Sumitomo Corporation

ANNUAL REPORT 2004
for the year ended March 31, 2004

Entering a New Stage

Contents

Cautionary Statement Concerning Forward-Looking Statements

This report includes forward-looking statements relating to our future plans, targets, objectives, expectations and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The management targets included in this report are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management strive to achieve through the successful implementation of the Company's business strategies. The company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets.
The Company is under no obligation – and expressly disclaims any such obligation – to update or alter its forward-looking statements.

We are continually maximizing corporate value
as well as achieving prosperity and realizing dreams for all of our stakeholders
by developing value-added businesses that anticipate future trends.

Snapshot: Sumitomo Corporation

Why Sumitomo Corporation? And Why Now?

- By leveraging our integrated corporate strength, we are able to quickly grasp society's emerging needs and then create value-added businesses over a wide range of fields.
- Tackling management reform ahead of the competition, we have gained a head-start in strengthening not only our earnings base but also our management efficiency and soundness.

What Distinguishes Us from Others

Integrated Corporate Strength

Our distinctive approach to conducting business draws on our integrated corporate strength founded on broad-based information, which has been gathered through our business foundation built over the years, as well as other functions. An especially distinguishing feature is our array of strong downstream businesses. As society's needs increasingly diversify and grow more sophisticated, we are watching for and pursuing the many emerging business opportunities in downstream areas that enable us to satisfy those needs. At the same time, we are developing our upstream businesses in correspondence with the requirements of our downstream businesses.

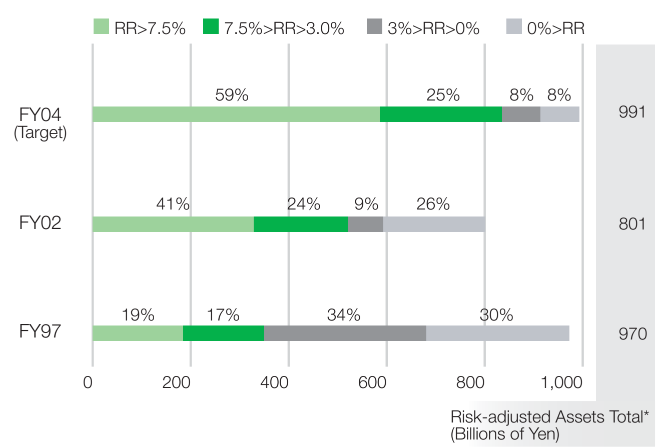
Business areas where we have successfully exerted our integrated corporate strength:

- Overseas steel service centers operation
- Automobile-related value chain
- Cable TV and media business
- Batu Hijau copper and gold mine project
- Food supermarket operations
- Tokyo metropolitan-area condominium sales

Management That Balances Offense and Defense

Not only we but also many other corporations have implemented structural reforms. What makes us different is, however, that we have not been too much inclined towards defense, such as bolstering our financial structure and risk management, but have steadily taken steps on offense, including making the investments necessary to nurture our core businesses and retain personnel. Now is the time to further enhance our predominance through the fulfillment of our medium-term management plan–the AA Plan which focuses on strengthening our earnings base.

Risk-adjusted Assets by Risk-adjusted Return Ratio*



(Risk-adjusted Assets of Corporate Group are excluded.)

* The risk-adjusted return ratio (RR) is a measure of the profitability of a business against the risks involved in it. It is calculated as a fraction whose numerator is the return on the business as measured by the consolidated net income (after taxes) that it is expected to generate during an accounting period, and whose denominator is the value of the maximum losses that could be incurred if all the potential risks were actually to occur during the same period ("risk-adjusted assets").

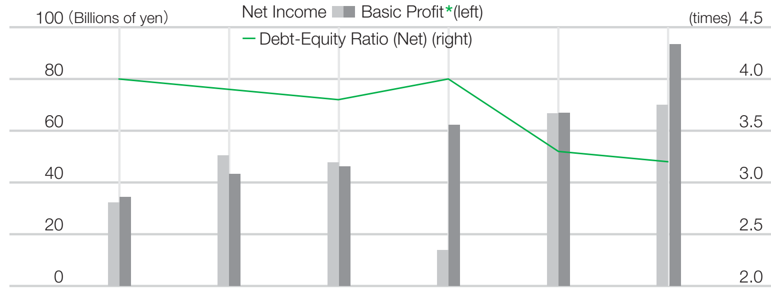
Our Achievements to Date

The Japanese economy has been stumbling through a long, dark tunnel since the collapse of the bubble economy well over a decade ago. While the majority of corporations in Japan still struggle to put the bubble's negative legacy in the past, Sumitomo Corporation has been taking future-oriented action. More than simply restructuring, we have transformed the very nature of our business and buttressed our balance sheet by leveraging our business foundation built up over many decades and applying our diverse functions. To these ends, our three medium-term management plans since fiscal year 1999 have shown the way.

* Basic Profit = (Gross profit - Selling, general and administrative expenses - Interest expenses, net of interest income + Dividends) x (1 – Tax rate) + Equity in earnings (losses) of associated companies, net
(Tax rate was 42% for the years through fiscal year 2003, and we assume 41% for fiscal year 2004.)

**"AA" in "AA Plan" is an abbreviation of "Approach for Achievement," a phrase that expresses our resolute determination to achieve a risk-adjusted return ratio of 7.5%, which would cover shareholders' capital costs.

Strengthening Earnings Power and the Balance Sheet

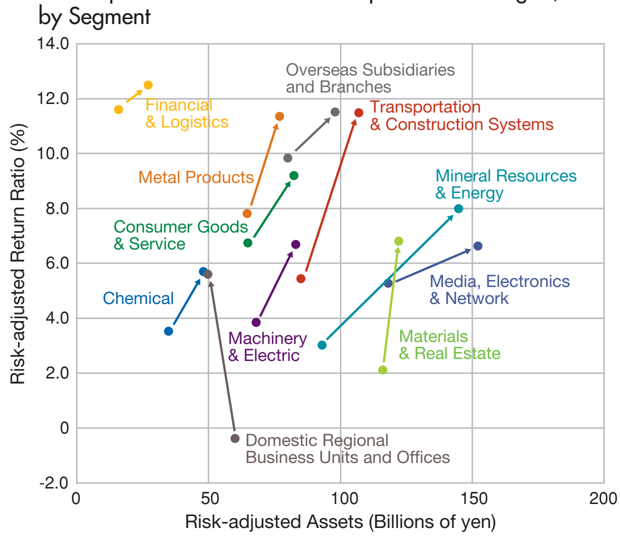


FY99 FY00	FY01 FY02	FY03 FY04 (Target)
Reform Package	Step Up Plan	AA Plan
Enhanced corporate strength by selecting core businesses and withdrawing from non-core businesses	Expand returns through strategic allocation of management resources and assets replacement	Approach for Achievement** (RR 7.5%) Focus on expanding earnings base Increase risk-adjusted assets by 180 billion yen (Total assets base approximately 300 billion yen)

Our Operations and Earnings Structure

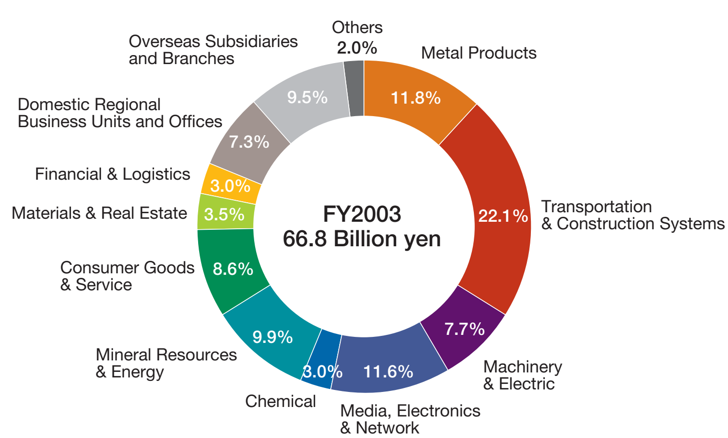
In order to effectively exert our integrated corporate strength, we have fully utilized our broad-based expertise accumulated in diverse industrial fields, and we have shared this know-how among business fields throughout our organization. Our distinctive management approach entails operating in a wide range of business fields and creating value chains by linking these various business operations, thereby generating synergies that maximize the stability, profitability, and growth potential of each of our businesses as well as the entire Sumitomo Corporation Group.

Risk-adjusted Return Ratio/Risk-adjusted Asset Targets, by Segment



* The starting points of the arrow indicate actual results of the Step Up Plan, while the ending points of the arrow indicate targets for the AA Plan. Risk-adjusted assets are as of the end of fiscal years 2002 and 2004, and risk-adjusted return ratios are two-year averages for each of the Plans.

Basic Profit, by Segment



Fiscal year (FY) begins on April 1 of each fiscal year figure and extend through March 31 of the following year.

Financial Highlights

For the years ended March 31

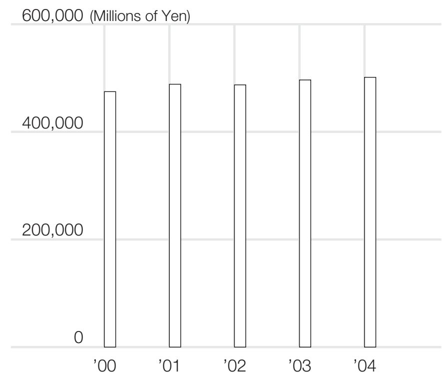
	2004	2003	2002	2001
				Millions of Yen
Results of Operations:				
Gross Profit	¥ 501,332	¥ 496,449	¥ 487,274	¥ 488,400
Net Financial Income	560	367	(7,099)	(12,031)
Interest Expense, net	(6,374)	(6,006)	(13,752)	(18,010)
Dividends	6,934	6,373	6,653	5,979
Equity in Earnings of Associated Companies, net	20,693	9,768	209	(6,452)
Net Income	66,621	13,874	47,730	50,481
Financial Position at Year End:				
Total Assets	5,012,465	4,856,157	4,860,155	4,954,082
Shareholders' Equity	730,848	618,712	657,967	626,960
Interest-Bearing Liabilities (net)	2,377,607	2,502,835	2,528,794	2,447,663
				Yen
Amounts per Share:				
Net Income: Basic	¥ 62.66	¥ 13.04	¥ 44.85	¥ 47.43
Diluted	61.31	13.00	43.89	46.38
Shareholders' Equity	686.99	581.75	618.28	589.09
Cash Dividends Declared for the Year	8.00	8.00	8.00	8.00
				% / Times
Ratios:				
Shareholders' Equity Ratio (%)	14.6	12.7	13.5	12.7
ROE (%)	9.9	2.2	7.4	8.0
ROA (%)	1.4	0.3	1.0	1.0
Debt-Equity Ratio (net) (times)	3.3	4.0	3.8	3.9
				Millions of Yen
For Reference:				
Total Trading Transactions	¥ 9,197,882	¥ 9,229,576	¥ 9,645,379	¥ 10,080,062
Basic Profit*	66,820	62,248	46,224	43,307

Notes: 1. The Company and its subsidiaries restated prior year consolidated financial statements with respect to the accounting of deferred taxes related to investments in affiliates. Consolidated statements of income for the years ended March 31, 2001 and 2000, and consolidated balance sheets as of March 31, 2002, 2001, and 2000 are not audited.
2. The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥104=U.S.$1, the approximate exchange rate on March 31, 2004.
3. Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under accounting principles generally accepted in the United States of America ("U.S. GAAP").

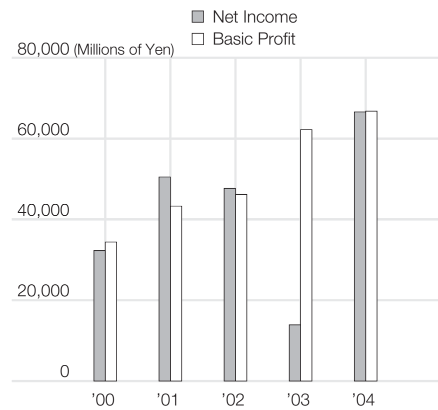
* Basic Profit = (Gross profit-Selling, general and administrative expenses-Interest expenses, net of interest income+Dividends) × (1-42%(tax rate))+Equity in earnings of associated companies, net

	2000		2004
			Millions of U.S. Dollars
¥	474,674	$	4,821
	(16,424)		6
	(22,070)		(61)
	5,646		67
	5,652		199
	32,304		641
	4,904,644		48,197
	629,810		7,027
	2,503,827		22,862
			U.S. Dollars
¥	30.35	$	0.60
	29.80		0.59
	591.69		6.61
	8.00		0.08
			% / Times
	12.8		14.6
	5.4		9.9
	0.6		1.4
	4.0		3.3
			Millions of U.S. Dollars
¥	10,656,046	$	88,441
	34,398		642

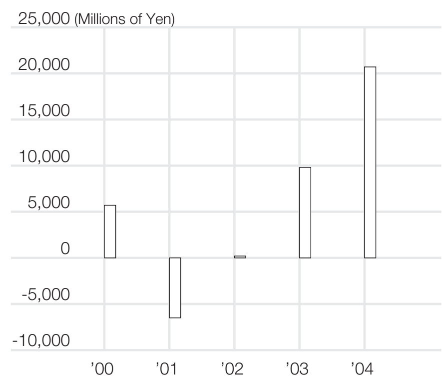
Gross Profit



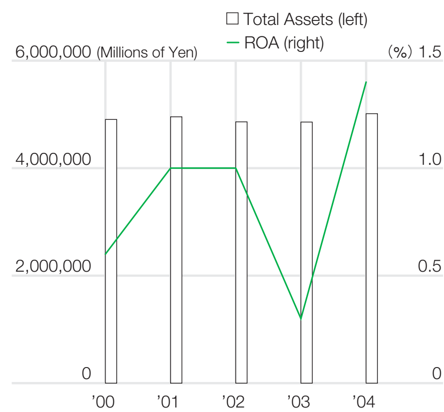
Net Income and Basic Profit



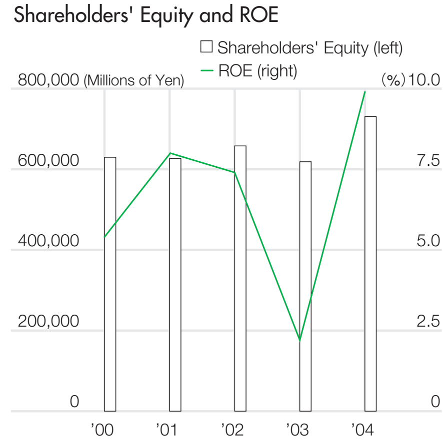
Equity in Earnings of Associated Companies, net



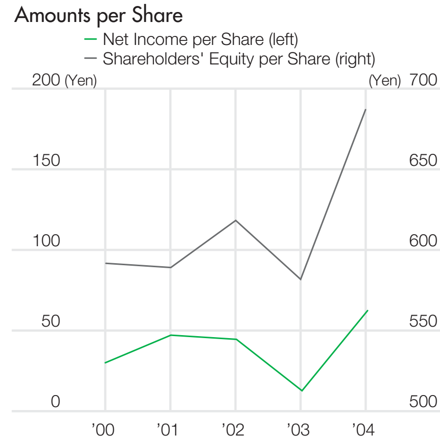
Total Assets and ROA



Shareholders' Equity and ROE



Amounts per Share



To Our Stakeholders

President and CEO
Motoyuki Oka

- Through our reforms to strengthen our financial position, as well as to invest proactively for future growth, we at Sumitomo Corporation have expanded our earnings base and increased our efficiency and soundness.
- As society's needs diversify and grow increasingly sophisticated, we are offering indispensable value-added services by fully leveraging our integrated corporate strength.
- Now that our actual results firmly support our confidence in future growth, we are ready for a great leap forward. It is time to further enhance our predominance, while also ensuring sustainable growth and maximizing corporate value.

