completed in 2008. Plans call for the system to be further extended to a total length of 10 km, and when finished, it should be the world's longest people-mover system at an airport. This project is the third order we have received in partnership with MHI for new airport transportation systems. Others have come from Miami International Airport in the U.S. and Changi International Airport in Singapore. Winning this contract for Washington D.C.'s airport, a major international hub for travel to the U.S., was extremely important in laying a foundation for future orders.



Image of MHI's Crystal Mover for Washington Dulles International Airport

■ Expanding our core businesses through M&As

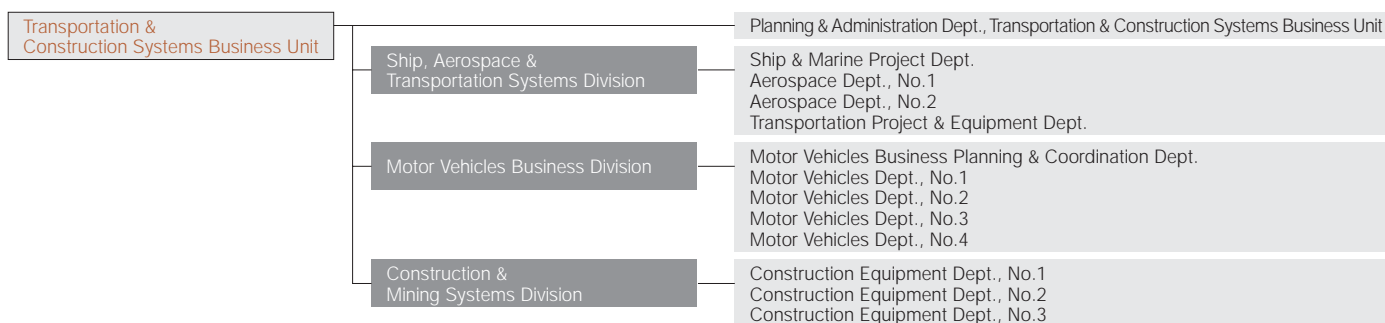


We acquired a Komatsu construction equipment dealership with eight branches in the U.S.

We have strengthened our core automobile and construction equipment businesses through M&As. In the U.S., we acquired Mitchell Distributing Company LLC, a dealership of Komatsu construction equipment that has eight branches in North and South Carolina with annual sales of about ¥9.6 billion, from Marubeni Corporation. Combined with our existing network of dealerships in Canada and the U.S., we now account for 30% of Komatsu's construction equipment sales in North America.

In Japan, our subsidiary, Sumisho Auto Leasing Corporation purchased Kubota Lease Corporation, which is top-class in the forklift leasing business, and the auto leasing business from Kawasho Lavie Corporation. As a result of these activities, the number of vehicles we have for lease has increased from around 173,000 to more than 200,000, making us the second biggest company in the auto leasing industry.

Organization



Machinery & Electric Business Unit

Overseas, we are focused on electric power projects including investment, infrastructure development projects mainly related to water and energy, and solutions-oriented telecommunication projects. Domestically, we are committed to strengthening our position in the fields of biotechnology and energy.

BUSINESS STRATEGIES

In fiscal year 2003, we will improve the profitability of power projects through the balanced strengthening of power plant projects (engineering, procurement and construction), power plant investment, and new power-related businesses. In the area of large-scale power plants, construction of a thermal power plant in Indonesia is scheduled to recommence, and following this, we plan to secure more orders primarily in Southeast Asia. In power plant investments, following our major equity participation in Phu My 2-2 (IPP*) in Vietnam and the Hermiston power plant in the U.S., we look for investments in first-class power plants, mainly in the U.S. For new power-related businesses, we are placing our focus on environmentally-friendly and energy-saving business, such as energy service companies (ESCO) in Thailand, solar power modules, and regional air-conditioning business in the Middle East.

In overseas infrastructure and energy projects, we will commit ourselves to securing orders for highly-profitable projects, especially those related to water and energy. In Saudi Arabia and Kuwait, we have been actively working to establish IWPP** for the past few years. In the Middle East, Southeast Asia and Latin America, we are striving to secure order for profitable oil and gas-related projects.

In the area of information and telecommunications, we are expanding and developing our traditional trade business into solutions-oriented businesses, such as Internet-related business and system integration business. We focus on projects rooted in core



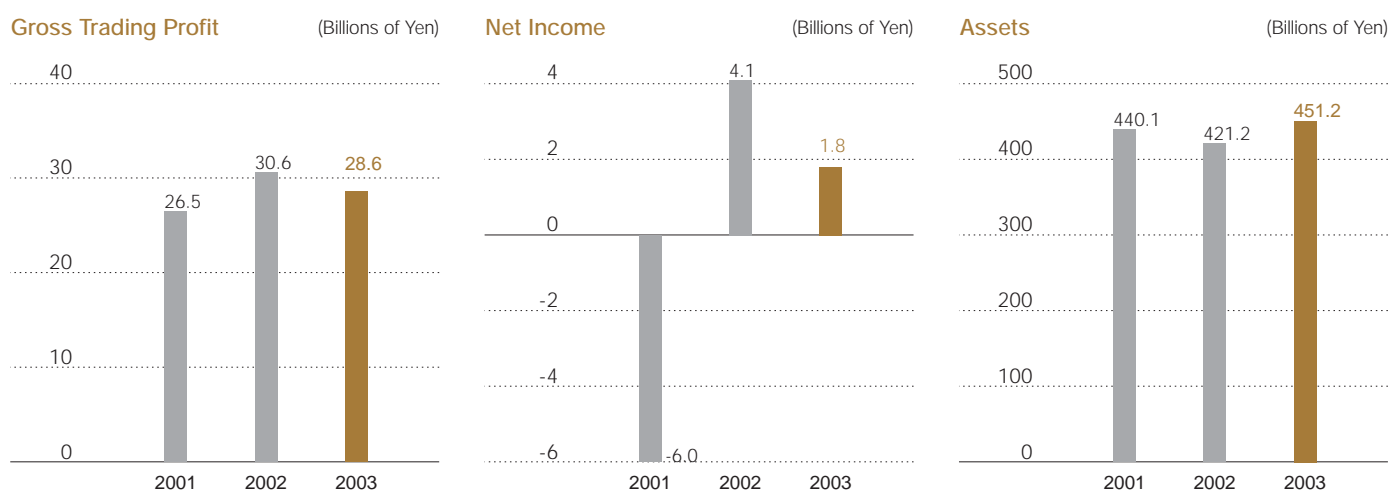
Kosaburo Morinaka
General Manager, Machinery & Electric Business Unit

markets, striking a balance between trade and investment profits. MobiCom Corporation, established in 1995 in Mongolia under alliance with KDDI Corporation, has been steadily increasing its profit and expanding its business area. In April 2002, we formed a capital alliance with KDDI on a new project in Brazil, one of our core markets, in order to bolster our business in the IT and telecommunications markets.

As for domestic business, we plan to maintain our earnings base in conventional machinery and equipment-related businesses while pioneering new growth areas such as biotechnology and new energy. We aim to increase earnings by expanding our businesses in drug discovery, medical care and preventive medicine through SC BioSciences Corporation and bio-venture funds. Given increased deregulation in the power industry and the trend toward CO₂ reduction, we also plan to extend our efforts to fuel cells, micro-gas turbines and co-generation equipment.

*IPP: Independent Power Producer

**IWPP: Independent Water and Power Producer



(For the years ended March 31, 2003, 2002 and 2001)

BUSINESS HIGHLIGHTS

■ IPP in Vietnam: Phu My 2-2 Power Project

Through a consortium established in cooperation with The Tokyo Electric Power Company, Incorporated (TEPCO) and Electricité de France, we are participating in the Phu My 2-2 Project, the first independent power producer (IPP) project in Vietnam. Construction of the 715 MW power plant in the Phu My region, about 50 km south-east of Ho Chi Minh City, has started in January 2003. The plant is scheduled to go on stream in November 2004. Minimal environmental impact and the world's highest level of thermal efficiency is targeted to be achieved by adopting advanced combined cycle technology and using natural gas as the plant's primary fuel. Generated power will be sold exclusively to Electricity of Vietnam for 20 years, after which the plant will be transferred to the Government of Vietnam.