Looking Back on Fiscal Year 2003
(April 1, 2003 – March 31, 2004)

— Steady Expansion of Our Earnings Base Results in Record-High Profits

In fiscal year 2003, Sumitomo Corporation recorded consolidated net income of ¥66.6 billion, a record high. This is a major increase over the ¥13.9 billion earned in fiscal year 2002, when we recorded a significant amount of revaluation losses on securities holdings and real estate. In our view, fiscal year 2003's strong earnings result stemmed from our efforts to expand our earnings base by developing core businesses. Looking at results by business unit, in Metal Products, strategic M&A activities, such as the acquisition of Nichimen Corporation's steel products business, contributed to earnings. Our steel service center businesses, particularly in Asia, also performed strongly. In Transportation & Construction Systems, earnings from auto financing operations in Japan and other parts of Asia were robust. In Media, Electronics & Network, cable TV operator Jupiter Telecommunications Co., Ltd. increased its subscriber count steadily and made its first contribution to our earnings. In Mineral Resources & Energy, the performance of our copper and gold mining project in Indonesia improved substantially thanks to cost cutting, structural improvements, and a turnaround in market prices. In addition to the progress made in these core businesses, we reduced our shareholdings and thus recorded gains on the sale of marketable securities. Basic profit totaled ¥66.8 billion, up 7.3% year on year, and shareholders' equity amounted to ¥730.8 billion, up 18.1%. These are both record highs. Along with earnings growth, the Group made progress in bolstering its financial structure. As a result, ROE for fiscal year 2003 reached 9.9%, a vast improvement over the 2.2% recorded for fiscal year 2002. ROA came in at 1.4%, also a record high.

Basic Policies of the AA Plan

- **Expansion of the earnings base and strategic moves to the future by maximizing our "integrated corporate strength"**
  - Utilizing management resources to the fullest extent by advancing the Business Portfolio Strategy
  - Exploring and developing various businesses by maximizing our "integrated corporate strength"
  - Tackling new technology, potential market and region
  - Human resources management for strengthening our "business foundation"
- **Enhancing our corporate strength with efficiency and soundness**
  - Efficient group operation on a global basis
  - Advancing risk management
  - Thorough legal compliance

We are making **excellent progress** in implementing the offense-oriented AA Plan.
We have yet to adequately address the need to **accelerate expansion of profitable assets** to ensure continuing future growth.

— Steady Progress in Implementing the AA Plan

Fiscal year 2003 was the first year of the AA Plan, our current medium-term management plan. This plan is basically an "offense-oriented" plan, but also has "defense" aspects. On offense, the plan calls for expanding our earnings base and opening up new areas of business by leveraging our integrated corporate strengths, as well as proactively increasing operating assets in profitable business areas. The plan also calls for us to reinforce our corporate structure by pursuing greater efficiency and soundness, particularly to secure a solid earnings base. The quantitative targets contained in the plan include net income of ¥60 billion for fiscal year 2003 and ¥70 billion for fiscal year 2004. We exceeded the target for fiscal year 2003, and we are now more confident of achieving the fiscal year 2004 target, as well, since we foresee continued growth in core businesses. We consider the risk-adjusted return ratio* our most important management indicator. The AA Plan targets a ratio of 6.0% or above, compared with the average 3.0% result under the Step Up Plan, our previous medium-term management plan. We are also on track to achieve this goal. One issue to address in fiscal year 2004 is to accelerate our expansion of profitable risk assets to enable further growth going forward. In fiscal year 2003, we acquired steel products businesses and auto leasing businesses, as well as additional interests in mineral resources interests, thereby increasing our risk assets by approximately ¥70 billion and contributing to profits. Because we also sold stockholdings and replaced low-profit assets, however, the term-end balance of risk assets was almost unchanged. In fiscal year 2004, we will continue to replace assets, but we will also invest aggressively in high-profit fields, and plan to increase our risk assets by approximately ¥180 billion. I consider fiscal year 2004 an extremely important year in terms of preparing the ground for the next period of substantial growth. Accordingly, we are committed to working together to expand our earnings base and enhance corporate strength.

* The risk-adjusted return ratio is a measure of the profitability of a business against the risks involved in it. It is calculated as a fraction whose numerator is the return on the business as measured by the consolidated net income (after taxes) that it is expected to generate during an accounting period, and whose denominator is the value of the maximum losses that could be incurred if all the potential risks were actually to occur during the same period ("risk-adjusted assets").

The 21st Century: The Age of the Integrated Trading Company *(Sogo Shosha)*
Our business opportunities are growing in line not only with economic expansion but also with changes taking place globally, namely, the diversification and increasing sophistication of customer needs.

The External Environment and Our Basic Strategy

— Signs of Sustained Global Economic Growth

We recognize that, despite the presence of such risk factors as terrorism and exchange rate fluctuations, the world economy is showing unprecedented soundness in the current expansionary phase. Compared with the past 10 years, the present economic expansion is less volatile. The overdependence of the world economy on the United States is abating as new economic drivers emerge. Chief among these is the persistently rapid growth of many Asian economies, particularly China, making the region today one of the world's major economic zones. Although we envisage a short-lived adjustment in China's economic expansion, we believe it is remarkable that the Chinese economy has become less vulnerable to business fluctuations of the advanced economies as a result of its successful transition from the world's factory into the world's largest consumer market. As a result, international commodities prices are robust and show signs of unprecedented sustainability. In Japan, private-sector capital investment, which had long been anemic, has regained strength thanks to the emergence and growth of industries where Japanese companies have a technological edge and are demonstrating originality, particularly digital home electronics and nanotechnology-related fields.

— Never Before Has So Much Been Expected of Integrated Trading Companies

I expect the global economy to continue growing and changing rapidly. Under any circumstances, I believe it to be an executive's duty to pursue three factors constituting corporate value—profitability, growth potential, and stability—as well as work to steadily achieve targets. In my view, the phenomenon of rapid diversification and increasing sophistication of customer needs is a golden opportunity—and one that we intend to capitalize on. As lifestyles diversify, the products and services demanded by consumers are diversifying, as well. In addition, the evolution of information technology has broadened the range of products and services readily available to consumers. All these changes mean that consumers are increasingly eager to search out unique and distinctive products and services. Amid global competition among corporations, differentiation and efficiency are now the keys to corporate survival. As a result, the needs of corporate customers, like the needs of individual consumers, are diversifying and becoming increasingly sophisticated. In this environment, Sumitomo Corporation, an integrated trading company (*sogo shosha*) is well positioned, as we can comprehensively harness our specialized knowledge and capabilities over a wide range of business fields to create and provide products and services that are high in added value. For this reason, much is expected of *sogo shosha*, a type of business organization unique to Japan.

— Core Competence of Sumitomo Corporation

We at Sumitomo Corporation are fortunate in that we have a business foundation that comprises trust, intellectual capital (such as personnel, experience, and expertise), a global network (spanning 156 bases worldwide), and global relations (including wide-ranging business partnerships with over 100,000 companies). In addition, we have diverse capabilities in such areas as financial services, logistics solutions, IT solutions, risk management, and business development. What we term "integrated corporate strength" is this: our ability to draw upon our diverse capabilities to the fullest in analyzing and utilizing information gathered from throughout our business base to create businesses that meet the needs of our customers and partners. Even now, in the Internet Age with its deluge of information, we remain steady in our view that the integrated corporate strength that we have built up over the years is our core competence. We are committed to fully applying this core competence to differentiate ourselves from the competition.

1. Balanced Business Development from Upstream to Downstream

We believe that we have achieved both differentiation and superiority by developing businesses in which we can exert our integrated corporate strength. In an era of diversification and increasing sophistication, quickly grasping changes in downstream needs is critical to unearthing new business opportunities. Our greatest strength derives from a significant presence in downstream areas across a wide spectrum of business fields. Based on this downstream strength, we are able to intelligently develop upstream businesses. For example, we were able to build our overseas steel service center business, centered on Asia, because we fully comprehended the increasingly sophisticated needs of automakers and consumer electronics manufacturers. Jupiter Telecommunications, Japan's largest cable TV operator, is another business that is keenly aware of the increasingly diverse nature of its customers' needs. Furthermore, our auto financing business, the largest among our peers, is a value chain that provides wide-ranging services, including leasing, insurance, fleet management, and maintenance. Finally, our food supermarket business and condominium sales business are both in close touch with consumers and their needs, enabling us to achieve predominance in such upstream fields as food safety and urban development.

2. Management Reforms That Balance "Offense" and "Defense"

The second source of Sumitomo Corporation's differentiation and superiority is our ongoing implementation of management reforms aimed at increasing efficiency and soundness while enhancing profitability—in other words, management that balances "offense" and "defense." In fiscal year 1998, we were the first among our peers to introduce the risk-adjusted return ratio as a key indicator, and management based on a balance of risk-adjusted assets and risk buffers. In the five years through fiscal year 2003, we have lowered our interest-bearing liabilities (gross) by around ¥450 billion and improved our debt-equity ratio (net) from 5.1 times to 3.3 times. Meanwhile, we have also selected and developed our core businesses and invested aggressively in human resources in order to retain talented personnel. As a result, over a period during which we reduced risk assets by roughly ¥300 billion we also increased gross profit from ¥472.9 billion to ¥501.3 billion, and basic profit, our measure of profitability, from ¥25.0 billion to ¥66.8 billion. Thus, even in a challenging business environment we have steadily expanded our earnings base.

Never forgetting the need for “offense” is precisely what enables us to achieve sustainable growth. Opportunities come as they will, **but the degree to which we benefit from them depends largely on what we have done heretofore.**

— Now Is the Time to Assess What We Have Done Thus Far

Under our two previous medium-term management plans, the Reform Package and the Step Up Plan, we made steady progress both in expanding our earnings base, by leveraging our integrated corporate strengths, and in improving our corporate structure by replacing assets. Using the results of our management reforms implemented to date as a foundation, we aim through the AA Plan to dramatically expand our earnings base by investing aggressively in profitable businesses. We believe that full implementation of the AA Plan will further consolidate our long-established predominance. As a near-term goal, we aim to achieve sufficient profitability to cover the cost of shareholders’ equity—in other words, a risk-adjusted return ratio of 7.5%. And while maintaining a healthy sense of crisis, we intend to further leverage our integrated corporate strength and carry on with management reform.

A Message from President Oka to All Stakeholders

— Achieving Prosperity and Realizing Dreams

“To achieve prosperity and realize dreams through sound business activities”—this is one of Sumitomo Corporation’s Corporate Mission Statements. The management philosophy expressed therein is identical to the notion of corporate social responsibility (CSR), which has attracted much attention recently. To turn this ideal into a reality, I believe the Corporation must achieve continuous growth by strengthening core competencies and maintaining an optimal balance between profitability, growth potential, and stability. With regard to higher profitability, efforts to expand our earnings base have brought us close to reaching our goal of a 7.5% risk-adjusted return ratio. To ensure long-term growth potential, we are aggressively investing in high-quality assets, superior personnel, and cutting-edge technologies. In terms of stability, we are constantly working to strengthen our corporate structure by upgrading our risk management and further ensuring legal compliance.

As one of Japan’s leading global companies, Sumitomo Corporation will continue to conduct business activities in harmony with the environment and to the benefit of the societies where we operate, while maximizing corporate value and thereby enabling stakeholders to achieve prosperity and realize dreams as never before.

Thank you sincerely for your continuing support.

Motoyuki Oka
President and CEO

July 2004

Special Feature 1:

Businesses and Projects Unique to Sumitomo Corporation

- Sumitomo Corporation's management strategy is not limited to pursuing the profit and growth potential of each Business Unit while promoting selectivity. Rather, the Company also strives to maximize the entire group's corporate value by creating synergies among all of its Business Units. In other words, victory will be attained through the efforts of all members, not through just a few star players.

- The Sumitomo Corporation Group has cultivated many businesses and projects by leveraging its integrated corporate strength. However, naturally the timing and degree of blossoming are not the same for all. This special feature puts a spotlight on four projects and businesses which are starting to bloom, and expected to contribute to the company's overall earnings in the future: 1. the Batu Hijau copper and gold mine project in Indonesia, 2. the steel service centers in Asia, 3.the automobile-related value chain, and 4. the TV shopping business.

1. Batu Hijau Copper and Gold Mine Project

Batu Hijau mining site

Business Environment

— Supply and Demand Tight and Market Conditions Firm, with China Leading Growth in Copper Demand

Global demand for copper centering on wire and cables, and brass mill's products is growing, particularly in China, where copper consumption rose rapidly from 1.40 million tons in 1998 to 3.06 million tons in 2003. China has passed the U.S. to become the world's largest copper consumer and is the main driver of growth in copper demand. On the supply side, on the other hand, stagnant market conditions since the latter half of the 1990s have led to reduced investment in new projects. As a result, supply is currently unable to keep up with the increasing demand. Such a tight supply and demand situation is therefore not likely to loosen within a short period of time. Under these circumstances, copper prices have remained strong since the second half of calendar year 2003 and firm market conditions are expected to continue for the time being.

Business Overview, Our Strategies and Strengths

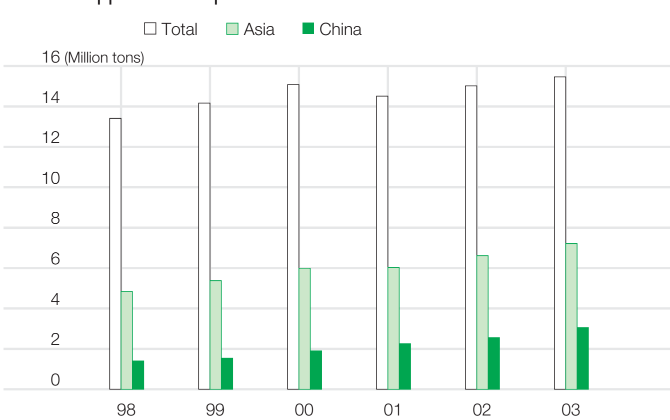
1. Business Overview

The Batu Hijau Mine, located in the southwestern part of Sumbawa, Indonesia, has estimated ore reserves of about 1.0 billion tons, making it one of the world's most important large-scale mines. The mine life is expected to extend for more than 20 years. Sumitomo Corporation began its participation in this project in 1996 and has since then engaged in joint development initiatives with U.S.-based Newmont Mining Corporation, the largest gold mining company in the world. The mine produces about 0.8 million to 1.0 million tons of copper concentrates annually, which includes about 0.3 million tons of copper and 0.6 million troy ounces of gold. Compared with mines in Chile, the major copper producing country, the Batu Hijau Mine's proximity to large copper-consuming markets such as China, India, and Southeast Asia gives it a competitive edge in terms of transportation costs and delivery period. The mine has an advantage in terms of profitability, as well, as not only copper but also gold is contained in the ore.

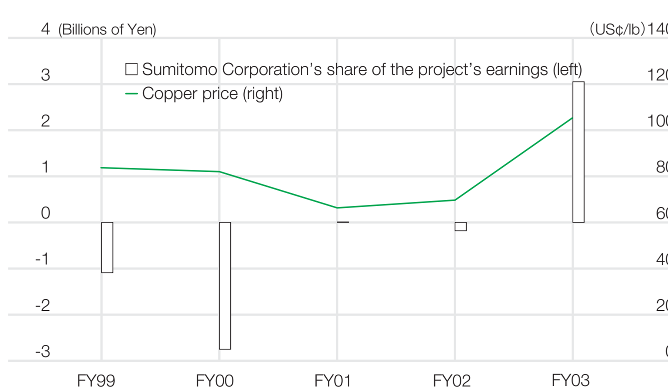
2. Our Strategies and Strengths

The Batu Hijau Project is the mainstay of Sumitomo Corporation's copper resources development business. Through this Project, we have established joint operational relationships with the world's top resources companies. In addition to holding a 26% equity share in the Project, we participate in the management of the local operations company. Moreover, we are striving to expand our business base related to this Project by linking upstream mine development to midstream business activities such as trading copper concentrates. The Project's business performance following the start of commercial production was unremarkable owing to stagnant market conditions. By improving operating efficiency by way of thorough cost management, however, the mine has now become a world leader in terms of competitiveness. The upturn in the market, meanwhile, has also pushed up profitability, transforming this Project into a new pillar of our consolidated income. At present, we are proceeding with exploration in surrounding areas in order to further expand the business base of this Project. The Batu Hijau Project is also highly appraised by the Indonesian government for its contribution to local communities and its active engagement in environmental preservation in the areas surrounding the mine site.

Global Copper Consumption



Batu Hijau Project's Performance



Performance and Outlook

With income from the Batu Hijau Project on an upward trend thanks to reduced production costs and favorable market conditions, Sumitomo Corporation's share of the Project's earnings grew from a ¥180 million loss in fiscal year 2002 to a ¥3.1 billion profit in fiscal year 2003. With ore throughput expected to increase in fiscal year 2004 as the areas scheduled to be mined will be of a higher quality, and market conditions likely to remain firm, we expect the Project to continue to steadily contribute to our consolidated earnings.

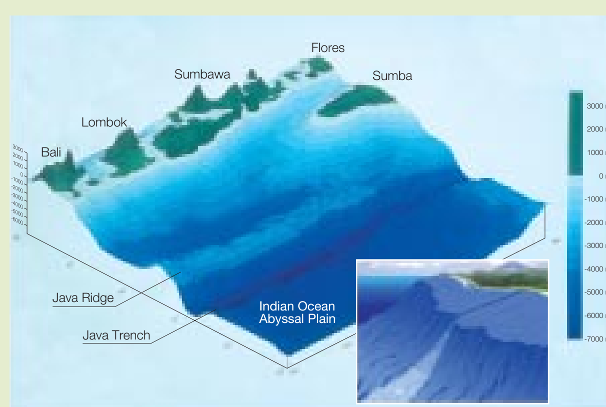
Contributions to Local Communities

The Batu Hijau Project's contributions to local communities are not limited to direct benefits such as the payment of royalties to the Indonesian government, and the creation of employment opportunities. The Project is also working to develop industry in the surrounding areas, and to construct social infrastructure, thereby contributing to raising the region's standard of living, and lending greater dynamism to local economies. In surrounding villages, economic activity is being stimulated by an increased workforce due to participation in mining operations. Batu Hijau Project is taking concrete steps to develop local industry. The Project is conducting occupational training for local inhabitants in a wide array of fields, ranging from automobile repair to healthcare services, and providing guidance on cultivating various management skills as well. The Project has also engaged in securing drinking water, setting up irrigation systems and sanitation facilities, and building roads as demand for such social infrastructure only increased along with the growth in the area's population. Moreover, the Project recognizes the region's need for improvement in the area of education. Thus, we undertook rehabilitation of elementary schools, provided school furniture and teaching materials, and offered scholarships for high school and university students. In the area of medicine, the Project is promoting the prevention of malaria and tuberculosis, health education for mothers and children, and nutritional management for infants. Furthermore, the Project is going forward with revitalization of health service delivery through the village system.

Medical service support in surrounding village

Environmental Preservation Initiatives

A major environmental issue when developing a copper mine is tailings treatment, which refers to the processing of the crushed ore that remains after removing the copper. Batu Hijau employs a system called Subsea Tailing Placement (STP). A pipeline is used to release tailings at a point 3.2 kilometers offshore, and deeper than 100 meters beneath the surface of the ocean. The tailings are disposed by further falling down the ocean floor's steep slope, eventually arriving at a depth of 3,000 to 4,000 meters. Since the system utilizes a geographical feature close to the ocean shore, it does not negatively impact the soil, as would building a dam nearby and placing the tailings there. The system has the additional benefit of not interfering with local agricultural activities because a large site is not necessary for disposal. It is also a suitable system for the region's natural environment, which is frequented by storms and earthquakes. The Project is constantly checking to ensure that the STP system is operating according to plan, and that the impact on the environment is being kept to a minimum. The Project also monitors the environmental impact by conducting regular tests on the ocean's ecosystem and water quality.



STP (Subsea Tailing Placement) system

2. Steel Service Centers in Asia

Business Environment
— Gaining Momentum on the Back of Rapid Growth in the Auto and Home Appliance Markets

Demand for steel is on the rise throughout Asia. In particular, steel consumption in China doubled in the five years from 1999 to 2003, reaching more than 260 million tons per year. The rapid growth has been brought about by the accelerated improvement of social infrastructure and development of the manufacturing industry in that country. Both of these were realized along with the continued emergence of China as the "world's factory," triggered by its joining the WTO in 2001. In particular, Japanese automobile and home appliance corporations, both of which are major customers of steel service centers, have moved their bases to China. This trend started with home appliance makers in the late 1980s, and was followed by automakers from 2002. As industry develops and standards of living rise in China and other parts of Asia, the need to expand processing capacity and supply steel-related products will only increase.

Business Overview, Our Strategies and Strengths

1. Business Overview

Steel service centers cut and process steel sheets mainly for automobile, home appliance, and construction industries. With the launch of Pandai Steel Industry Pte. Ltd. (currently Asian Steel Company Ltd.) in Singapore in 1977, we became the first general trading company to have a steel service center in Asia. We have subsequently expanded this business to Malaysia, Indonesia, Thailand, the Philippines, and Taiwan as Japanese corporations have moved their operations offshore. In 2002, we acquired four steel service centers from Nomura Trading Co., Ltd., one of which was our first business venture in Vietnam. In 2003, we acquired one company in China and another in Indonesia as part of our acquisition of Nichimen's steel products business. We also set up new wholly owned steel service centers in Wuxi, China, and Hanoi, Vietnam. In the autumn of 2004, an automotive steel service center that we set up in Changchun as a joint venture with China First Automobile Group Corporation and Shanghai Baosteel Group Corporation will begin operations. We plan to further expand our bases in China in fiscal year 2004. This will bring our overall steel service center business in Asia to 22 companies in eight countries, including seven companies in China. With a total annual processing capacity of 2.7 million tons, this will position us among the top players in the industry.

2. Our Strategies and Strengths

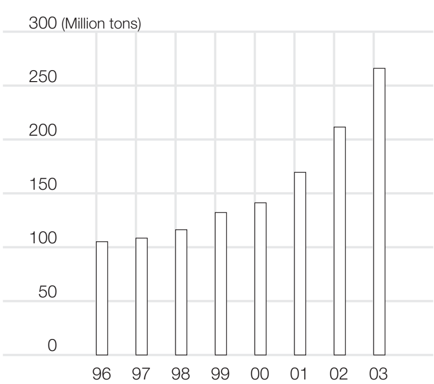
Our dominance in the steel service center business is based on three factors. First, as our customers have expanded offshore, we have built a network of steel service centers close to their production bases, thereby allowing us to accurately and promptly respond to their needs. Second, we continue to efficiently utilize our information technology. And third, we take full advantage of the logistical function of our overseas industrial parks and distribution companies.

We provide timely services ranging from optimal raw material procurement to inventory management and processing at steel service centers and just-in-time delivery. We also offer a stable supply of sheets optimized to customer specifications. In addition, we are striving to provide higher-quality service through our information network connecting our customers with multiple steel service centers in neighboring countries.

Performance and Outlook

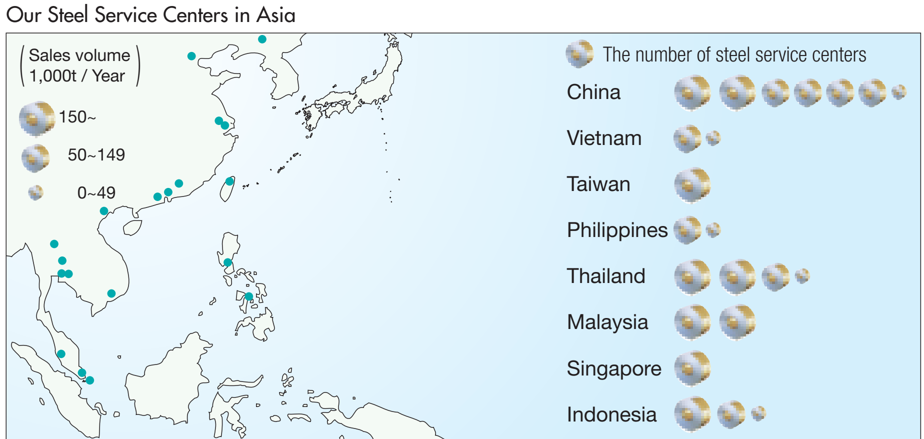
Earnings from our steel service centers in Asia have been expanding annually, becoming a major driver of earnings for our Metal Products Business Unit. We have expanded and improved our business base through strategic M&As in line with the growth of steel demand in China and other parts of Asia. We expect the effects of this strategy to continue to contribute to earnings going forward.

China's Steel Product Consumption*



*Consumption defined as sum of production and imports, net of exports
Source: The Japan Iron and Steel Federation

Our Steel Service Centers in Asia



3. Automobile-related Value Chain

Business Environment

— Automobile Market Expanding in Emerging Countries; Advanced Services are Key to Growth in Developed Countries

A general trading company's automobile-related business crosses a broad range of business fields and countries, and is developed according to the business environment in each region it operates. In emerging markets such as Asia and Central and Eastern Europe, favorable macroeconomic conditions themselves will be a primary cause for steady expansion of auto sales. Therefore, in our opinion the dealer and auto loan businesses in the regions still have ample room to grow. In Japan and other developed nations, however, macroeconomic conditions surrounding the industry are relatively tough considering the fact that the automobile industry is mature. A severe situation exists also in the case of the domestic auto leasing business, a major part of our earnings base. The market continues to expand as a whole in terms of the number of leases, but the industry is undergoing reorganization. Under these circumstances, we believe that the keys for future growth in this area are to offer diverse services that better meet customer needs, and to solidify our business base through measures such as M&As.

Business Overview, Our Strategies and Strengths

1. Business Overview

Our automobile business has grown by providing high value-added services that meet the needs of the times by fully leveraging our integrated corporate strength. We initially focused on exports starting in the 1950s, and then entered the overseas wholesale (distributor) business in the 1970s to expand exports. Subsequently, we expanded our wholesale business and entered the retail (dealership) business in an effort to consolidate our overseas business base, as exports declined due to Japanese auto manufacturers' expansion of overseas production. Meanwhile, we set up Sumisho Auto Leasing Corporation in 1981, and after acquiring some expertise in auto financing we began our full-scale entry into this business abroad in the 1990s. Around the world, we currently have approximately 20 distributor companies, 90 dealer locations, and 14 auto financing companies under our management. Through these, we are not only engaged in exports and local retail sales, but also in maintenance and financial services such as leasing, auto loan, and insurance, thereby creating a value chain that provides a broad range of services.

2. Our Strategies and Strengths

Sumisho Auto Leasing is a major driver of our automobile business. In 2003, it acquired the vehicle leasing division of Kawasho Lavie Corporation and Kubota Lease Corporation, increasing its fleet of vehicles to approximately 200,000 units. In doing so, Sumisho Auto Leasing became the second largest company in the domestic auto leasing industry. However, the company does not merely lease vehicles. It provides services with a high degree of customer satisfaction based on a vehicle management that utilizes information technology and a network of maintenance workshops. Overseas, PT. Oto Multiartha, an auto financing company in Indonesia in which we acquired a stake in 1996, is one of the three largest players in the industry with 32 offices in 24 cities. It is achieving strong performance through precise portfolio management. In other overseas regions as well, we are focusing on dealer networks and adding financial and other services in accordance with the local markets' needs and growth potential. We will further develop our value chains through expanding our business in new fields including investments in auto parts manufacturers.

Performance and Outlook

In fiscal 2003, the equity earnings of Sumisho Auto Leasing increased 26% year-on-year to ¥2.5 billion, while those of PT. Oto Multiartha grew 23% to ¥1.2 billion. In order to further expand the operating base of the auto financing business going forward, we will build up assets by enhancing existing investments, setting up new companies and M&As. At the same time, we will boost the profitability of our dealership business by replacing brands handled, improving earnings power of affiliates, and scrapping unprofitable stores for more profitable ones. Through these measures for business base expansion as well as structural reinforcement, we expect favorable performance in fiscal year 2004.

Performance of PT. Oto Multiartha

PT. Oto Multiartha's Office Network

4. TV Shopping Business

Business Environment
— TV Shopping Rapidly Growing

Japan's TV shopping market continues to grow at an annual rate of over 30%, expanding to a size of over ¥200 billion in fiscal year 2003. TV shopping's skyrocketing growth was initiated by the emergence of specialized channels—which enable 24-hour-a-day, year-round broadcast of shopping channels—attending the start of digital satellite broadcasting in Japan in 1996 and the popularization and evolution of cable TV. Sumitomo Corporation positions the TV shopping business as a major part of its efforts to develop multichannel content business, and in 1996 established Jupiter Shop Channel Co., Ltd. (JSC). JSC's pace of growth has outstripped that of the market, and it has secured a solid position as the No. 1 company in the TV shopping industry. Sales in fiscal year 2003 jumped 40% over the previous year to ¥39 billion.

Business Overview, Our Strategies and Strengths

1. Business Overview

JSC has consistently played the role of industry leader since its establishment. Leveraging Sumitomo Corporation's global-scale product procurement capabilities, JSC's buyers, who specialize in different product categories, rigorously select and purchase products from around the world. Approximately 700 products are introduced every week through JSC's 24-hour-a-day, year-round broadcast, the "SHOP CHANNEL." Independent provision of integrated, high-quality services—from product development and purchasing, program production, and receipt of orders at call centers to distribution and collection of payment—is JSC's major strength. Moreover, the synergies with Sumitomo Corporation's global network, logistics, and IT functions as well as cable TV business constitute a competitive advantage over other home shopping companies and broadcasting companies. These unrivaled strengths support JSC's rapid growth.

2. Our Strategies and Strengths

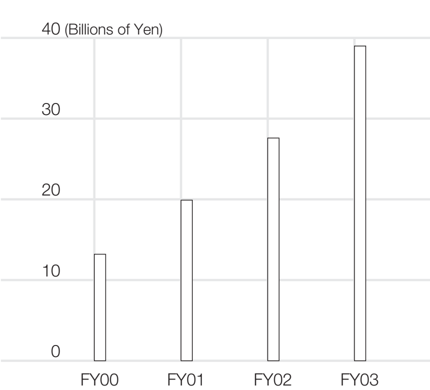
Presently, the SHOP CHANNEL can be viewed by 17 million households, or about one-third of all households in Japan. This already constitutes a sizable business base, but with a view to further growth JSC is implementing the following three strategies:

1) JSC, promoting development of original brands in order to differentiate its products from those of others, has introduced original jewelry, apparel, and cosmetics brands.
2) In order to more effectively convey the vividness of products to viewers, JSC plans to begin 24-hour-a-day, year-round live broadcasting in the fall of 2004. New studio construction and broadcast facility preparations are under way using advanced specifications that will facilitate future use in high-definition TV broadcasting.
3) JSC has introduced systems that enable purchase of products via the Internet and cellular phones. Sales from these media in addition to TV broadcasting are growing rapidly.

Performance and Outlook

Increasing viewer households is a major factor behind growth in this business. From the present level of about one-third of all households in Japan able to view the SHOP CHANNEL, we forecast a rise to approximately one-half, or 24 million households, within the next five years. This is due to the increase in viewer households of multichannel broadcasts that is likely to accompany progress in the digitalization of broadcasting. Continued growth is also expected in the average purchase amount per viewing household. These trends, combined with increased sales from the Internet and cellular phones, point to further growth in this business.

Sales Volume of Jupiter Shop Channel



Jewelry sales on SHOP CHANNEL

SHOP CHANNEL broadcasting control room

Special Feature 2:

Sumitomo Corporation's Risk Management

Sophisticated Risk Management
— Another Way Sumitomo Corporation Differentiates Itself from Competitors

- Maximizing our corporate value involves more than just increasing our growth potential and profitability. We are well aware that 'stability' (i.e., improving the quality of our earnings) enables us to win the trust and support of all our stakeholders, including our investors.
- Integrated trading companies (*sogo sosha*) constantly seek new markets and new business fields. In such a sector, what supports our stability – the quality of our earnings – are our unceasing efforts to improve our risk management capabilities, one of our integrated corporate strengths.
- Centering on the concept of risk-adjusted return, which Sumitomo Corporation pioneered within the sector, and using a variety of frameworks and methods, we seek to further improve the quality of our earnings.

The Aims and Need for Risk Management

— Sophisticated Risk Management Qualifies Us to Engage in Various Complicated Businesses

Even with strong growth potential and profitability, a company's value will have to be discounted if it is highly vulnerable to various risks. To maximize corporate value, it is essential to achieve stability—in other words, improve the quality of earnings. Integrated trading companies regularly establish new businesses that lead the way in their respective regions or business fields. We believe that sophisticated risk management capabilities are a prerequisite for managing the risks associated with the numerous and complicated businesses involved when tackling new fields, as well as for sound and sustainable growth. At Sumitomo Corporation, each of our nine Business Units aims for returns commensurate with allocated management resources and seeks to create an optimal business portfolio that avoids extreme concentration risk and controls earnings volatility. At the same time, we apply our sophisticated risk management expertise in each business segment in an effort to minimize the emergence of risks.