Construction site at the Phu My 2-2 thermal power plant, the first independent power producer in Vietnam

■ SC BioSciences: supporting drug discovery with cutting-edge biotechnology

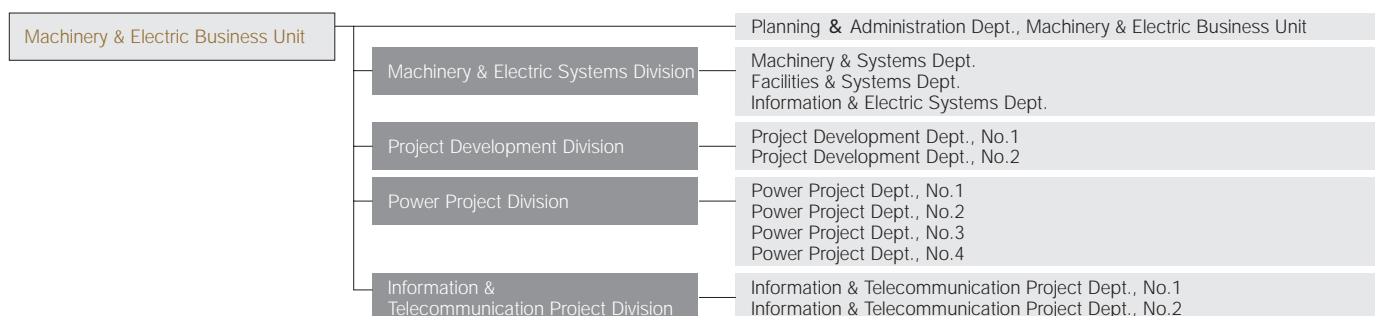


Yokohama Laboratory of SC BioSciences is outfitted with state-of-the-art bio-science technology and equipment.

SC BioSciences Corporation focuses on genomics, proteomics and bioinformatics. The company is dedicated to be a One Stop Shop for biotechnology, with support for customer implementation of global cutting-edge biotechnologies, a biotechnology-related equipment business, and bio-venture investment and incubation both in Japan and abroad.

SC BioSciences has acquired exclusive sales rights in the Japanese market to several products developed by U.S. bio-ventures, including Quantum Dot Corporation's fluorescent reagents for cell labeling and Xenogen Corporation's imaging system for monitoring minuscule amounts of light emitted from within the bodies of test animals. In collaboration with the Japanese subsidiary of U.S.-based CIPHERGEN Biosystems, Inc., the company has been conducting joint sales activities for ProteinChip® Systems, and more recently has initiated protein identification and analysis services at Biomarker Discovery Center in Yokohama.

Organization



Media, Electronics & Network Business Unit

Our activities in media include cable TV, satellite broadcasting and movies. In the area of networks, we are strengthening our hardware and software businesses while pursuing synergies with our media business. Our activities in electronics consist of developing electronic manufacturing services (EMS) chiefly in China.

BUSINESS STRATEGIES

As one of our media businesses, Jupiter Telecommunications Co., Ltd., the cable TV multiple systems operator, has enjoyed a steadily increasing number of subscribers. By the end of March 2003, the number reached 1,626,300, a rise of 20% from the level of a year ago. To boost customer satisfaction and improve profitability, the company plans to promote digitalization measures and bolster its contents business. Jupiter Programming Co., Ltd., a multi-channel operator, will also endeavor to expand its business by creating and procuring appealing content.

In the area of movies, we will continue together with Asmik Ace Entertainment Inc. to produce and invest in quality Japanese films, while reinforcing our distribution business and strengthening video and DVD sales of first-rate foreign films. Additionally, United Cinema Co., Ltd. intends to expand its cinema complex business nationwide.

For networks, we plan to expand our systems-related businesses in response to the growing use of Internet Protocol (IP) and broadband. These initiatives will be led by Sumisho Computer Systems Corporation and Sumisho Electronics Co., Ltd. (SSE). The new SSE, formed through a merger with SC ComTex, Inc., has entered a capital and business alliance with Nissho Electronics Corporation to acquire a bigger share of the telecommunications network market. The alliance could potentially extend to operational and managerial

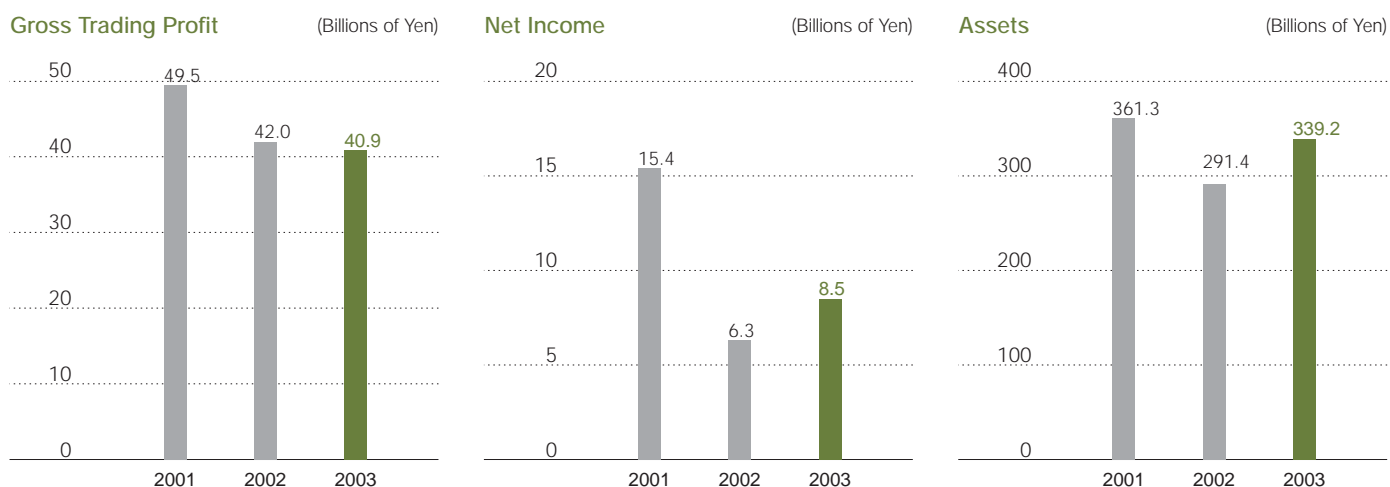


Nobuhide Nakaido
General Manager, Media, Electronics & Network Business Unit

integration. In November 2002, AlphaBridge Corporation launched "PuCa," an automatic online delivery service for broadband content, and will continue to concentrate its investments on planning, producing and delivering broadband content, and Internet marketing.

The electronics market is showing signs of recovery, though cost competition is likely to intensify. We will focus on expanding business in 300mm silicon wafers, blue and white LED chips, and other high value-added areas, as we concurrently search out new value-added components. We will also continue to devote efforts to carbon nanotubes as a future core business.

We further plan to add greater value to our EMS business by boosting purchasing power for components, and by introducing high-density printed circuit board assembly and design techniques to shorten lead time and facilitate mass production. Responding to the transfer of production to China by Japanese electronics manufacturers, Sumitronics Corporation, which has fabless EMS centers all over the Asian region, intends to develop business in northern China in addition to expanding in southern and eastern China.



(For the years ended March 31, 2003, 2002 and 2001)

BUSINESS HIGHLIGHTS

■ Jupiter Shop Channel gains momentum

Jupiter Programming Co., Ltd. participates in the operations of ten companies and a total of 14 channels. Of the ten, Jupiter Shop Channel has achieved exceptionally fast growth, with sales increasing 39% year-on-year to ¥27.6 billion in the fiscal year ended December 2002. It enjoys the top position in the industry with a share of approximately one-fourth of the TV shopping market. The number of subscribers has grown to 15.55 million as of the end of March 2003, up 29% from the end of 2001. Shop Channel displays as many as 700 domestic and foreign items every week on its 24-hour, 365-day broadcast, and has won strong support, especially from housewives. As a leading company in the rapidly growing TV shopping market, we are looking to further expand our operations potentially through alliances with terrestrial broadcasting companies.



The Jupiter Shop Channel broadcasting studio

■ Our movie-related business

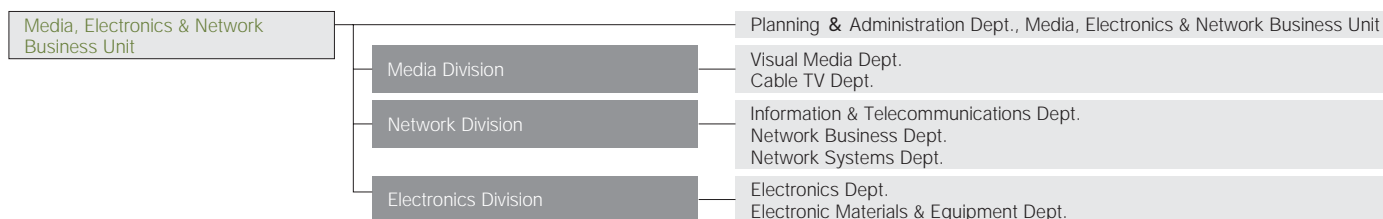


The United Cinema multiplex-theater in Iruma, Japan

We hold an equity interest in United Cinemas Co., Ltd., a company that manages cinema complexes. In the fiscal year ended December 2002, the company became profitable, owing in part to growth in the cinema market. In spring 2004, it will open a new cinema complex with nine screens located near Toshima-en in Nerima-ward, Tokyo. This will be United Cinemas' eleventh cinema complex, but its first in the central area of Tokyo. With 1.2 million people in this market area, the company targets profits for the new complex in its first year.

We have also been successful in our film-making and investment businesses. A film in which we invested, "*Tasogare Seibei*" ("The Twilight Samurai"), won the 2002 Japan Academy Award, and three films, including *Ping Pong*, a film produced by the group company Asmik Ace Entertainment Inc., were also awarded for their excellence.

Organization



Chemical Business Unit

We are committed to pursuing new business opportunities by shifting our resources into advanced, cutting-edge fields, such as new materials, electronics, biotechnology and medical care, and into overseas businesses, especially in China. In plastics and organic chemicals, we continue to concentrate our resources in highly profitable areas.

BUSINESS STRATEGIES

Demand in Asia is expected to grow for inorganic and specialty chemicals, especially for chemicals related to electronics materials. We plan to increase profits from lithium-ion rechargeable batteries by seizing opportunities of localization as well as reinforcing packaged exports of materials to Korea and China. In electronics material chemicals, we are targeting the top position in the industry by implementing a supply chain management (SCM)-based batch delivery system, which we have been promoting in Taiwan and China. We are also building a new business in China for phosphorus- and fluorine-related chemical materials. Further, we intend to secure stable earnings in the sulfur and sulfuric acid with a main focus on the Swiss-based Interacid Trading S.A. In the hydrogen-related business, Sumisho Air Water Co., Ltd. developed Japan's first mobile hydrogen gas station, which has been adopted by Toyota Motor Corporation and Nissan Motor Co., Ltd. We are extending sales of the station to transportation agencies and local governments, developing it, alongside fixed hydrogen gas stations, into a centerpiece of our hydrogen business.

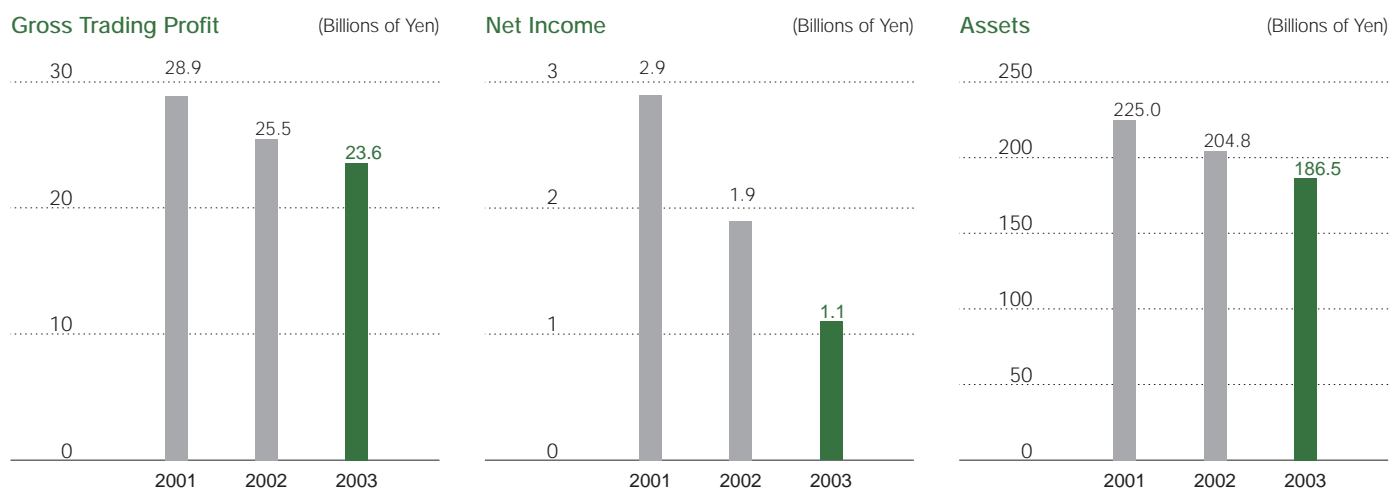
In the life science business, the ability to supply higher quality products at lower cost is the key to our competitiveness. We are working to secure outsourcing businesses for active pharmaceutical ingredients, intermediates and formulations from pharmaceutical companies in Japan, the U.S. and Europe, in cooperation with Summit Pharmaceuticals companies in the U.S., Europe and China.



Hironori Katoh
General Manager, Chemical Business Unit

Summit Pharmaceuticals International Corporation, which specializes in supporting drug discovery and biotechnology research, will expand its business with the aim of future IPO. We will also continue to expand the electronic medical record business of Apicus Co., Ltd., as well as develop other new medical businesses. In agricultural chemicals, we aim to expand our world-wide sales and marketing network through alliances with domestic and overseas manufacturers.

Given the growing demand for plastics and organic chemicals in China and Southeast Asia, we allied with a local firm and entered the high-quality vinyl chloride business in China. In the U.S., Cantex Inc., which owns a 30% market share in PVC conduits for electric wires, will introduce new products and boost sales of molded products less affected by market fluctuations, to stabilize and increase earnings. Sumitomo Shoji Plastics Co., Ltd., having integrated its businesses with Sumisho Plaschem Co., Ltd., plans to further improve operational efficiency while reinforcing its earning power through exports to China.



(For the years ended March 31, 2003, 2002 and 2001)

BUSINESS HIGHLIGHTS

■ Accelerating businesses in China

In the eastern region of China, where Taiwanese and Japanese semiconductor and liquid crystal display manufacturers are concentrated, we led the way establishing a SCM-based system for batch delivery of chemicals used for electronics materials. In addition, we founded Summit Electro-Materials Sales Co., Shanghai, Ltd., a company specializing in sales of chemicals for electronics materials. We are committed to raising our share of the market, endeavoring to realize sales of ¥10 billion in five years. To achieve this target, we plan to utilize our know-how, our market- and customer-based information network, and the professional analytical skills we acquired in Taiwan, where we have operated a similar company since 1996.