Risk Management Structures and Systems

At the Business Unit Level

— Combining Expertise in Each Business Sphere with Sophisticated Risk Management Expertise

Sumitomo Corporation's current nine Business Units were initiated in April 2001, aiming to rapidly and properly manage our organization and operations based on the principles of autonomous management and independent responsibility. The head of each Business Unit and Division manages risk for its respective businesses within the company-wide risk management framework. To support this, each Business Unit also has staff dedicated to risk management in the Unit's Planning and Administration Department. When the present nine Business Units were first implemented, a substantial part of risk management personnel, who to that point had been concentrated in the Corporate Group, were assigned to each Business Unit's Planning and Administration Department to act as dedicated risk management administrative staff. Combining risk management expertise accumulated over many years at the Corporate Group with the kind of information that can only be acquired at the front line of business operations makes possible timely and precise risk management.

Strategy Meeting

— Dialogue on Strategy Between Business Units and the Corporate Group

Based on the principles of autonomous management, each Business Unit studies its business lines, considering whether to expand or to downsize from the perspective of profitability and growth potential, then formulates a Business Portfolio Strategy. The President, the senior managers of the Corporate Group, and the heads of each Business Unit and Division discuss these strategies at the Strategy Meeting, which is held four times a year. This system makes it possible to check on the direction of major business lines and to quickly identify and provide a direction for problematic business lines.

At the Company-wide Level

— Creating a Common Framework for Risk Management

Being an integrated trading company entails having a variety of business segments, and what is appropriate for individual segments is not necessarily appropriate for the whole group.

A framework for managing risk in a manner that spans the entire company is an essential part of an integrated trading company's infrastructure. Such a framework entails having risk management yardsticks and tools for evaluating various business models from a perspective common to the whole company. It also involves creating systems that prevent the Company from taking on more risk than it can handle and that avoid the risk of over-concentrating in any specific country, region, or business field.

At Sumitomo Corporation, we have established dedicated departments within the Financial Resources Management Group to engage in risk management. In addition to the above risk management duties, these departments carry out risk analyses of major countries, regions, and business fields, and assign credit ratings to our customers based on a sophisticated ratings system developed by Sumitomo Corporation.

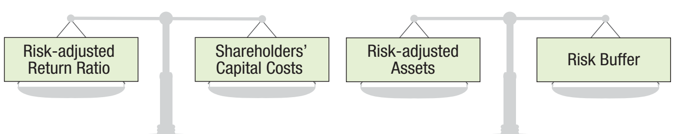
Meanwhile, decisions regarding large, important projects that could have a major impact on the entire company are not made solely by individual Business Units based on their autonomous management; the Corporate Group has a restraining function on business segments through the Loan and Investment Committee, which analyzes project risks from a specialist view point and assesses whether or not to go ahead with them.

Frameworks for Managing Each Type of Risk

1. Managing Quantifiable Risks
— The Tradeoff between Risk and Return

Quantifiable risks are those from which one can expect to earn returns by assuming the risk, and whose size can be expressed numerically. These risks include investment risks, e.g. the risk of a company in which we have invested losing value, credit risks, e.g. the risk of a business partner breaching a sales or loan contract, and market risks, e.g. the risk of changes in profits owing to fluctuations in product prices. In 1998, Sumitomo Corporation pioneered the sector's adoption of the concepts of risk-adjusted assets and risk-adjusted return. Since then, the Company's policy regarding these kinds of quantifiable risks has been to ensure that profits are commensurate with risk, while managing the overall risk taken. This policy has thoroughly permeated the Company.

Management Based on Risk-adjusted Return Ratio



Risk-adjusted Return Ratio

Profitability of a business against the risks involved in it, calculated as consolidated net income / risk-adjusted assets. We target a risk-adjusted return ratio of 7.5%, a figure which would cover shareholders' capital costs.

Risk-adjusted Assets

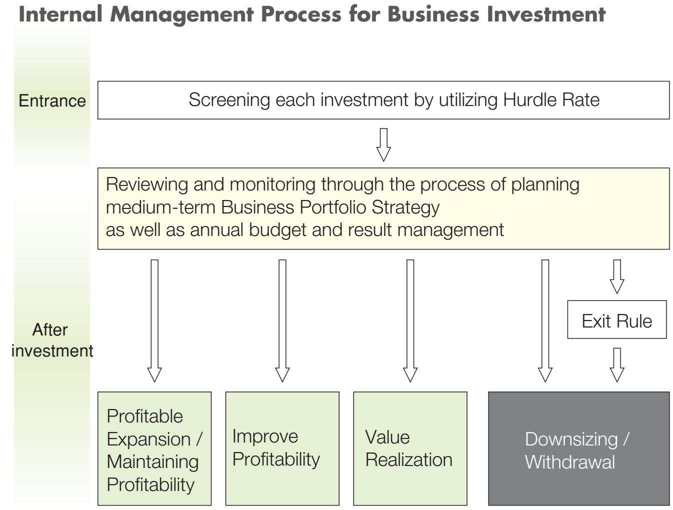
The value of maximum losses that could be incurred if all the potential risks were actually to occur during the accounting period. This is calculated as a sum of (a) receivables, inventory, fixed assets, and securities multiplied by the risk weight for each business segment plus (b) amount of potential losses with respect to derivative transactions, commitments, and guarantees.

Managing Investment Risks
— Strict Screening Prior to Investment, Thorough Monitoring After Investment, and Clarifying Standards for Withdrawal

Once an investment has been made, deciding to withdraw is difficult in many cases. With that in mind, Sumitomo Corporation closely monitors each stage of the investment process. The Company only goes forward with investments that are likely to generate returns in excess of a certain hurdle rate, which is determined based on the cost of shareholder's capital and long-term interest rates. After making the investment, the head of the Business Division is responsible for following its performance. The direction of the operating companies, which are important structural elements of our business portfolio, is debated as part of the process of considering the strategies of the Business Unit and Division. We also apply "Exit Rules," principles for withdrawing from investments, when investments have been unprofitable for a certain period, or if the debt amount of the operating company in question exceeds its total assets for even one fiscal year.

As a means of quantitatively evaluating business risk, we are working to introduce a more accurate way of evaluating the potential of a business, in which we run simulations based on business profit and risk analysis, and formulate a probability distribution of future cash flows and their present value (Dynamic Discounted Cash Flow analysis).

Internal Management Process for Business Investment



Managing Credit Risks
— Strict Classification of Risk Weight Based on Credit Ratings

We assign our customers one of nine credit ratings. The credit that can be authorized for each customer differs according to these ratings, and a risk weight ranging from 2% to 80% is set for each credit rating. This makes it harder to set a large credit limit for customers with a low credit rating, which relatively strengthens our credit risk management of customers with low credit ratings. In addition, because credit ratings are taken into consideration in calculating risk-adjusted assets, each Business Unit has an incentive to reduce credit extended to customers with low credit ratings.

Managing Market Risks
— Establishing Segregation of Duties and Internal Checks and Balances

We believe that our system for monitoring price changes and our trading positions for market-traded products, as well as our internal checks and balances, and our reporting system all satisfy the international standards used by financial institutions and others. When trading market-traded products, we set limits on the gross volume (or value) of contract balances and the balance of our net positions. We also set loss limits by product for the interim or full-year period, and we continually monitor our positions so that losses including value at risk (VaR; a statistical measure of the maximum risk potential) do not exceed these limits. The Financial Resources Management Group is responsible for back office functions such as trade confirmation and balance verification, and middle office functions such as risk analysis, monitoring profits and losses and our positions. They are completely separate from the front office, which executes trades, enabling us to maintain our internal checks and balances.

Risk Concentration
— Avoiding an Excessive Concentration of Risk in Specific Risk Factors

Integrated trading companies operate in a variety of business fields on a global basis and they must ensure that risks are not excessively concentrated in particular areas. Our country risk management system limits the exposure of our global business activities to certain countries and regions. In addition, the Strategy Meeting and Loan and Investment Committee hold extensive discussions regarding major business lines that maintain significant exposure to particular business fields.

2. Managing Non-Quantifiable Risks
— Cross-Sectional Efforts Spanning the Entire Company

Non-quantifiable risks are those that must be borne, but for which we cannot expect returns. These include litigation and other legal risks, operational risk such as administrative errors and fraud, and natural disasters. Some of these risks involve events that do not occur frequently but can have a major negative impact on our operation when they do. Sumitomo Corporation manages such risks on an ongoing basis through its dedicated departments within the Corporate Group that are responsible for various non-quantifiable risks and its business departments. In addition, in 2002 we established the Supporting Team for Integrated Risk Management to conduct comprehensive reviews of such risks on a company-wide basis. This team clarifies which non-quantifiable risks exist and prioritizes them according to their importance. The team also reviews the status of the Company's responses to these risks and works to improve them. The team has investigated around 30 non-quantifiable risks to date, including fraudulent acts by executives and employees, fictitious transactions, insider trading, IT and data security, and harassment in the workplace.

There has been progress internationally in developing standards for corporations' internal control systems. These include the Sarbanes-Oxley Act, which stemmed from accounting scandals in the United States, and the Enterprise Risk Management (ERM) Framework drafted by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). We have started working to upgrade our internal control systems based on the framework from COSO.

Fostering a Sense for Risk Management and a Legal Compliance Mindset

— Improving Each Employees' Risk Management Capabilities Raises the Company's Competitiveness and Profitability

In order for us to exert our risk management capabilities, one of our integrated corporate strengths, we must of course take maximum advantage of the expertise of dedicated personnel assigned to risk management. However, because we engage in various businesses with limited human resources, upgrading the risk management capabilities of individual employees can act as a base for increasing the profitability and competitiveness of the Company as a whole. Regardless of how superior our risk management methods and indicators are, they will not yield satisfactory results unless all employees fully master them. Sumitomo Corporation's senior managers are working to raise awareness of this point throughout the company, often state that risk management is an integral part of business, and that business without risk management is not truly business.

Constantly Upgrading Risk Management

Sumitomo Corporation's risk management has undergone major changes over almost the last 10 years. We have maintained a high level of risk management within our sector, and have studied and adopted a number of new risk management methods and frameworks. Even now, we are trying out several new methods and frameworks. Risk management is essential to an integrated trading company, and a source of competitiveness. Our efforts to improve our capabilities in this area will never end.

Overview of Operations

Metal Products Business Unit

Shigemi Hiranuma
General Manager,
Metal Products Business Unit

Innovative Services with a Strong Customer Orientation

We handle various metal products, including (1) steel bars and sections for construction use; (2) steel sheets, steel plates, wire, and specialty steel for automobiles, home electrical appliances, and shipbuilding; (3) Oil Country Tubular Goods (OCTG) and line pipes for oil and natural gas; and (4) aluminum for making cans. By providing services that accurately reflect customer needs, we have built a topflight business in the field of metal products distribution.

For example, we operate steel service centers around the globe, with a focus on Asia, to ensure optimal procurement of steel sheets for our customers. In the steel pipe business, we have earned the praise of oil and natural gas companies around the world for our integrated broad-based services, ranging from procurement and transport to processing and storage. Our provision of sophisticated services is supported by the Tubular Information Management System (TIMS), our proprietary on-line supply chain management (SCM) system. SC Grainger, which engages in on-line sales of factory tools and other maintenance, repair, and operating equipment, has rapidly built up its customer base by enhancing customer-centered services, including an expansion of its product lineup available for next-day delivery.

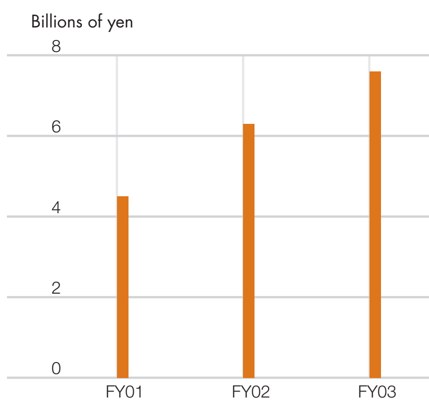
Performance Highlights

(Billions of yen)

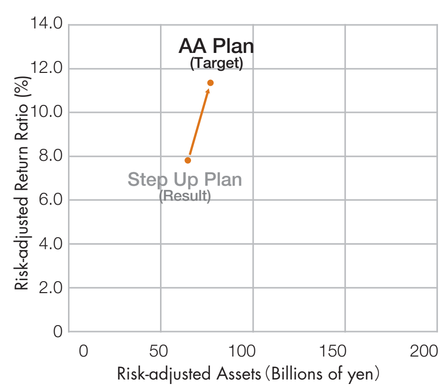
	FY01	FY02	FY03
Gross Profit	36.6	37.2	42.0
Net Income	4.5	6.3	7.6
Total Assets	314.1	344.1	390.4

	Step Up Plan (Results) (FY01-FY02)	AA Plan (Targets) (FY03-FY04)
Risk-adjusted Assets (at end of FY02 and FY04)	65.0	77.0
Risk-adjusted Return Ratio (two-year average)		

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Business Environment and Basic Strategies
——Investing Resources to Improve Earnings and Broaden Business Scope

The steel and nonferrous metals markets in Japan and overseas have been energized by global economic recovery and the remarkable growth of the Chinese economy. Meanwhile, customers' needs are becoming more sophisticated and diverse as international competition intensifies. In this environment, we will invest capital and human resources more proactively in China and other core markets through strategic M&A activities, drawing on our integrated corporate strength. In this way, we aim to reinforce our optimal global supply system, including our broad-based steel service centers network and TIMS for OCTG and line pipes.

Fiscal Year 2003 Highlights

Line pipes installation site in Azerbaijan

- We strengthened our positions in stainless steel, specialty steel, and automotive-use products by acquiring the steel products business of Nichimen Corporation.
- Sumitomo Metal Industries, Ltd. (SMI), Taiwan-based China Steel Corporation, and Sumitomo Corporation signed a joint venture agreement concerning upstream operations at SMI's Wakayama Steel Works.
- We established SC Pipe Solutions Co., Ltd., as a marketing base for western Japan, supplementing the activities of Sumisho Pipe and Steel Co., Ltd., our base in eastern Japan. Now with two consolidated marketing bases, we have increased our marketing efficiency for steel pipes in Japan.
- Together with the Shanghai Baosteel Group Corporation and China's First Auto Works, we set up a steel service center specializing in automotive-use steel sheets in Changchun, China.
- We set up a joint venture company with SMI in Huizhou, China, to manufacture crankshafts.
- Together with Sumitomo Tube & Pipe Co., Ltd., we established a company to manufacture automotive-use steel pipes in Guangzhou, China.
- We opened a steel service center in the Czech Republic, the first Japanese company to do so.
- We received orders for OCTG including SCM services from major oil companies operating in Dubai, Alaska, and Equatorial Guinea. We now provide SCM services in nine nations.
- We received substantial orders to supply large-diameter line pipes to the West-East Gas Pipeline Project in China, BP Azerbaijan's gas and crude oil pipeline project, and an undersea gas pipeline project in Norway for Statoil ASA.

Strategies for Fiscal Year 2004 and Beyond

- We will actively step up our presence in China by establishing new businesses and upgrading existing ones, with a focus on automotive-use products.
- We will raise our profile in Japan by strengthening our sales capabilities and reinforcing our steel service centers network.
- We will integrate the operations of businesses acquired from Nichimen Corporation and Nomura Trading Holdings Co., Ltd., and exploit the resultant synergies.
- SC Grainger Co., Ltd. will broaden its business scope.
- Fibercoat Co., Ltd., a manufacturer of fiber-coated steel sheets, and other affiliated companies will increase sales of proprietary products.
- We will broaden our earnings base by developing new business lines.

Steel service center in Wuxi, China

Performance and Outlook

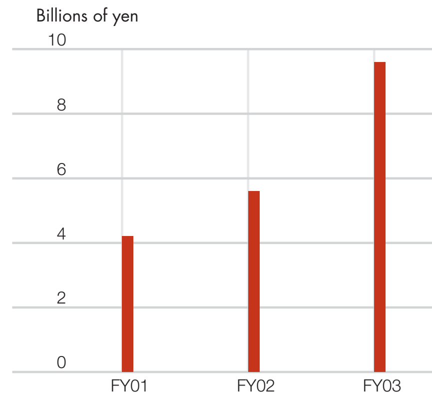
In fiscal year 2003, we generated gross profit of ¥42.0 billion, up 12.9% from the previous year's result. Net income rose 20.6%, to ¥7.6 billion. The solid improvement in earnings reflected higher revenues from steel service center operations in Asia and from steel product businesses acquired through strategic M&A activities. Our reallocation of assets to more profitable areas also contributed to higher earnings. In fiscal year 2004, we expect continued earnings contributions from our steel service centers and from exports of steel sheets to Asia, reflecting strong demand in the region, particularly China.