Our pharmaceuticals business has four global operation centers: in Japan, the U.S., Europe and now in China, with the establishment of Summit Pharmaceuticals China Ltd. The new company in Shanghai will collaborate with a number of Chinese companies, manufacturing pharmaceutical raw materials and intermediates, to provide toll manufacturing service in China for Japanese, U.S. and European pharmaceutical companies according to their particular needs. We have also established a local quality control system to meet their quality standards. With deregulation of pharmaceutical sales by foreign companies in China in sight, we are preparing for distribution of foreign pharmaceutical companies' products in China as well. We plan to expand our business to achieve sales of US\$100 million in five years.

We acquired an interest in Sanshui Changfeng Plastics Co., Ltd, the first company in China to produce high-quality vinyl chloride films. The allied company is a subsidiary of China's major plastic film maker Foshan Plastics Group Co., Ltd., a company with whom we have a joint venture in Wuxi. We plan on producing a total of 20,000 tons of transparent film, semi-rigid film and rigid film annually. China has been relying on imports of these high-quality films for which demand has been rapidly increasing as China's living standards have risen. By absorbing this growing demand, we plan to achieve sales of ¥3 billion in three years time.

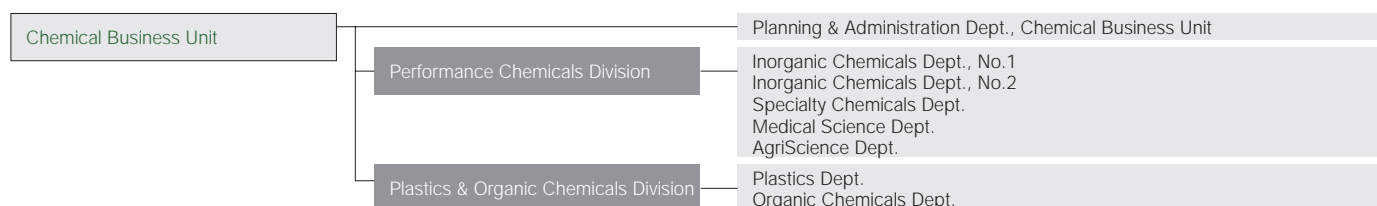


Summit Electro-Materials Sales in Shanghai supplies high-purity chemicals for the evolving electronics industry in China.



Sanshui Changfeng Plastics will produce 20,000 tons of high-quality vinyl chloride film per year in China.

Organization



Mineral Resources & Energy Business Unit

We are concentrating investment of our resources on the following three areas: acquisition of interests for natural resource development, mainly in coal, oil, and liquefied natural gas (LNG), new business fields such as electricity retailing and new technology-related businesses, and the upgrading of our trading capabilities.

BUSINESS STRATEGIES

Our coal business is driven by the Oaky Creek coking coal project in Australia, in which we hold a 15% interest. Another Australian mine at Hail Creek in which we hold a 2.67% interest is expected to contribute to profits from fiscal year 2004. We intend to expand business by acquiring additional interests in coal mines in Australia, China and Russia, and through trade and investment in rare metal resources.

Profits from the Batu Hijau copper and gold mine development project in Indonesia have increased considerably on a local basis, owing to improved operational efficiency and cost reduction. The project is expected to contribute to consolidated profits beginning in fiscal year 2003. We plan to increase its value by further raising profitability and by exploring surrounding areas for additional mines.

In our upstream oil business, we plan to acquire production and exploration interests in oil fields and invest in foreign oil development companies, pursuing synergies with crude oil trading and expansion of our earnings base. Domestically, we will maximize trading profits by utilizing Nansei Sekiyu Co., Ltd. (partly-owned refiner) and Sumisho Oil Corporation.

For LNG, we will actively work to acquire interests in gas fields and expand our business by leveraging LNG Japan Corporation, a company established jointly with Nissho Iwai Corporation in 2001 that handles about 30% of Japan's total annual LNG imports.

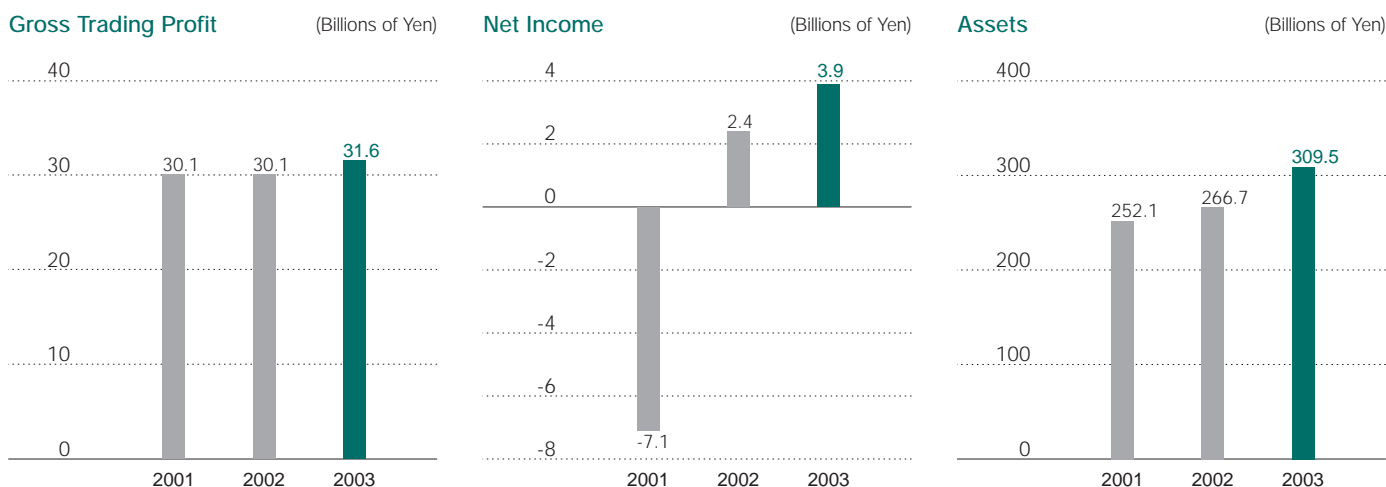


Naoki Kuroda
General Manager, Mineral Resources & Energy Business Unit

We operate a "full stream" business in liquefied petroleum gas (LPG), with activities from imports to domestic distribution. We are enhancing our capabilities in overseas trade, based on contracts with Middle East oil-producing countries, and in domestic supply-demand adjustment trading. Sumisho Ekika Gas Kaisha, Ltd. and Sumisho Daiichi Sekiyu Gas Kaisha, Ltd. supply LPG to about 800,000 households in Japan (140,000 are direct sales), and will continue to work to acquire additional direct sales rights.

In the electricity retailing business, our subsidiary Summit Amagasaki Power Corporation started operation of our power station in November 2002, boosting the power supply capacity of Summit Energy Corporation, a joint venture set up in 2001 with Sumitomo Joint Electric Power Co., Ltd. We are also building our own power plants in Fukushima and Niigata prefectures and planning to build another in Chiba prefecture, to expand electricity retailing business in eastern part of Japan. We expect them to begin operation in 2004.

Additionally, we are devoting efforts to a high-temperature gas reactor project in South Africa, businesses related to new technologies such as carbon nanotubes, and environmentally-friendly businesses such as wind power generation and fuel cells.