Our target under the AA Plan is to raise risk-adjusted assets by ¥12.0 billion, to ¥77.0 billion, by the end of fiscal year 2004. We achieved a strong risk-adjusted return ratio in fiscal year 2003 and expect to maintain that momentum in fiscal year 2004. For the two-year period of the AA Plan, the average risk-adjusted return ratio is expected to improve significantly to 11.3%. By further reinforcing our service capabilities, the key strength of this Business Unit, we will build on our dominant position in the metal products distribution field.

Shuji Hirose
General Manager,
Transportation & Construction Systems Business Unit

Transportation & Construction Systems Business Unit

Net Income



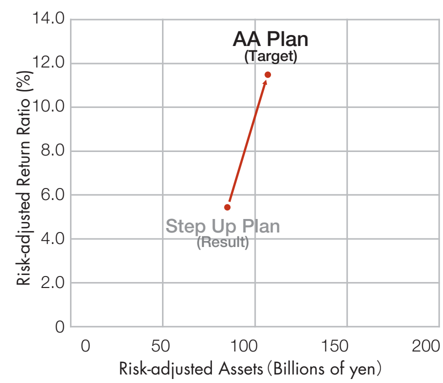
Performance Highlights

(Billions of yen)

	FY01	FY02	FY03
Gross Profit	78.4	86.2	98.6
Net Income	4.2	5.6	9.6
Total Assets	740.5	764.9	793.0

	Step Up Plan (Results) (FY01-FY02)	AA Plan (Targets) (FY03-FY04)
Risk-adjusted Assets (at end of FY02 and FY04)	85.0	107.0
Risk-adjusted Return Ratio (two-year average)		

Risk-adjusted Return Ratio and Risk-adjusted Assets



Automobile-Related Business Value Chain Supporting Strong Growth

We handle transportation equipment, including automobiles, ships, aircraft, and railway cars, as well as construction equipment. We are bolstering earnings by expanding our business sphere from midstream activities to both downstream and upstream operations. In our core automobile-related business, which we operate in more than 30 countries, we have formed a value chain covering import, wholesale, retail sales, maintenance, and auto loans and leasing, as well as automotive parts manufacturing and logistics. Sumisho Auto Leasing has risen to the No. 2 position in Japan's auto leasing industry, while another subsidiary, PT. Oto Multiartha, is now one of the three largest players in the auto finance industry in Indonesia. In the ships business, we are the only trading company in Japan engaged in shipbuilding, handled by an associated company, Oshima Shipbuilding. We not only sell new ships but also operate our own ships. Moreover, we lead all other Japanese trading companies in the construction equipment business, selling and renting chiefly Komatsu products both domestically and overseas. We also provide aircraft operating lease services, in addition to engaging in railroad and other transportation-related projects.

Business Environment and Basic Strategies

——Enhancing Value Chains and Improving the Asset Portfolio

Economic conditions currently are conducive to expanding our operations in various businesses. For example, global demand for automobiles continues to rise. Moreover, shipping freight rates remain at high levels owing to an increasing global volume of ocean transportation. Meanwhile, demand for construction equipment is growing in China and other parts of Asia as well as Russia and the Middle East. In this environment, our basic strategy is to enhance our value chains and improve our asset portfolio, thereby achieving long-term growth.

In the automobile-related area, we will reinforce earnings by expanding our automobile lease and finance business, centered on Japan and other parts of Asia. Meanwhile, we will revamp our dealership networks, replacing sales bases and automotive brands that fail to satisfy our performance criteria. In Hungary, Slovenia, and other parts of Central Europe, we are working hard to enhance our value chain business model for each region in which we operate. Other strategic priorities include supporting the transplant of Japanese automotive parts manufacturers to overseas markets as well as expanding vehicle exports to the Middle East and other regions.

In the construction equipment field, we will upgrade our business base in the U.S., Australia, and Europe. We also plan to expand in growing markets such as China and elsewhere in Asia, Russia, and the Middle East with an emphasis on boosting income from trading activities. In Japan, we will foster our rental business while cultivating new businesses with future growth potential, such as sales of used construction equipment.

In ships and aircraft businesses, we will target higher profitability by strategically replacing assets, thereby building a more optimal asset portfolio.

Red Australia imports, sells and rents Komatsu forklift trucks in Australia

Fiscal Year 2003 Highlights

- Sumisho Auto Leasing Corporation acquired Kubota Lease Corporation.
- Partnering with Mitsubishi Heavy Industries, Ltd. and South Korea's LG Industrial Systems Co., Ltd., we secured an order to deliver an automated people-mover system to Incheon International Airport in South Korea.
- We formed a risk participation agreement with the European Bank for Reconstruction and Development (EBRD) covering construction equipment leasing in Russia.
- We entered the automobile finance business in Jordan.

Strategies for Fiscal Year 2004 and Beyond

- We will continue to expand our automobile lease and finance business, focusing on Japan, other parts of Asia, and Central Europe.
- At the same time, we will continually re-evaluate our automobile dealership networks with an eye to strengthening earnings.
- In the ships and aircraft businesses, we will fortify our earnings base through ongoing asset replacement.
- In the construction equipment business, we will target M&A and other strategic opportunities to reinforce our dealership networks in Europe and North America, while nurturing sales companies in China and Russia and reinforcing rental business in Japan.

Automobile showroom in Slovenia 1

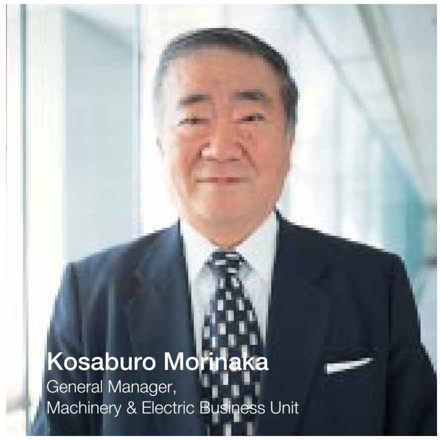
Automobile showroom in Slovenia 2

Performance and Outlook

Gross profit in fiscal year 2003 totaled ¥98.6 billion, a 14.4% increase over the previous year's result. Net income jumped 71.4%, to ¥9.6 billion. Major factors contributing to these favorable results included a strong performance by our automobile lease and finance business in Japan and elsewhere in Asia, especially by Sumisho Auto Leasing. Conditions in the ships business also improved owing to favorable shipping freight rates. In fiscal year 2004, we anticipate a continuation of strong results from both our automobile lease and finance and ships businesses, in addition to higher income from our construction equipment business abroad.

Under the AA Plan, we are targeting a ¥22.0 billion increase in risk-adjusted assets, to ¥107.0 billion, by the end of fiscal year 2004. We plan to significantly expand risk-adjusted assets in our automobile lease and finance business. The expected average risk-adjusted return ratio for the two-year period covered by the AA Plan is 11.5%. By enhancing our value chain and improving our portfolio strategies, we aim to further fortify our business foundation for generating stable earnings, regardless of macroeconomic and market conditions.

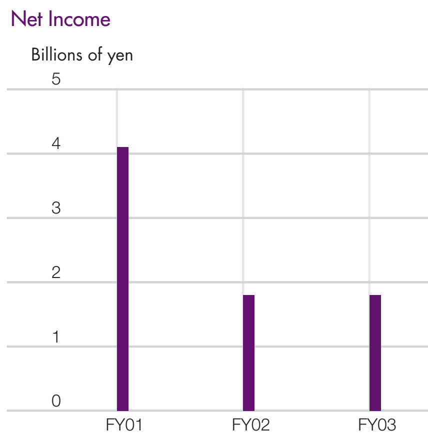
Machinery & Electric Business Unit

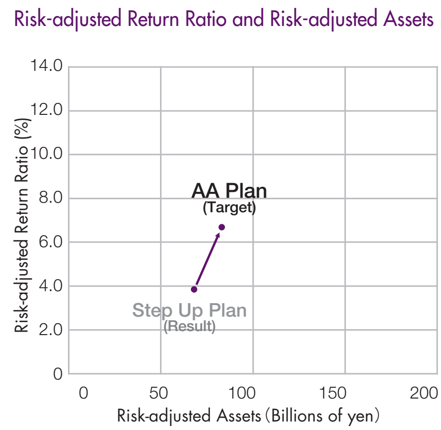


Boasting Unrivalled Experience in EPC Projects, Especially for Power Plants in Asia

The bulk of our earnings derive from overseas projects related to electric power, information and telecommunications, and energy, as well as from overseas investments in electric power, water, telecommunications, and other businesses. We are particularly strong in engineering, procurement, and construction (EPC) projects, offering comprehensive handling capabilities. In power plant EPC projects, we boast an unrivalled track record among Japan's general trading companies, with a total power-generation capacity handled to date of over 40,000 megawatts, of which approximately 70% is recorded in Asia. In telecommunications, MobiCom Corporation, a comprehensive telecommunications company established in Mongolia in 1995, now accounts for over 80% of Mongolia's mobile phone market.

Domestically, we import and sell machinery, equipment, and systems. We are also focusing on new growth fields, including biotechnology through SC BioSciences, which actively imports cutting-edge U.S. technologies and sells related machinery and equipment.





Performance Highlights (Billions of yen)

	FY01	FY02	FY03
Gross Profit	30.6	28.6	28.2
Net Income	4.1	1.8	1.8
Total Assets	421.5	451.2	435.7

	Step Up Plan (Results) (FY01-FY02)	AA Plan (Targets) (FY03-FY04)
Risk-adjusted Assets (at end of FY02 and FY04)	68.0	83.0
Risk-adjusted Return Ratio (two-year average)		

Business Environment and Basic Strategies

——Pursuing Higher Profitability, Stability, and Growth through a Balanced Mix of EPC Projects, Investments, and New Business Initiatives

In Asia, a shortage of electric power generation capacity and ongoing development of the social infrastructure have resulted in an increase in new power plant construction projects. In the Middle East, meanwhile, persistent shortages of electricity and water are fueling an increasing number of independent power producer (IPP) and independent water and power producer (IWPP) projects.

To enhance business efficiency with an eye to maximizing profits in this environment of growing opportunities, we reorganized the divisions in January 2004. Under the new organization, three divisions have been re-established, namely, the E & M New Business Development Division, the Power & Energy Project Division, and the Information, Telecommunication & Industrial Project Division. While strengthening our earnings base by further expanding our activities in high-return business fields such as EPC and telecommunications trading, we are allocating more management resources to project investments in such areas as the electric power, water, energy, and information and telecommunications with the goal of achieving a more stable and sustainable earnings base. In the EPC project business, we will seek to procure stable and sustained orders by focusing on core markets and leveraging our multifaceted capabilities. In project investments, we intend to optimize our portfolio by pursuing a balanced approach, targeting new "greenfield" projects and acquiring assets with high earnings potential. Further, in new-technology fields, we will seek out business opportunities in energy-saving and environment-friendly technologies, such as biotechnology and fuel cells.

Rendering of the Tanjung Bin thermal power plant in Malaysia

Fiscal Year 2003 Highlights

- Construction work proceeded smoothly on the 1,320-megawatt Tanjung Jati B thermal power plant in Indonesia.
- In Malaysia, we won a US$1.5 billion order to build the 2,100-megawatt Tanjung Bin thermal power plant.
- In Russia, we received a US$60 million order to supply information and telecommunications systems to the Sakhalin 2 LNG project.
- In Dubai, we established an IT solutions company in a joint venture with the Orascom Group. We hold a 37% equity share in the new company.
- SC BioSciences Corporation teamed up with U.S.-based Quantum Dot Corporation and the Matsushita Electric Industrial Group to develop a new genetic analysis system.

Strategies for Fiscal Year 2004 and Beyond

- We will focus on electric power EPC projects, especially in our core market of Southeast Asia. In the information and telecommunications trading business, we will concentrate on Russia and the Middle East.
- In project investments, we will concentrate on the electric power, water, information and telecommunications, and energy businesses, particularly in the U.S., Asia, and the Middle East.
- In new technologies, we will emphasize energy-saving technologies, biotechnology, and fuel cells among others.

Tanjung Jati B thermal power plant in Indonesia (under construction)

Performance and Outlook

In fiscal year 2003, the Business Unit posted gross profit of ¥28.2 billion and net income of ¥1.8 billion. Both figures were largely unchanged from the previous fiscal year. The Tanjung Jati B power plant construction and the telecommunications project in Russia contributed to earnings. In fiscal year 2004, increased transactions related to Asian power plant projects such as Tanjung Jati B and Tanjung Bin are set to contribute to our revenues. We also expect earnings contributions from IPP projects in Vietnam and Taiwan newly coming on-stream.

Under the AA Plan, we expect risk-adjusted assets to grow by ¥15.0 billion, to ¥83.0 billion, by the end of fiscal year 2004. A large portion of this increase is expected to derive from power generation investments. We are targeting an average risk-adjusted return ratio of 6.7% for the two-year period under the AA Plan, well above the 3.9% average under the Step Up Plan. Going forward, we intend to continue focusing on winning orders for highly profitable projects and investing in lucrative businesses.

Performance Highlights

(Billions of yen)

	FY01	FY02	FY03
Gross Profit	41.9	40.9	40.8
Net Income	6.3	8.5	7.5
Total Assets	291.4	339.2	375.0

	Step Up Plan (Results) (FY01-FY02)	AA Plan (Targets) (FY03-FY04)
Risk-adjusted Assets (at end of FY02 and FY04)	118.0	152.0
Risk-adjusted Return Ratio (two-year average)		

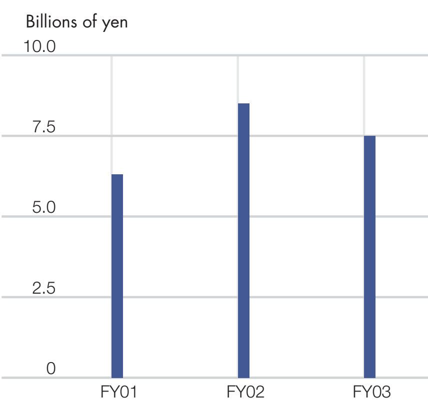
Media, Electronics & Network Business Unit

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

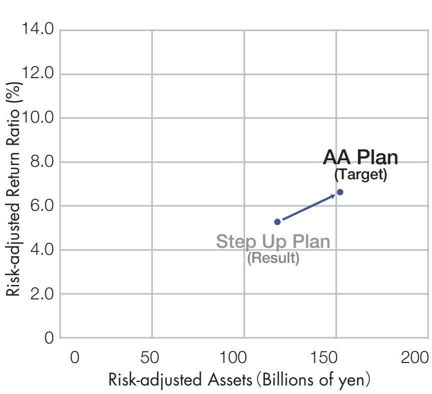
Reinforcing the Earnings Base in Our Three Core Business Areas

We are involved in three core business areas: (1) media, including cable TV, programming, and movies; (2) network, through which we deliver hardware and software solutions in information technology field; and (3) electronics, where we carry out trade in electronic materials as well as provide electronics manufacturing services (EMS) for printed circuit boards used in electronic equipment. Core Group companies in each of these three business areas enjoy leading positions in their respective industries. By exploiting synergies among Group companies and steadily expanding our earnings base, we are confident of achieving continuous growth into the future.

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Business Environment and Basic Strategies

—Expanding Operations by Offering Value-Added Services That Meet Customer Needs

In the media business area, multichanneling and digital broadcasting are proceeding at a rapid pace. In response, our cable TV multiple system operator Jupiter Telecommunications Co., Ltd. (J-COM), is introducing high-value-added digital services such as pay-per-view and video-on-demand (VOD). Jupiter Programming Co., Ltd. (JPC), is concentrating on creating and procuring attractive programming content, including those to be distributed via J-COM's new digital services. By simultaneously improving our services on both the infrastructure and content fronts, we aim to enhance customer satisfaction and raise subscriber numbers. We thus expect to achieve sustainable earnings growth.

In the network business area, price competition continues to intensify as companies become more selective in their IT investments. In response, Sumisho Computer Systems Corporation (SCS) is expanding outsourced business by reinforcing consulting and systems operation capabilities. Meanwhile, Sumisho Electronics Co., Ltd. (SSE), is strengthening its network security services. In the mobile communications segment, MS Communications Co., Ltd. (MSCOM), is spearheading our growth. By maximizing synergies among Group companies, we intend to broaden our business base.

In the electronics business area, characterized chiefly by continuous expansion in the digital home appliance market, the Sumitronics Group will further broaden its EMS business in Southeast Asia and China. In line with Japanese manufacturers' ongoing shift of production to China, Sumitronics will work to develop its business in southern and eastern China while extending its service lineup to include mobile phones and digital cameras, in addition to its core business of printers.

Fiscal Year 2003 Highlights

Media

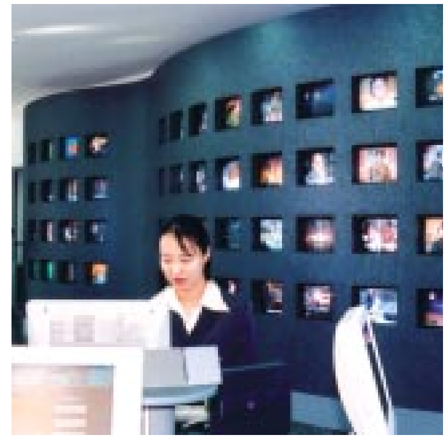
- J-COM achieved profitability for the first time since its establishment.
- JPC performed solidly, boosted by its popular Jupiter Shop Channel.

Network

- SCS added new products to its lineup, including Curl, a next-generation Web system programming language, and IT business management solutions.
- SSE significantly improved its results both by expanding its business base through M&A and by improving efficiency.
- MSCOM enjoyed improved results owing to higher sales of camera-equipped mobile phones.

Electronics

- In the EMS business, we augmented our lineup of printers and LCD projectors with the addition of hard disk drives and LCD modules for mobile phones.
- Sales of blue LEDs made by Cree, Inc., of the U.S. reached US$100 million, approximately double the previous year's figure.
- We took an equity stake in U.S.-based Carbon Nanotechnologies Inc. (CNI) and became the sole distributor in Japan and South Korea for that company's single-wall carbon nanotubes.



J-COM Broadband Tokyo

The EMS network of Sumitronics Group

Strategies for Fiscal Year 2004 and Beyond

Media

- J-COM will work to attract subscribers by launching VOD and other new digital services while upgrading its existing service menu.
- JPC will broaden its business base by creating and procuring programming content for distribution via VOD, high-definition broadcasts, and Internet Protocol (IP) broadcasts.
- In the cinema complex business, we will pursue equity tie-ups and cooperative relationships with other companies in this field.

Network

- SCS will strengthen and upgrade its growing outsourcing business, including systems establishment and operation services for corporations.
- SSE will reinforce its business base in the areas of network solutions and security, in addition to targeting strategic M&A alliances.

Electronics

- We intend to expand our EMS business by integrating the operations of the Sumitronics Group in Japan, Singapore, South Korea, China, and elsewhere in Asia.
- In new technologies, we will develop products employing carbon nanotubes, expand our intellectual property business, and broaden our range of nanotechnology materials offerings.

Performance and Outlook

Gross profit in this Business Unit remained largely unchanged from the previous fiscal year, at ¥40.8 billion. On the positive side, our EMS business and electronic materials and components trade business benefited from strong market demand as well as from higher sales of mobile phones by MSCOM. Conditions in the systems and software sectors, however, were difficult. Net income totaled ¥7.5 billion, an 11.8% decrease year on year. Despite large contributions to equity in earnings of associated companies from J-COM and JPC, we ended up with a decrease in net income due to a devaluation of our shareholdings in a telecommunications carrier. In fiscal year 2004, we look forward to solid growth in network-related businesses, spearheaded by SCS and SSE. We also anticipate increased contributions from the media business area, led by J-COM and JPC, as we broaden business scope in this area.

Under the AA Plan, we intend to increase risk-adjusted assets by ¥34.0 billion, to ¥152.0 billion. Media- and network-related assets will represent the bulk of this increase. Our target average risk-adjusted return ratio for the two-year period covered by the Plan is 6.6%.

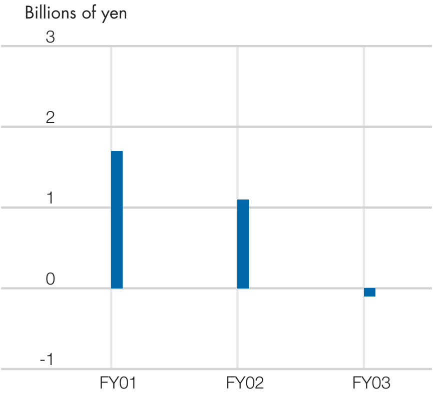
Performance Highlights

(Billions of yen)

	FY01	FY02	FY03
Gross Profit	25.5	23.6	22.8
Net Income	1.7	1.1	-0.1
Total Assets	204.8	186.5	174.9

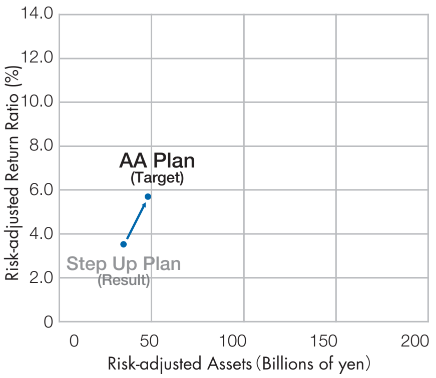
	Step Up Plan (Results) (FY01-FY02)	AA Plan (Targets) (FY03-FY04)
Risk-adjusted Assets (at end of FY02 and FY04)	35.0	48.0
Risk-adjusted Return Ratio (two-year average)		

Net Income



Chemical Business Unit

Risk-adjusted Return Ratio and Risk-adjusted Assets



Supply Chain Management Expertise Supporting Global Business Expansion

Our activities encompass inorganic chemicals, such as battery materials, sulfuric acid, and soda ash, as well as electronics material chemicals, pharmaceuticals, biotechnology-related chemicals, agricultural chemicals, plastics, and organic chemicals.

Our special expertise in supply chain management (SCM) systems has supported our business development. In electronics material chemicals, for example, we led the industry in introducing a package delivery system for materials destined for China, while in agricultural chemicals we utilized an SCM system to establish a sales network covering six central European nations.

Another strength derives from the global nature of our business operations. In addition to our global agricultural chemicals sales network, we handle more than 50% of the world's total sulfuric acid trade through Interacid Trading S.A., our subsidiary based in Switzerland. In pharmaceuticals, we have established a comprehensive global network spanning Japan, the U.S., Europe, and China. In organic chemicals, we are reinforcing our global trading network, which currently offers coverage from three operational centers located in Japan, the U.S., and Europe.

Business Environment and Basic Strategies

—Business Expansion in Performance Chemicals, Improving Earnings in Plastic, and Organic Chemicals

Having completed withdrawal from unprofitable businesses over the past three years, we are now ready to aim for a V-shaped recovery.

In performance chemicals, our business expansion efforts center on electronics material chemicals, agricultural chemicals, pharmaceuticals, and biotechnology-related chemicals. Looking ahead, we intend to upgrade our electronics material chemicals business by fully leveraging our SCM system, with an emphasis on China, where further market growth is anticipated. We will also focus on areas related to new technologies, such as materials for organic electroluminescent (EL) panels, widely regarded as the next-generation display. In the agricultural chemicals business, we will broaden our global presence by reinforcing sales networks in South America and Asia. We also intend to pursue new business opportunities in such areas as pet supplies, which we have newly entered via the acquisition of The Hartz Mountain Corporation, a major U.S. pet supply provider, as well as medical information, notably, electronic medical records.

In plastics and organic chemicals, with our petrochemicals business restructuring behind us we aim to increase earnings by strengthening distribution capabilities through such measures as expanding our own fleet of olefin carriers. We will also continue shifting management resources to China and Southeast Asia, where demand is rapidly growing. All the while, we will work to boost the earnings power of our Group companies, particularly U.S.-based Cantex Inc., which makes PVC pipes, and Sumitomo Shoji Plastics Co., Ltd., which markets synthetic resins and organic chemicals.

Fiscal Year 2003 Highlights

Pet supplies lineup of The Hartz Mountain

- We acquired the sole global distribution rights for "Ethaboxam," a fungicide for grapes and vegetables made by South Korea's LG Life Sciences, Ltd. We also obtained overseas sales rights for fruit tree fungicides made by Shionogi & Co., Ltd., of Japan.
- Together with Morita Chemical Industries Co., Ltd., we established a company in China to manufacture and sell materials used to make lithium-ion batteries. We have a 30% equity stake in this new company.
- We set up a 50-50 joint venture company with Asahi Glass Co., Ltd., for domestic sales of natural soda ash imported from the U.S.
- We secured an order worth ¥3.0 billion annually to operate a package delivery scheme for high-purity chemicals and special gases for making LCD displays for Shanghai SVA NEC Liquid Crystal Display Co., Ltd., in China.
- The electronic medical record business of Apius Co., Ltd., in which we have a 26.89% equity share, grew solidly.
- We established Summit GlycoResearch Corporation to develop and sell medical products leveraging functionalities associated with sugar chains.

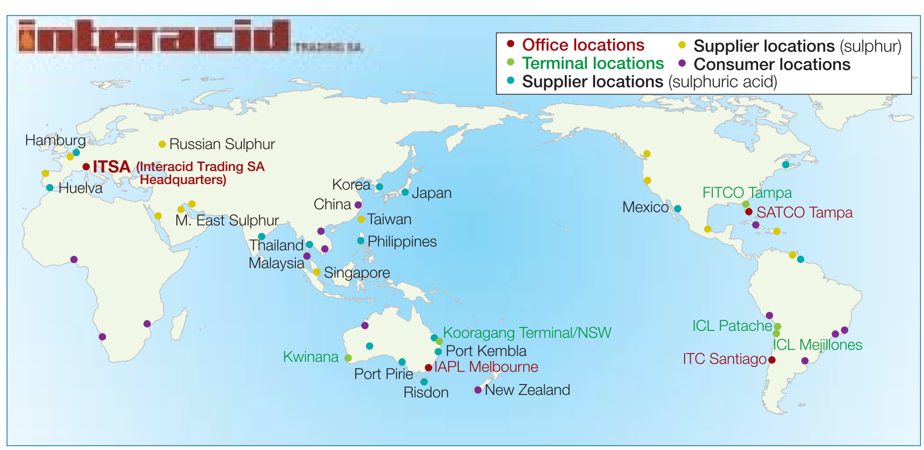
Strategies for Fiscal Year 2004 and Beyond

- We newly entered the pet supplies business by acquiring a major U.S.-based supplier, The Hartz Mountain.
- In the agricultural chemicals business, we will step up our efforts to penetrate the Brazilian and North American markets while expanding our own offerings by newly acquiring businesses and distribution rights.
- We will promote sales of organic EL panel materials, focusing on light-emitting materials produced by Eastman Kodak Company.
- In China and elsewhere in Asia, we will reinforce our business in package delivery of electronics material chemicals.
- In the electronic medical record business, we intend to increase domestic sales and market share.
- We will further streamline Cantex's operations, focusing on expanding the company's sales of products with higher profitability.
- In organic chemicals, we aim to strengthen our market presence by reinforcing logistics capability through such measures as expanding our own fleet of olefin carriers.

Performance and Outlook

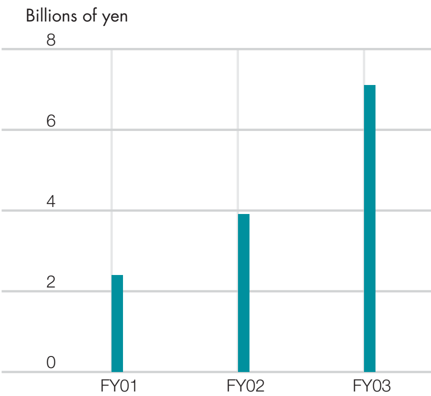
The Business Unit's gross profit amounted to ¥22.8 billion, a 3.4% decrease year on year. While we recorded favorable results in our electronics material chemicals and package delivery businesses, profits decreased due to Cantex's unstable performance. In addition, our withdrawal from PVC manufacturing in Asia occasioned a loss. As a result, we posted a net loss of ¥100 million. Having fully divested from unprofitable businesses during fiscal year 2003, we look forward to improved earnings in fiscal year 2004, boosted by stronger earnings from Cantex and other Group companies as well as by contributions from businesses that we have been fostering.

The AA Plan targets a ¥13.0 billion increase in risk-adjusted assets, to ¥48.0 billion, by the end of fiscal year 2004. Our target average risk-adjusted return ratio for the two-year period covered by the AA Plan is 5.7%.

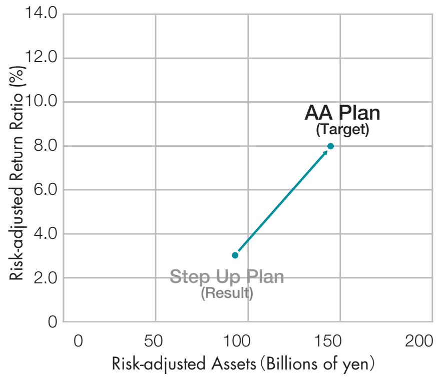


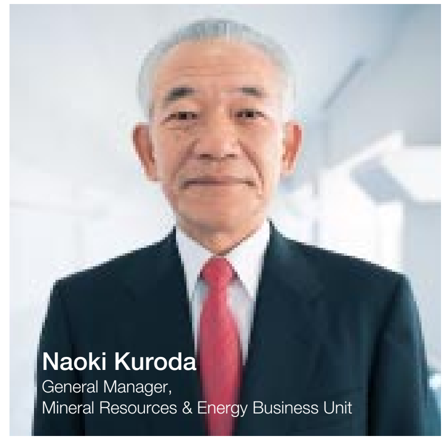
Sulfuric acid sales network of Interacid Trading

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets





Mineral Resources & Energy Business Unit

Performance Highlights

(Billions of yen)

	FY01	FY02	FY03
Gross Profit	30.1	31.6	27.1
Net Income	2.4	3.9	7.1
Total Assets	266.7	309.5	345.7

	Step Up Plan (Results) (FY01-FY02)	AA Plan (Targets) (FY03-FY04)
Risk-adjusted Assets (at end of FY02 and FY04)	93.0	145.0
Risk-adjusted Return Ratio (two-year average)		

Comprehensive Business Development, from Upstream to Downstream Fields

Comprehensive and broad in scope, our business ranges from upstream to downstream activities. We are engaged in the development of natural resources such as coal, copper, oil, and liquefied natural gas (LNG). We are also involved in mineral resources and oil trading and, through affiliates, the operation of gas stations and retail sales of liquefied petroleum gas (LPG). In the upstream field, we derive our core earnings from the Batu Hijau copper and gold mine project in Indonesia as well as from coal mines in Australia. In addition, LNG Japan, a joint venture with Sojitz, has interests in LNG projects in Qatar and Indonesia. Our midstream trading activities encompass import and export, offshore trade, and intermediary trade of mineral resources and energy-related materials including coal, iron ore, nonferrous metals and materials, oil, LPG, nuclear fuels, and carbon-related products. In the downstream field, we operate gas stations and engage in LPG retail distribution nationwide. We are also developing a vertically integrated business in the domestic electricity field, with activities ranging from power generation to retail sales.

Business Environment and Basic Strategies

——Acquiring Upstream Interests to Broaden and Solidify Our Earnings Base

Seeking to optimize our asset portfolio with the aim of building a broader and more solid earnings base, we accord top priority to acquiring upstream interests in mineral resources and energy development projects.

Considering the tight supply-and-demand situation triggered by robust demand in China, and in view of soaring oil prices caused by geopolitical instability, we expect that demand for natural resources will continue to strengthen. Accordingly, we believe that upstream businesses have considerable potential to grow. Adhering to a basic policy of selective development of mineral resources and energy, we will continue to actively invest in upstream interests, with priority on coal, copper, oil, and LNG. We will complement this policy by targeting the development of other strategic mineral resources, such as gold, nickel, and iron ore, in order to diversify our own sources and build a balanced earnings base.