(For the years ended March 31, 2003, 2002 and 2001)

BUSINESS HIGHLIGHTS

■ A top-class supplier of the rare mineral resource Manganese

Manganese is a rare mineral resource essential to steel production that is unevenly distributed throughout the world, with 80% of total reserves concentrated in South Africa. With the end of apartheid in 1994, we partnered with Assmang Limited, a mineral resource company in South Africa that owns the world's leading supply of manganese ore in terms of reserve amount and quality. As their exclusive agency, we have been expanding sales of their manganese ore in Japan and in other Asian countries, and have long ranked at the top in sales to ferroalloy manufacturers and steel companies in Japan.

Together with Assmang, we established a company in South Africa that manufactures medium and low carbon ferromanganese, and sell them in the U.S. and South America. Handling both raw materials like manganese ore and products such as ferroalloys, we are developing our business on a global basis.



Vertical Shaft at Nchwang Manganese Mine, in South Africa

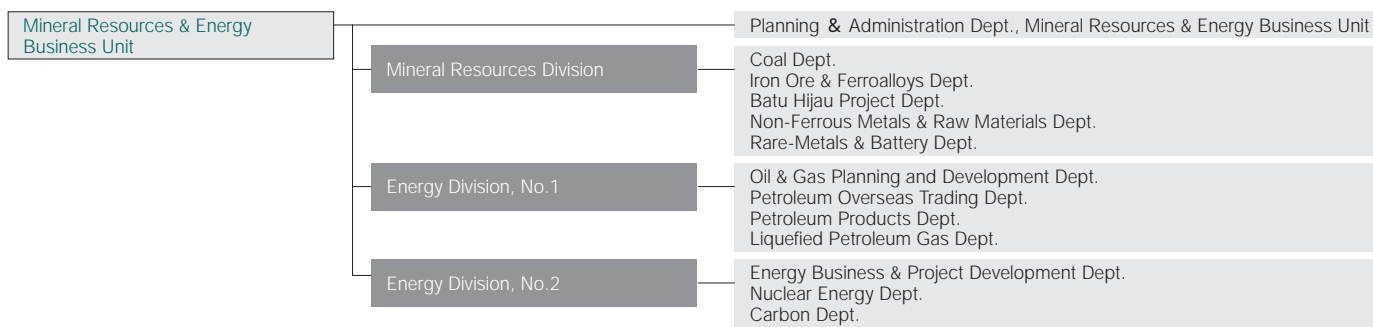
■ Investment in oil field development



Floating Production Vessel operating in North Sea, U.K.

In an effort to optimize our portfolio of oil and natural gas businesses, we are actively involved in medium-term projects for oil development and long-term projects for LNG. While our upstream oil business had been concentrated on exploration, we are now aiming at acquiring production and exploration interests in oil fields in Asia, Oceania, the North Sea, the U.S. and other locations. Further, we plan to obtain oil-producing assets for various grades to which we can apply our capabilities in crude oil trading, targeting profits by combining upstream and midstream businesses. We increased our stake (96.3%, as of July 2003) in Sumitomo Petroleum Development Co., Ltd., a company established in 1973 primarily by Sumitomo Group companies. We expect it to be helpful to our oil development businesses through its upstream expertise and technologies, which were gained over the years working in crude oil production in the North Sea and the Middle East.

Organization



Consumer Goods & Service Business Unit

Changes in the needs and behavior of Japanese consumers provide us with the chance to take advantage of new business opportunities. We intend to expand core businesses through M&As and strategic partnerships, and to increase returns by aggressively pursuing synergies between our retail and trade businesses.

BUSINESS STRATEGIES

Our Business Unit is committed to expanding its businesses by investing primarily in the areas of food and foodstuffs, textiles, and supermarket chains.

Leveraging our strong downstream presence in supermarkets and other areas, the Foodstuff & Fertilizer Division is consolidating and expanding its upstream businesses through equity participation and M&As. In fiscal year 2002, we consolidated the managements of Yoshihara Oil Mill, Ltd., in which we are the largest shareholder, and Honen Ajinomoto Oil Mills, Inc. We also forged a capital and business alliance between Nisshin Sugar Manufacturing Co., Ltd. and a subsidiary, Shinko Sugar Co., Ltd. Additionally, we integrated the meat, fruits and vegetables, and processed foods departments into the new Fresh & Processed Food Department, which markets fresh foods, by utilizing our advantage in traceability, to hone in on the needs of consumers and mass merchandisers.

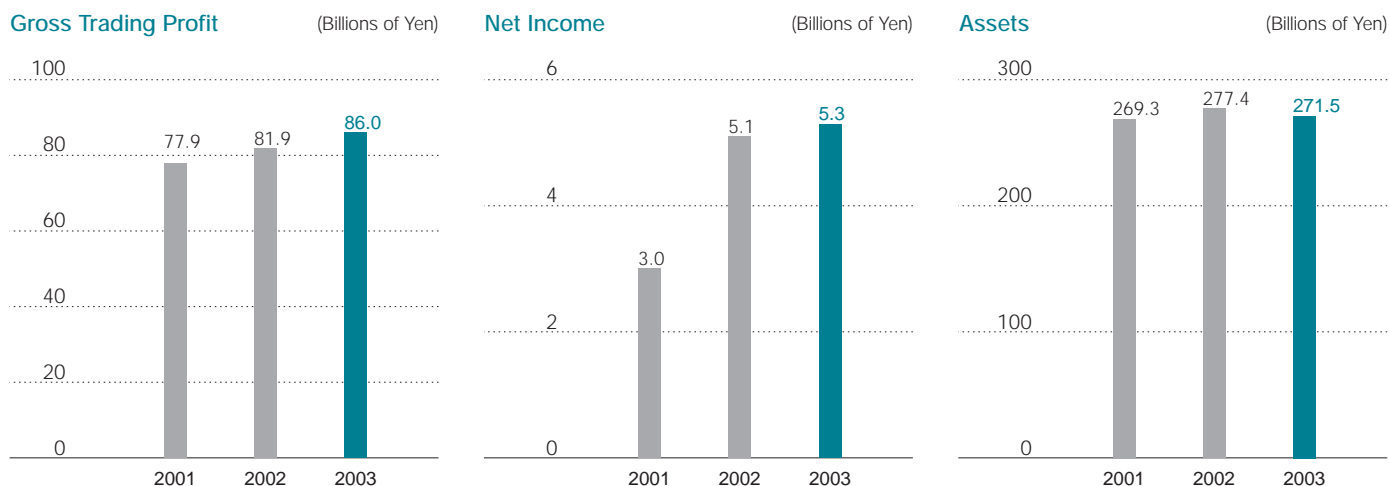
The Textile Division acquired an interest in Renown Inc. and expanded our apparel business by integrating the new partner's strengths in product planning and sales with our logistical capabilities. In April 2003, we merged Sumisho Fine Goods Corporation and Sumisho Interior Co., Ltd., to become the top specialized trading company in the housing-related area and interiors. The new company, Sumisho Interior International Inc., is able to offer a comprehensive array of services, from interior finishing and decoration work to wholesale of interior-related products. Downstream,



Kenichi Nagasawa
General Manager, Consumer Goods & Service Business Unit

we intend to increase business with mass merchandisers, taking advantage of our production facilities in China, Vietnam and other overseas locations. These initiatives include a private brand business for The Seiyu, Ltd., a mass merchandiser in which we hold equity.

Working to expand our brand business, the Retail & Consumer Service Division opened a second flagship store of Coach Japan Inc. in Tokyo's Shibuya district in April 2003. We are also exerting efforts to build Sumisho Drugstores Inc., established in April 2002, into a chain of 100 drugstores with prescription departments by consolidating our drugstore operations. In the supermarket business, we also strengthened our cooperative relationship with Wal-Mart Stores, Inc. and Seiyu. Pursuing synergies with the raw materials and products businesses of the Foodstuff & Fertilizer and Textile Divisions, we are developing the supermarket chains of Summit Inc. and Mammy Mart Corporation, while expanding our business base by forming capital alliances with other mid-sized supermarkets in the Tokyo Metropolitan area.



(For the years ended March 31, 2003, 2002 and 2001)

BUSINESS HIGHLIGHTS

Traceability* initiatives

As consumers increasingly come to prioritize safety, reliability and healthiness, and prefer genuine, branded products, they are looking beyond price, attaching more importance to function and quality, and buying more high value-added and differentiated products. Positioned close to consumers, we have always been ahead of such trends, especially in the area of food. Utilizing the expertise we have acquired from operating the Summit chain of supermarkets, we are developing products that meet consumer needs and building supply chains from producers to supermarkets. For imported foods, such as pork from the U.S., bananas from the Philippines, and vegetables from China, we supervise producers on the use of feedstuff, fertilizer and agricultural chemicals. Moreover, we own our own domestic food processing and delivery facilities, and have a system to manage and record the entire distribution process, enabling us to supply safe, reliable and healthy products to mass merchandisers and consumers. Pursuing synergies with existing businesses, we will continue to expand the range of our activities, as we add U.S. beef, seafood and more to our lineup of products.

Seeking to complement the sales activities of product divisions and Group retail companies, we formed an inter-divisional project team to promote business with mass merchandisers. The team members are focused on increasing sales to supermarkets in which we hold equity, as well as to other food retailers in the Tokyo Metropolitan and Kansai areas, introducing products with high levels of traceability. We are also making efforts to develop new products and materials that meet the needs of these stores and to build a business model that promotes continued expansion.

*Traceability: a system that tracks product information covering from raw materials to production and retail.



Philippine bananas: from the plantation in Davao to Summit supermarket



U.S. pork: from Smithfield Farm to Summit supermarket

Organization



Materials & Real Estate Business Unit

In the materials business, we are consolidating top ranking business lines, while working to bring other businesses up to the top rung. In the real estate market, we are developing new businesses and further shifting our resources into higher profit-generating areas.

BUSINESS STRATEGIES

We intend to consolidate our top position in the cement trading business by acquiring ready-mixed concrete makers and reinforcing our logistical capabilities.

We are the leader among trading companies in the Russian timber import business including processing, and plan to further expand as we support our local partner OAO Terneyles in a new forest development project in northeastern Russia.

In the building material business, we will reinforce our sales force to increase our market share. In addition to establishing Sumisho & Mitsubussan Kenzai Co., Ltd., we have formed partnerships with IG Kogyo Co., Ltd., a top metal siding manufacturer, and Nichiha Corporation, a top cement fiber products manufacturer.

We rank third among trading companies in trading volume for woodchips used for pulp. Beginning in April 2003, shipments from Volterra S.A., a joint reforestation project in Chile with Nippon Paper Industries Co., Ltd., will further boost our trading volume. We boast the highest ratio of chips made from reforested trees, which will be enhanced from 85% to 90%.

We are devoting efforts to the Chinese market for our pulp business, acquiring a stake in a China-based corrugated paper factory owned by Rengo Co., Ltd. We are also considering entering the used paper and flexible packaging materials business there. In Japan, we intend to further expand our yard operation in our top-ranking used paper business.

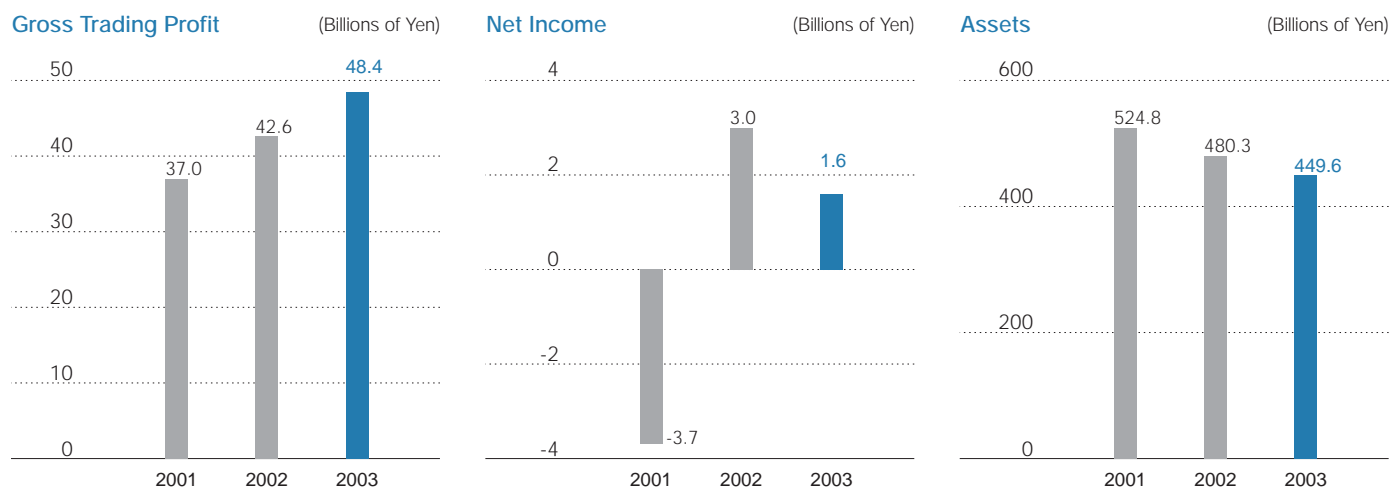
We are the industry leader in tire exports. Under the slogan



Hironori Katoh
General Manager, Materials & Real Estate Business Unit

“expansion into distribution,” we are growing the downstream business of the U.S. subsidiary Treadways Corporation, and promoting sales activities in the Middle East and other regions.

In the real estate market, we focus on fee-based planning and development businesses, such as complex, large-scale development projects and real estate investment funds. To expand our business without increasing long-term fixed assets, we will also promote the building development and resale business and the building revitalization business. We are also improving the efficiency of operating funds by utilizing special purpose companies (SPC). In the rental business, we are striving to improve the occupancy rate of office buildings, focusing on the central business district of Tokyo. In housing sales, we continue to focus on high quality, conveniently located properties to meet the continued rise in demand for quality inner-city housing. To reinforce our commercial complex management business, we established the Retail Facilities Department as an operational vehicle, following the nationwide business expansion of Sumisho Urban Kaihatsu Co., Ltd.



(For the years ended March 31, 2003, 2002 and 2001)

BUSINESS HIGHLIGHTS

■ Participation in IG Kogyo's management

We are responding to intensifying competition in the housing-related building materials market by making strategic investments in first-class manufacturers, identifying and developing technologies, and jointly expanding businesses. As part of such efforts, we began participating in the management of IG Kogyo Co., Ltd., the top manufacturer of metal siding, and entered a three-way partnership with Nichiha Corporation, the top manufacturer of cement fiber products in Japan. By integrating Nichiha's superior skills, product development and sales with our integrated corporate strength, we plan to commercialize IG Kogyo's expertise and the 5,000-plus patents it holds. Together with group company Sumisho & Mitsubussan Kenzai Co., Ltd., the leading trading company for building materials, partnership with these two top siding manufacturers has greatly increased our competitiveness in the housing-related building materials market, which includes the growing remodeling market.



The Sagae Plant, the main plant of the top metal siding manufacturer IG Kogyo

■ Condominium business initiatives in the Tokyo Metropolitan Area



Tokyo Twin Parks: a 47 story-high condominium complex with 1,000 units centrally located in Tokyo

As a part of the Construction and Real Estate Division, the condominium business contributed to profits by achieving sales of ¥30.7 billion in fiscal year 2002. This success can be attributed to our focus on properties that meet the strong demand for condominiums in central Tokyo, and on super-high-rises, such as "Tokyo Twin Parks" in Shiodome and "Shirogane-dai Front."

We have formed a new business structure by utilizing an SPC for a condominium project in Minami-Azabu 5-chome area on a 7,300 m² site. The SPC has been set up so that we are the primary developer and Orix Corporation is the main investor. This scheme allows us to reduce the amount of long-term fixed assets, secure profits to some extent, and improve the efficiency of the operating fund. It is the second project for which we have used such a scheme.