In midstream and downstream fields, we intend to improve profitability by (1) upgrading our business activities to reflect changes in customer needs and the operating environment, (2) cultivating new markets, and (3) employing more advanced risk-management capabilities.

Responding to deregulation of the domestic electric power market, we will continue expanding our power generation and electricity retailing businesses. Taking a medium- to long-term strategic investment perspective, we will also focus on businesses related to new technologies, such as carbon nanotubes and fuel cells, while targeting further initiatives in hydrogen-related business.

Newlands Coal Mine in Queensland, Australia

Fiscal Year 2003 Highlights

- We acquired additional coal mining interests in Queensland, Australia, from Xstrata Plc. for ¥22.0 billion. This raised our annual production from equity to 5 million tons.
- LNG Japan Corporation raised its equity share in the Tangguh LNG Project in Indonesia from 1.07% to 7.35% through an additional investment of ¥15.0 billion.
- The Batu Hijau Project attained remarkable profitability during the year, and our equity in earnings yielded ¥3.1 billion.
- We enhanced the efficiency of our trading business while broadening its scope. In October 2003, we reorganized and integrated our domestic LPG businesses to establish Sumisho LPG Holdings Co., Ltd. In December 2003, we set up Summit Carbon Trading Co., Ltd., targeting progress in the carbon business. In January 2004, we founded Petro Summit Pte. Ltd. in Singapore to expand our oil trading business.
- Operations commenced at Summit Wind Power Sakata Corporation, our large-scale wind power generation facility that supplies electricity to Tohoku Electric Power Co., Inc.

Strategies for Fiscal Year 2004 and Beyond

- We will step up acquisitions of upstream interests in strategic natural resources, centering on coal, copper, oil, and LNG.
- By strengthening our capabilities as an integrated trading company, we will strive to create businesses and to maximize trading profits.
- We will reinforce our earnings base by upgrading the operations of our associated companies.
- We intend to expand our electricity retailing business by starting operations at our own power generation facilities.
- We will expand our businesses in fields related to new technologies.

Wind turbine generators of Summit Wind Power Sakata

Performance and Outlook

We reported gross profit of ¥27.1 billion in fiscal year 2003, a 14.2% decrease from the previous year. This decline stemmed mainly from the effects of an accident at a coal mine in Australia and a decrease in LPG trading volume. Net income, by contrast, jumped 82.1%, to ¥7.1 billion, owing largely to the Batu Hijau Project becoming profitable. Our equity share in the project yielded earnings of ¥3.1 billion. In fiscal year 2004, we expect our increased coal mining interests in Australia and our electricity retailing business to contribute to earnings. We also expect a continuation of favorable conditions in mineral resources and energy markets.

We are targeting a ¥52.0 billion increase in risk-adjusted assets under the AA Plan, to ¥145.0 billion, by the end of fiscal year 2004. Owing to improved results from the Batu Hijau Project and other factors, we expect the average risk-adjusted return ratio for the two-year period covered by the Plan to reach 8.0%.

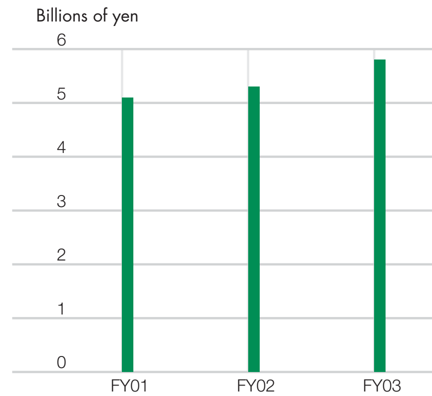
Performance Highlights

(Billions of yen)

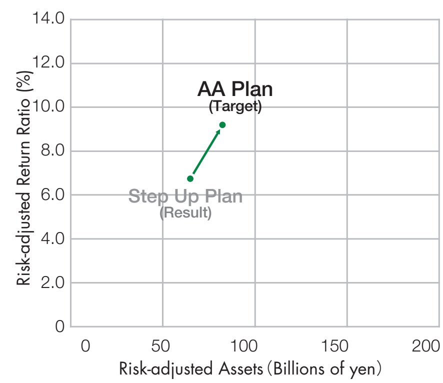
	FY01	FY02	FY03
Gross Profit	81.9	86.0	90.4
Net Income	5.1	5.3	5.8
Total Assets	277.4	271.5	304.6

	Step Up Plan (Results) (FY01-FY02)	AA Plan (Targets) (FY03-FY04)
Risk-adjusted Assets (at end of FY02 and FY04)	65.0	82.0
Risk-adjusted Return Ratio (two-year average)		

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Leveraging Downstream Strengths to Create an Integrated, Full-Spectrum Business Model

This Business Unit comprises three divisions: the Foodstuff & Fertilizer Division; the Textile Division, which deals in apparel as well as interior and industrial materials; and the Retail & Consumer Service Division, which engages in businesses directly connected to consumers, including our supermarket, drugstore, brand-related, and direct-marketing businesses. All three divisions are leveraging their downstream operating bases and relevant information with the goal of building an integrated business model covering a full spectrum of services ranging from upstream to downstream. At the same time, we are actively promoting synergies among the Business Unit's various operations.

Consumer Goods & Service Business Unit

Kenichi Nagasawa
General Manager,
Consumer Goods & Service Business Unit

Business Environment and Basic Strategies

——Targeting Strategic Investments to Expand Business and Increase Earnings

Consumer spending appears to be on a modest upward trend, generally in line with the Japanese economic recovery. However, such trends as Japan's declining birthrate and aging population prevent expectations for expansion in the domestic market going forward. At the same time, competition continues to intensify amid ongoing deregulation and reorganization in the industry. Nevertheless, we regard these changes as positive opportunities to increase earnings in each of our business lines through two strategic approaches. First, we are taking a proactive stance toward M&A and other strategic investments with the aim of strengthening our earnings base and heightening our industry presence. Second, we are striving to establish a business model in which we maximize returns both from investments in downstream businesses and from transactions with those businesses. In pursuing our second strategy, we will further expand our consumer-linked businesses and, at the same time, reinforce collaboration between our retail and trade businesses to generate greater synergies. By applying this collaboration framework, we intend to expand downstream businesses also with companies in which we do not have equity stakes.

Under these strategies, we intend to achieve earnings growth in the supermarket business by opening additional stores and renovating existing locations of affiliated supermarkets. We are also considering new capital alliances as a means to further strengthen our base in the supermarket business. In the food business, appropriately responding to increasing consumer demands for higher levels of safety and reliability will be key to further success. To this end, centering on our forte area of fresh foods, we have developed a traceability system and supply chain linking producers to supermarket shelves by way of production management, processing, and distribution activities. In our brand-related and drugstore businesses, we are maintaining an active store development policy.

The third flagship store for Coach Japan in Marunouchi, Tokyo

Fiscal Year 2003 Highlights

- Our supermarket chain businesses, Summit, Inc., and Mammy Mart Corporation, posted healthy results.
- We expanded our businesses in fresh foods, including bananas from the Philippines, pork from the United States, and vegetables from China.
- Coach Japan, Inc., has grown to operate 100 stores, with annual revenues reaching ¥30 billion, in just three years since its establishment. The Coach brand has quickly grown to attain more than 5% of the market share in domestic sales of prominent overseas-brand handbags and accessories—second only to Louis Vuitton and just ahead of Gucci.
- We established Ansell Sumisho Ltd., in a joint venture with Australia-based Ansell Ltd., the largest industrial-use glove manufacturer in the world.

Strategies for Fiscal Year 2004 and Beyond

- Taking advantage of the current trend toward industry reorganization, we will proactively pursue strategic investments in the supermarket business.
- In addition to reinforcing our operations related to fresh foods, we will promote alliances with food manufacturers that possess strong brand power and proven product development capabilities.
- Coach Japan will actively open new stores in line with a goal of doubling both sales and market share. In April 2004, we opened our third flagship Coach store, in the Marunouchi district, Tokyo. We plan to open additional flagship stores in major cities throughout Japan.
- Sumisho Drugstores Inc. will strive to achieve market distinction in terms of specialized expertise, convenience, and product lineup as it opens new stores mainly in the Tokyo metropolitan area.

Performance and Outlook

In fiscal year 2003, we generated gross profit of ¥90.4 billion, a 5.1% increase over the preceding year. Net income rose 9.4%, to ¥5.8 billion. The increase in earnings was attributable to higher income mainly from Sumifru Corporation's banana business, the Summit supermarket chain, and Coach Japan's brand-related business. In fiscal year 2004, we will carry on with efforts to maximize profits from our various business activities, all the while identifying and developing businesses with high growth and earnings potential in each business area.

Under the AA plan, we aim to increase risk-adjusted assets, mainly in the downstream sector, by ¥17.0 billion, to ¥82.0 billion. By the end of fiscal year 2004, the average risk-adjusted return ratio for the two-year period of the AA Plan is projected to grow to 9.2%.

Sumifru's bananas at Summit stores

Consolidating Our Top Ranking in Materials and Reinforcing Our Comprehensive, Value-Added Services in Real Estate

We are engaged primarily in two business areas: (1) materials and supplies, comprising such items as lumber, building materials, tires, cement, pulp and paper, and woodchips; and (2) construction and real estate, encompassing planning, development, rental, sales, and property management.

In materials and supplies, we have strong positions in lumber and building materials, centered on Sumisho & Mitsuibussan Kenzai, Japan's largest building materials trading company in revenue terms, and on Russian timber processing and sales. Other areas in which we excel include cement and ready-mixed concrete, handled by SC Cement, as well as tire exports, used paper, and woodchips.

Our construction and real estate business centers on the leasing and management of office buildings and retail facilities, as well as on the development and sale of residential properties, mainly condominiums. We also leverage our experience in these areas to engage in multipurpose-complex development projects as well as in such fee-based activities as consulting related to real estate planning, development, and management.

Performance Highlights

(Billions of yen)

	FY01	FY02	FY03
Gross Profit	54.9	57.8	47.8
Net Income	2.9	-5.7	9.1
Total Assets	632.5	602.8	615.3

	Step Up Plan (Results) (FY01-FY02)	AA Plan (Targets) (FY03-FY04)
Risk-adjusted Assets (at end of FY02 and FY04)	116.0	122.0
Risk-adjusted Return Ratio (two-year average)		

Note: As for the results of risk-adjusted assets and risk-adjusted return ratio in the Step Up Plan, the effect of transferring the real estate related business to this Business Unit, previously included in the Domestic Regional Business Units and Offices, is not reflected.

Business Environment and Basic Strategies

——Broadening Business Base in Materials and Boosting Earnings in Real Estate

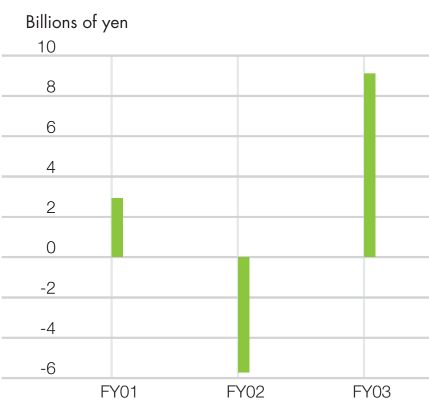
Owing to weak demand, conditions in the domestic materials sector remain difficult. By contrast, overseas demand is likely to continue expanding steadily in Asia, especially in China. In this environment, we will seek to further broaden our business base in areas where we enjoy a competitive edge and reputation for excellence. At the same time, we will strive to maximize earnings by fortifying our position in the domestic market, centering on SC Cement Co., Ltd. and Sumisho & Mitsuibussan Kenzai Co., Ltd., and by broadening supply sources for Russian timber and woodchips, among others. In the tire business, we are pursuing downstream opportunities in overseas markets.

Hisahiko Arai
General Manager,
Materials & Real Estate Business Unit

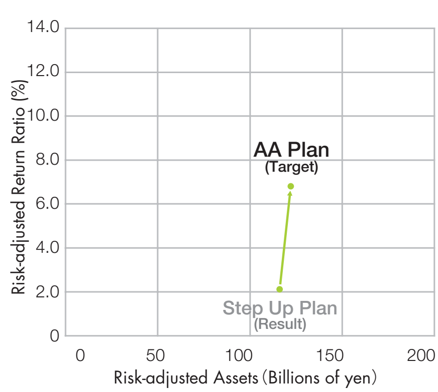
Materials & Real Estate Business Unit

Although the worst seems to be behind us in the domestic real estate market, it is too early to reasonably expect a sharp increase in land prices, especially considering the persistent oversupply of office buildings and housing units. Bearing this situation in mind, we intend to improve asset efficiency and establish a new business model, while carefully controlling the size of our real estate asset portfolio. In condominium sales, we will work to solidify earnings by focusing on multipurpose-complex development projects in the Tokyo metropolitan area, where demand is strong. In the office building and retail facility rental business, we will reinforce earnings by enhancing operating efficiency and by continually improving our asset portfolio through strategic liquidation and replacement. At the same time, we will build up our fee-based businesses, including real estate brokerage, construction contracting, and asset management. In addition, we will actively promote such businesses as real estate fund management, which enable us to generate earnings without expanding our assets.

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Fiscal Year 2003 Highlights

Materials & Supplies

- In September 2003, we entered the ready-mixed concrete manufacturing business with the purchase of the Horiden Group.
- In March 2004, we acquired SEVEN INDUSTRIES CO., LTD., Japan's largest manufacturer and wholesaler of laminated wood products. With this acquisition, we now are able to provide comprehensive services ranging from upstream lumbering and primary processing, both of which are done in Russia, to midstream/downstream secondary processing into laminated wood at SEVEN INDUSTRIES.
- We gained a foothold in the corrugated paper business in China by investing in WUXI RENGO PACKAGING CO., LTD., which is scheduled to start operations in the autumn of 2004.
- In July 2003, we established Shaheen Tyres Company L.L.C. in the United Arab Emirates to import and sell tires in that market.

High-rise condominium in Shirogane, Tokyo

Construction & Real Estate

- We took over the multipurpose-complex urban redevelopment project in Tokyo's Kachidoki 6-chome district from the Misawa Home Group. This project includes retail facilities and two 60-story buildings comprising a total of approximately 2,550 condominium units. Construction is scheduled to commence at the end of 2004, with completion slated for 2008.

Strategies for Fiscal Year 2004 and Beyond

Materials & Supplies

- We will continue looking for opportunities to acquire highly profitable ready-mixed concrete companies.
- Together with our Russian timber partners, we will engage in new forest development projects.
- In the used paper business in Japan, we will solidify our top ranking among trading companies by expanding our yard operations.
- In woodchips, we will increase our participation in reforestation projects to broaden supply sources.
- We will further develop our tire businesses in the U.S., Australia, and other countries.

Construction & Real Estate

- Employing our development capabilities in multipurpose-complex projects, we will consolidate our dominant position in urban redevelopment and revitalization projects.
- We will place greater emphasis on our building revitalization business, which comprises purchasing, upgrading, and reselling existing buildings.
- We will establish new real estate funds targeting not only other companies' properties but also our own properties.
- In our rental business, we will work to improve occupancy rates of our office buildings.
- We will focus more intently on the real estate wholesale business, particularly through arrangements with special purpose companies (SPCs), and strengthen our nonperforming asset revitalization business.

Performance and Outlook

In fiscal year 2003, our gross profit totaled ¥47.8 billion and net income was ¥9.1 billion. Condominium sales in the Tokyo metropolitan area were down year on year, largely owing to strong sales during the previous fiscal year. In addition, we incurred losses on the sale and revaluation of real estate holdings. On the other hand, our sale of the Osaka Sumitomo Building was solidly profitable. In fiscal year 2004, we expect earnings contributions from increased sales of condominiums in the Tokyo metropolitan area and from the operations of SEVEN INDUSTRIES, a newly consolidated company.

While continuing to liquidate real estate assets, we plan to make new acquisitions and investments to broaden our presence in the materials business. As a result, risk-adjusted assets are likely to increase ¥6.0 billion during the AA Plan, to reach ¥122.0 billion at the end of fiscal year 2004. Our target average risk-adjusted return ratio for the two-year period covered by the AA Plan is 6.8%.