Organization



Financial & Logistics Business Unit

We promote businesses in the areas of finance, logistics, insurance, and overseas industrial parks. Amid fierce competition, we will bolster our competitiveness by providing high value-added services and, where advantageous, by partnering with firms in specialized fields, as we continue to develop businesses by maximizing our integrated corporate strength.

BUSINESS STRATEGIES

In the area of finance, we aim to develop a value-added, profitable approach leveraging our business foundation and functions as an integrated trading company that distinguish us from financial institutions. In the commodities trading business, our strategy has been to extend our products lineup into crude oil and petroleum products in addition to precious and base metals. Our energy trading line has now become a strong profit driver. New areas such as weather derivatives, fuel price hedging products, and trading in greenhouse gas emission allowances and credits are also steadily yielding results. Thus, we have been consolidating our position as a comprehensive derivative house, and will further expand our market and customer bases. We are also strengthening our sales activities in the investment advisory business to increase the size of the alternative investment fund managed by Sumisho Capital Management Co., to a target of ¥50 billion. We further plan to invest in companies and funds for which we can maximize their value by utilizing our integrated corporate strength and also continue to offer M&A advisory services both within and outside the Company.

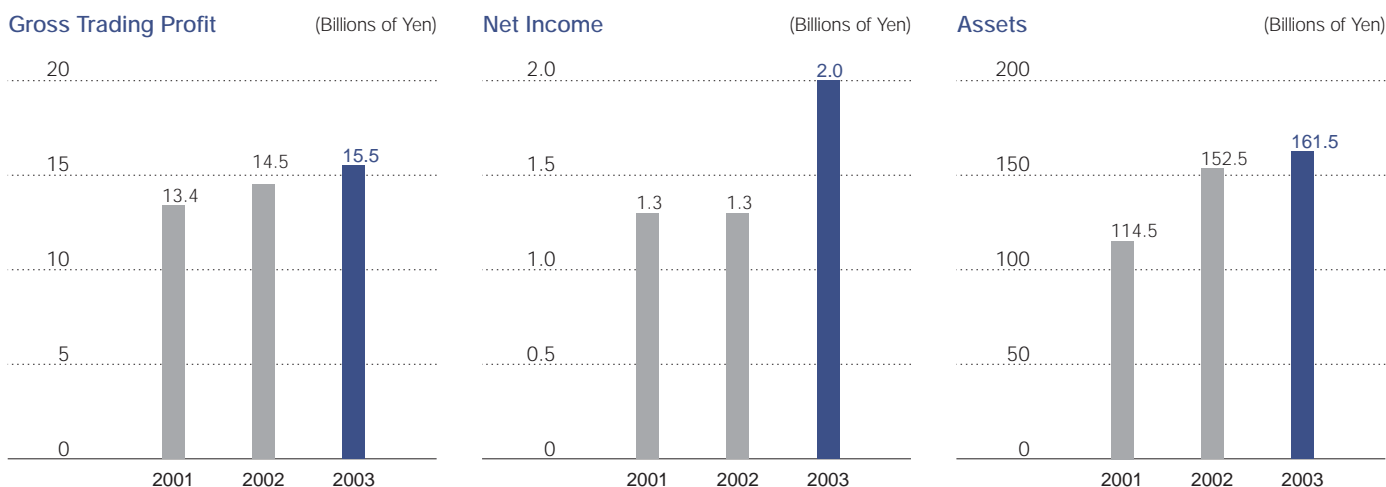
Amidst a growing need for global logistics to and from Asia, we focus on global components procurement logistics for manufacturers shifting production to overseas and on third party logistics (3PL) for domestic mass merchandisers. In global procurement in areas such as machinery components, we provide supply chain manage-



Tadahiko Mizukami
General Manager, Financial & Logistics Business Unit

ment (SCM) enhanced by our domestic and overseas logistics centers, international transportation network and an Internet-based order and cargo tracking system. We have been strengthening these services through local partnerships in China, Thailand, Vietnam, Indonesia and other Asian countries, as demand for intra-regional distribution has grown. For Japanese domestic mass merchandisers and supermarkets, we provide 3PL services through the domestic logistics centers operated by a subsidiary, All Trans Co., Ltd., including comprehensive management services based on our in-house information system.

In the industrial park business, we are now focusing on the Thang Long Industrial Park in Vietnam (phase 2 construction to be completed in September 2004) and the Wuxi Huayou Industrial Park in China. Through these projects, we also provide comprehensive support for clients, from the supply of materials to sales of finished products and total transportation.



(For the years ended March 31, 2003, 2002 and 2001)

BUSINESS HIGHLIGHTS

■ Energy-related derivatives as a new area of our commodities business

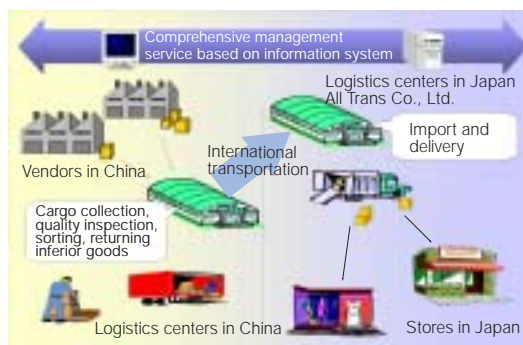
We provide our customers with derivative products that suit their risk profiles and requirements. Our advantages as an integrated trading company include expertise gained through commodities trading and the ability to collect timely information on a global basis. We offer weather derivatives and fuel price hedging products, as well as products that combine a variety of derivative types into tailor-made structures.

We are also promoting greenhouse gas emissions business, ahead of compulsory emissions reductions slated for 2008. Through our equity participation in Natsource Japan Co., Ltd., we are adding to our expertise and experience in this area. Recently, we have signed a purchase agreement with a Slovakian company for their emission allowances, the world's first deal guaranteed by the government.



Our dealers dealing in various commodities including gold, platinum, crude oil, petroleum products and corn

■ Establishing logistics network in China, the World's Factory



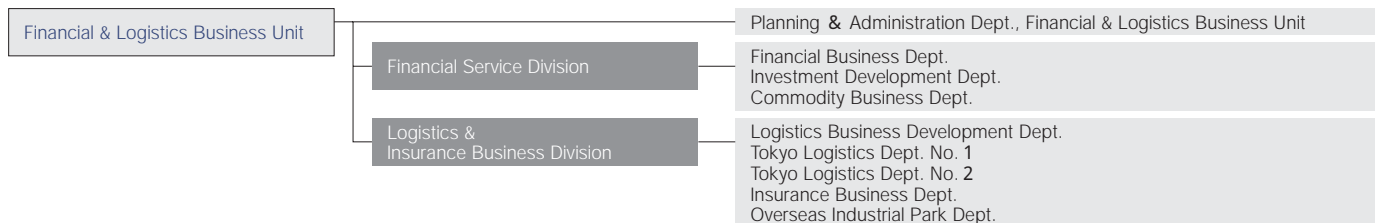
The 3PL scheme for apparel and sundries : an outsourcing service that handles comprehensive logistics operations

Anticipating rapid growth in demand for logistics in China, we are establishing integrated logistics service network. Our broad array of functions cover quality inspections, labeling, sorting, inventory management and an Internet-accessible information service which provides our customers with real-time information of inventory quantity, cargo tracing and quality inspections results. Our recent developments of logistics centers started in Shenzhen, then in Shanghai where we established the first foreign majority-owned international forwarding company in March 2003. We opened another logistics center in Tianjin in April. In August, we will launch a logistics company jointly with the city of Wuxi, where we have been developing an industrial park.

Additionally, the small cargo delivery service in Shanghai is steadily growing which started its operation in November 2002 in partnership with Sagawa Express Co., Ltd. We are preparing to expand this service in Beijing.

Our logistics network consists of seven business hubs and covers northern, eastern and southern China.

Organization



Domestic Offices and Subsidiaries



The Shiga Plant of Sumisho Steel Sheets Works, equipped with cutting-edge steel processing facilities

We will strive to consolidate existing businesses and develop new ones that match regional characteristics by harmonizing product and regional strategies.

Kansai Regional Business Unit

Sumisho Steel Sheets Works Co., Ltd. is the largest steel service center in western Japan and is a strategic focus of our steel processing business. In April 2002, it newly opened a plant with a production capacity of 6,500 tons per month in Shiga prefecture on a 12,563 m² site. We are now able to better respond to the steel processing needs of customers in Shiga and Mie prefectures, whom we previously served out of our main facility in Osaka. In addition, we installed a tailored-blank welding system in the new plant, a new technology that facilitates the reduction of automobile weight. While this system is not uncommon at automaker plants, we were one of the first in Japan to install it in a steel service center. Doing so has enabled us to offer value-added products and has earned us high marks from auto manufacturers. These developments have reinforced our business in the Kansai Area, which now has three steel service centers—our main plant in Osaka, Fukusaki Coil Center in Hyogo and the new Shiga Plant—that together cover the entire region.

Chubu Regional Business Unit

In addition to our traditional domestic businesses, we are strategically developing and creating new businesses in response to the changing times.

In August 2002, we established C-Systems Inc. to promote sales of automobile cashless parking systems that accept credit cards. Following our acquisition of a Hamamatsu-based trading company specializing in machinery, we also established SC Machinery & Service Co., Ltd. in December 2002, a sales company for automobile-related equipment and factory automation products. We will draw on our integrated corporate strength and continue to focus on new business areas in an effort to deliver higher profits.

In the automobile industry, we are actively supporting component manufacturers and other firms that are shifting operations abroad, and in some cases acquiring stakes in them. Responding to growing environmental awareness and the trend toward

hybrid cars and lightweight automobiles, we handle strategic products such as magnets and coils used in hybrid cars, and aluminum products that help reduce weight.

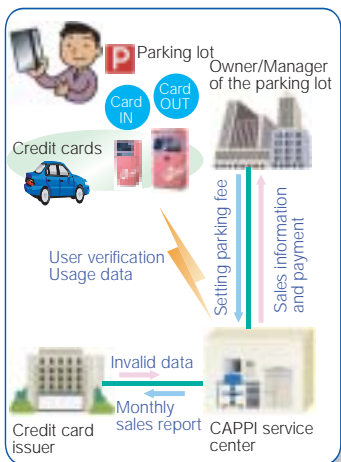
For the aircraft industry, we are targeting large orders for next-generation sky truck and other projects by leveraging our leading position in supplying materials to manufacturers among the trading companies.

Kyushu-Okinawa Regional Business Unit

At the Fukuoka central office and throughout our network of seven other offices including Nagasaki and Okinawa, we are making efforts to identify new businesses as well as to expand existing ones as we integrate product and regional strategies.

Seeking to take advantage of Fukuoka's geographical proximity to Asia, the region's mild climate suitable for producing primary products, and changes in the industry pointing to production of 1.2 million automobiles in northern Kyushu, we launched three inter-divisional teams: the China Business Promotion Team, the Agriculture, Forestry and Fishery Project Team, and the Automobile Project Team. We plan to improve profitability through business activities that best match regional characteristics.

Together with local and Korean firms, we established a company that collects, transports and sells sea sand for reclamation of harbors in Korea. This has provided us with an excellent opportunity to further expand our Korea business. We will actively engage in trade and investment activities by utilizing our resources to the full and by leveraging our integrated corporate strength on a worldwide basis.



Flow chart of Cashless Parking System, "CAPPI (Cashless Parking Promoting Initiative)"



No. 108 CHUNG WON collecting sea sand

Overseas Offices and Subsidiaries

Our inter-regional unified management system leverages strategic investments and integrated corporate strength to expand and strengthen our businesses world-wide.

America

The U.S. economy failed to enter a full-fledged recovery in 2002. However, we made several large acquisitions to further expand the Group's earnings base. In order to consolidate our business in steel pipe sales to major oil companies, we partnered with the French steel pipe manufacturer Vallourec & Mannesmann Tubes to acquire the tubular pipe division of North Star Steel Company from Cargill, Inc. The new venture made a new start under the name V&M Star. We also acquired a 25% interest in a power plant in Hermiston, Oregon owned by PG&E National Energy Group in an effort to gain ground in the U.S. power market, the world's largest. Further, we are steadily developing businesses that leverage the Group's wealth of experience and expertise in other regions of the Americas. These initiatives include working with a local firm to establish an auto financing business in Monterrey, Mexico. Under the AA Plan, we will invest our management resources to reinforce our earnings base, strategically focusing on further development of core and related businesses and on business expansion in the Americas.

Europe

Poland, the Czech Republic and Hungary account for 80% of the population and GDP of the ten countries joining the EU in May 2004, and are developing into Europe's production base. Expectations are high for expansion in these countries, with European, American and Japanese auto manufacturers and car component makers transferring production to the region. Armed with a unified management strategy for all of Europe, Sumitomo Corporation Europe is responding to such trends by utilizing our integrated corporate strength and our network of offices in 13 countries, 16 cities. We opened an office in Krakow, Poland at the end of 2001, the first Japanese trading company to do so. In the Czech Republic, we became the first Japanese company to be designated a main partner of the Association for Foreign Investment by the Investment Agency. We are also

actively engaged in attracting other Japanese firms to central Europe and in supporting their operations there. In addition, we made the decision in December 2002 to establish a steel service center in the Czech Republic, and have acquired a stake in NGK Insulators Polska. We will further expand our businesses by utilizing our Europe-wide strategy to selectively allocate resources.

China

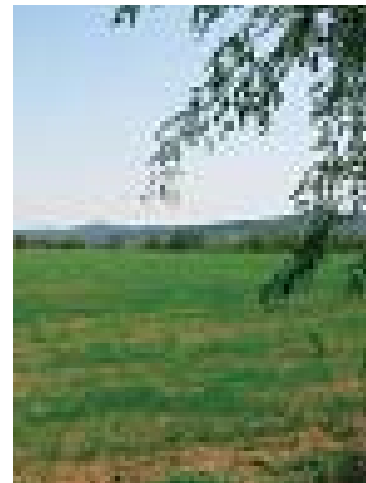
China's economy grew dramatically during the thirteen years until 2002, the term of office of former President Jiang Zemin. Its GDP now ranks sixth and inward investment first in the world. China is increasingly becoming attractive not only as a global production base but also as an enormous market, with purchasing power growing along with the expansion of the middle class. Given this environment, we are promoting unified management for our offices in northern, eastern and southern China to effectively utilize our integrated corporate strength and improve management efficiency.

We are also enhancing our logistics capabilities in anticipation of future growth, having established logistics centers in Shenzhen, Shanghai, and Tianjin. In addition, we are planning to unremittingly expand our business lines in China by increasing transactions with emerging private companies and existing clients, and by collaborating with other overseas offices in Southeast Asia and elsewhere.

Additionally, we invested in Sanshui Changfeng Plastics Co., Ltd., a PVC film manufacturer, Sumi Long Nanotechnology Materials Co., Ltd., an anti-static material maker, Wuxi Huayou Industrial Park, Sumitronics Shanghai Co., Ltd., a provider of electronics manufacturing services, and Summit Pharmaceuticals China Ltd., a domestic seller and exporter of pharmaceutical intermediates.



Steel pipe production line at V&M Star



The construction site in Humpolic, Czech Republic, reserved for our new steel service center



General Manager for China at the opening ceremony of Sumilong Nanotechnology Materials