Reforestation project in Chile for woodchips source

Financial & Logistics Business Unit

Performance Highlights

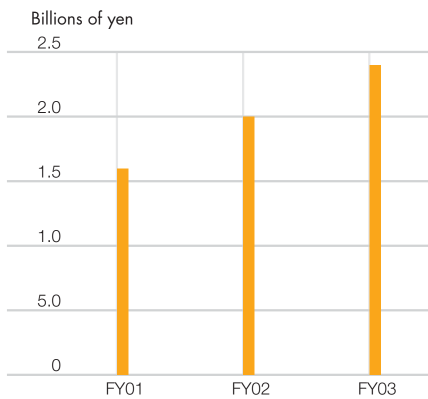
(Billions of yen)

	FY01	FY02	FY03
Gross Profit	14.5	15.5	15.7
Net Income	1.6	2.0	2.4
Total Assets	154.2	161.5	193.5

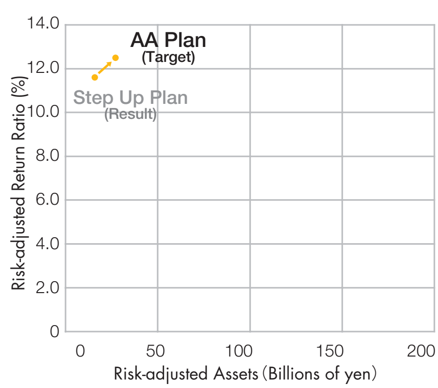
	Step Up Plan (Results) (FY01-FY02)	AA Plan (Targets) (FY03-FY04)
Risk-adjusted Assets (at end of FY02 and FY04)	16.0	27.0
Risk-adjusted Return Ratio (two-year average)		

Tadahiko Mizukami
General Manager,
Financial & Logistics Business Unit

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Offering Differentiated Services by Leveraging Our Broad-Based Information Network and Business Creativity

We are continuously expanding in the financial services field, where we can leverage our strengths as an integrated trading company. In the commodities trading business, we lead the domestic industry in precious metals and energy derivatives, where we hold a 20% share in both markets. Turning our expertise in the commodities business to practical use, we provide investment advisory services specializing in alternative investment instruments, and we have also launched investment funds.

In the logistics field, we are actively building logistics centers both overseas and in Japan. Placing particular emphasis on China, we are establishing our own logistics network that includes parcel delivery and quality inspection services. Another area we are actively engaged in is the overseas industrial park business, providing not only infrastructural support but also comprehensive solutions ranging from the procurement of components to the delivery of products. We are also promoting a wide range of insurance agency services.

Business Environment and Basic Strategies

——Seizing Opportunities Arising from Ongoing Changes in the Business Environment and Meeting Customer Needs in Risk Minimization and Logistics

In the area of finance, we continue to play a proactive role in the development of energy derivatives markets in Japan amid deregulation in the oil and electricity sectors. Going forward, we will tighten our focus on providing fuel and weather derivative products that enable our corporate customers to hedge risks. In the investment business, we will exploit synergies with other Business Units to invest in such fields as IT, biotechnology, and health care, as well as increase investments in management buyouts and corporate restructuring. We are also making a full-scale entry into the credit card business, aiming to network the wide range of services for individuals provided by various companies in the Sumitomo Corporation Group.

The logistics sector is characterized both by a growing need for differentiated services and by an ongoing shift overseas of Japanese manufacturers' production facilities. In response, we are offering high-level services such as components procurement and processing as well as quality inspection and product sorting. In addition, we will continue building a global logistics network linking our logistics centers in Japan with industrial parks in Asia as well as with logistics facilities in Europe, the U.S., and Asia. In the insurance business, we will target new opportunities in risk assessment, including the quantification of earthquake risk.

Fiscal Year 2003 Highlights

Financial Services

- We established Will Business Development Consortium, a joint venture with Will Capital Management Co., Ltd., in May 2003. This new entity will invest in start-up ventures in lifestyle-oriented industries such as fashion, foods and housing.
- In January 2004, we set up Sumisho Card Inc. marking our full-scale entry into the credit card business.

Logistics

- We made excellent progress in expanding our logistics network in China. In July 2003, we set up an integrated logistics company in Wuxi. In August, we formed a joint venture with a subsidiary of Senshukai Co., Ltd., one of Japan's largest direct-marketing companies, to provide integrated logistics-related services such as quality inspection, distributive processing, and storage. In October, we started a parcel delivery service in Beijing, and in November we launched Shanghai Super Express Co., Ltd., a high-speed marine freight service linking Hakata, Japan, with Shanghai.
- We promoted Phase 2 construction of Thang Long Industrial Park, in Vietnam.

Shanghai Super Express ships connect Shanghai and Hakata, Japan in 27 hours

Strategies for Fiscal Year 2004 and Beyond

Financial Services

- To reinforce our energy derivatives business, we will increasingly focus on green-house gas emission allowances and credits trading as well as activities in fuel and weather derivatives.
- In the investment advisory business, we will increase our assets under custody by diversifying our product lineup and establishing new sales channels.
- In the investment business, we intend to allocate gains from previous investments to lucrative new opportunities as well as shorten investment cycles.
- In the credit card business, we will strive to attract new cardholders through alliances with other Sumitomo Corporation Group companies.

Logistics

- We will continue to solidify our logistics operations in China.
- In autumn 2004, we expect to complete phase 2 construction of Thang Long Industrial Park, which covers an area of 74 hectares. We are currently in the process of soliciting tenants.

Performance and Outlook

In fiscal year 2003, gross profit remained largely unchanged from the previous year's result, at ¥15.7 billion, while net income grew 20.0% year-on-year, to ¥2.4 billion. The main factors behind the improvement in earnings were higher profitability in the logistics business, gains from investments in financial services, and an increase in net equity in earnings of associated companies. In the fiscal year currently under way, we anticipate increased profits from our commodities trading business and a rise in revenues from our logistics operations.

Under the AA Plan, risk-adjusted assets are expected to grow by ¥11.0 billion, to ¥27.0 billion, by the end of fiscal year 2004. Investments in financial services will account for a major portion of this increase. We also are targeting an average risk-adjusted return ratio of 12.5% for the two-year period of the AA Plan.

Sumisho Card entered in credit card business

Sumitomo Corporation's Global Strategy

Economic globalization continues to accelerate, driven by market deregulation, economic liberalization, and advances in information technology. With this in mind, Sumitomo Corporation is pursuing a policy of augmenting its Japan-based international businesses with locally based global businesses that embrace the special features of each region. Such a policy, we believe, will create a "value driver" that further expands our earnings base. For this reason, we are clearly defining our global strategies and optimally allocating management resources on a global basis, while at the same time strengthening each of our regional bases to enable decisive implementation of our strategies.

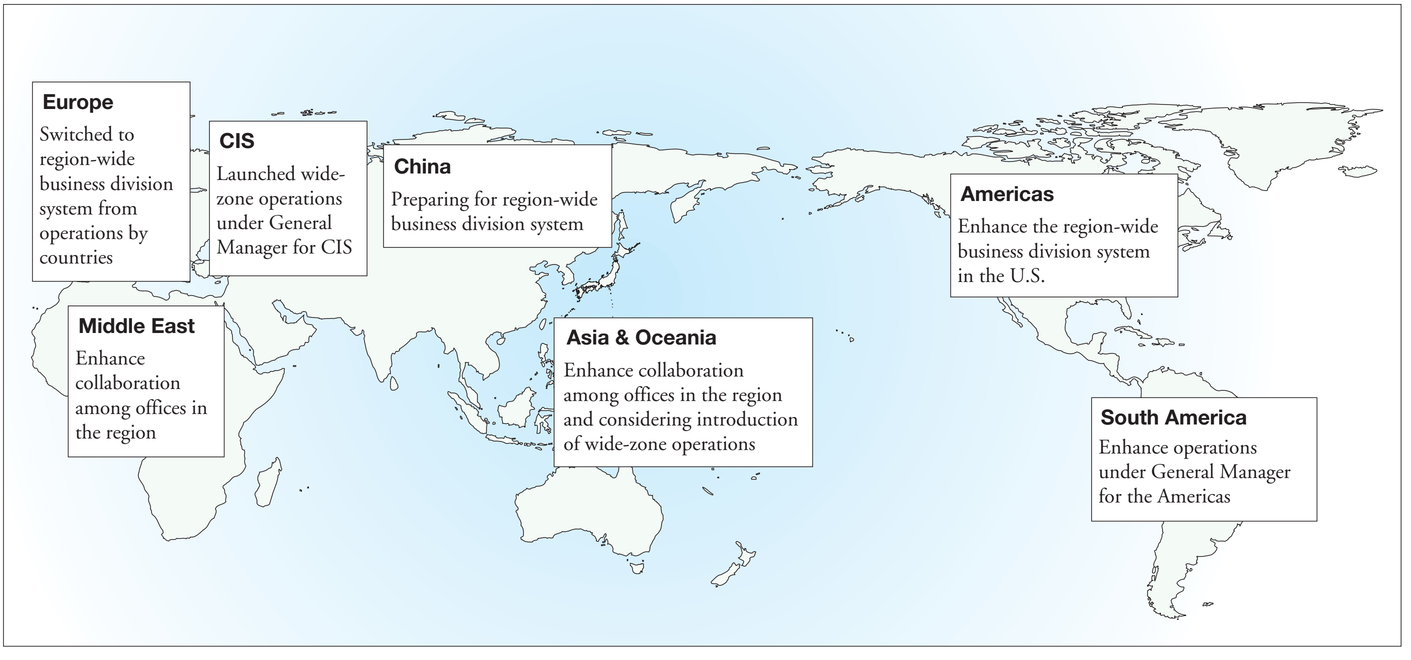
Integrating Our Product and Regional Strategies

We are promoting businesses through industry-based Business Units and regional operations, domestic and overseas, covering broad-ranging business fields and geographic areas. By integrating our product and regional strategies in this way, we intend to maximize business opportunities and expand our earnings base globally.

Our nine Business Units formulate their own product strategies to address their respective markets, based on their keen understanding of product markets, reliable future projections, and specialist expertise. Meanwhile, our regional organizations, which are responsible for overseeing our domestic and overseas networks, devise regional business strategies based on such factors as the market environment and growth potential of specific regional industries. By organically integrating these product and regional strategies, we have formulated a highly dynamic, global strategy for the entire Group. To this end, our Business Units and regional organizations reinforce mutual ties under a common strategy and optimally reallocate personnel and other management resources accordingly.

Strengthening our regional organizations is vital to the decisive implementation of our global strategy. By promoting wide-zone operations by regional blocs and thereby sharing resources and know-how, we are working to strengthen earning power and enhance operating efficiency. This regional bloc system thus enable us to better promote the smooth integration of strategies with our Business Units and devise and enforce more dynamic initiatives. As in the U.S., we have adopted the region-wide business division system in Europe and China under which we promote more unified operations horizontally by product. In April 2004, we appointed a general manager to head our operations in the Russian Confederation of Independent States (CIS), thus facilitating strategic initiatives in that region. In the Middle East, where we already have a general manager system, and even in Southeast Asia, where our operations are country-specific, we will further strengthen ties between regional operation centers. We will also reinforce those organizations by promoting local staff to management positions.

Through all of these endeavors, we are continually strengthening our global network, which forms the business foundation of the Sumitomo Corporation Group.



Initiatives in Strategic Regions

In regions where we see great business opportunities based on the current business environment and economic growth potential, we are taking a strategic approach to create businesses not only at the Business Unit and regional level, but also at the Group level. Below, we introduce some businesses that Sumitomo Corporation Group is developing in China and Russia.

China

We have positioned China as a strategic region, as we believe the region has a high potential to grow from a medium-term perspective although there could be an economic slowdown in the near term.

Placing particular emphasis on logistics networks, we are building our own logistics centers in Tianjin in northern China; Shanghai and Wuxi in eastern China; and Shenzhen in southern China for handling trade and domestic distribution of goods. We have also established parcel delivery businesses in Beijing and Shanghai in a joint venture with Sagawa Express Co., Ltd. We aim to increase the number of cities covered by this business, while we are striving to extend the scope of our services from the current business-to-business (B2B) format to business-to-consumer (B2C) and consumer-to-consumer (C2C). In Qingdao, Shanghai, and Shenzhen we operate product inspection and processing centers, which make our logistics services high-value-added. Furthermore, we are establishing an integrated logistics service linking our Chinese logistics network with Japan via a high-speed marine transportation service between Shanghai and Hakata. Our logistics networks provide an important infrastructure, not only for generating earnings but also for providing customers with high-value-added services.

We are also taking advantage of the rapid growth of the automobile industry, the main driver of ongoing economic expansion in China. By expanding operations in automobile-related fields, including operation of steel service centers, manufacture and sales of crankshafts, and the tire materials business, we expect to enjoy the "ripple effect" benefits from China's growing automobile industry.

In addition, we offer an array of services to meet diversifying needs resulting from the entry of Japanese and other companies into China. To this end, we are using supply chain management (SCM) systems to expand our business in supplying raw materials, including electronics materials, semiconductors and chemicals.

Russia

The business infrastructure in Russia is developing rapidly thanks to reorganizations among leading corporate groups and growth in both investment and personal consumption. Viewing Russia as another strategic region, we are harnessing company-wide resources to develop that market.

We have gained an advantage over our competitors in promoting a broad range of businesses in Russia. These include processing of laminated wood using abundant forest resources in the far eastern region; sales of automobiles and construction equipment; involvement in telecommunications and biotechnology projects; and trading of coal and nuclear fuel.

In 2003, we sent four companywide delegations—including management and staff from several Business Units—as well as 50 follow-up delegations to Russia. Through these initiatives, we are developing many new businesses, including coal and other resource development; a polyethylene terephthalate (PET) bottle recycling business in Moscow City; gas pipeline repairs aiming to acquire greenhouse gas emission credits; sales of large-scale construction equipment for key industries; construction equipment leasing to Russian corporates and IT-related businesses. In April 2004, we also appointed a general manager for the CIS based in Moscow to further strengthen our regional operations.

Facility transport operation at Wuxi Sumisho Hi-tech Logistics Co., Ltd.

Regional Strategies in Japan

We have classified the Japanese market into five regions, of which three are served by Regional Units and two by independent corporations. By complementing the product strategies of our Business Units with the functions of the five regional organizations, we can pursue more in-depth business development, which is a key strength of Sumitomo Corporation Group. The following are some examples of initiatives jointly undertaken by our Business Units and domestic regional organizations.

Shanghai Super Express: Shanghai-Hakata High-Speed Marine Freight Service

Shanghai Super Express Co., Ltd. is a joint venture company formed by the Logistics & Insurance Business Division of Sumitomo Corporation, Nippon Express Co., Ltd., Mitsui O.S.K. Lines, Ltd., and Kamigumi Co., Ltd. In November 2003, Shanghai Super Express commenced high-speed marine transportation service between Hakata and Shanghai. The Super Express provides transportation service between a multitude of locations in China and Japan through a broad array of transportation networks, including various oceangoing/coastal high-speed liners, truck lines, rail traffic, and air transportation. With the city of Hakata being the most important base for the transportation service, the Kyushu-Okinawa Regional Business Unit is also involved in the project to establish a company-wide support system. The service employs roll-on/roll-off vessels to maximize the efficiency of cargo loading and unloading. The voyage between Hakata and Shanghai takes 26.5 hours. When added to the truck freight time between Tokyo and Hakata, this means that cargo transportation between Shanghai and Tokyo takes 3.5 to 4 days—the same as for airfreight.

Shanghai Super Express is much more than a simple cargo transportation service. It also provides an integrated logistics service by connecting our networks in Japan with the logistics networks we have built in China, including the parcel delivery services.

Yodoyabashi West: Office Area Development around Yodoyabashi

In cooperation with the Kansai Regional Business Unit, the Construction & Real Estate Division is engaged in the redevelopment project of Yodoyabashi area in Chuo Ward, Osaka City, where Sumitomo Corporation owns office buildings. Despite its favorable location, occupancy rates in the Yodoyabashi area had been in a downtrend due to relocation of companies to Tokyo in recent years. To revitalize this area, we are working hard to improve the brand value of the area itself through such measures as renaming the area "Yodoyabashi West," in addition to attracting new tenants.

The streets in the Yodoyabashi area were generally empty after dark due to the area's geographical positioning as a financial district. However, we have been transforming the area to one that offers numerous amenities. This has been achieved by enticing seven popular restaurants to a section of a building while highlighting the area's traditional charms. Now that a succession of local building owners has joined the project, Yodoyabashi West has become a community-driven project. We are examining further expansion, including the addition of clothing stores, interior shops, beauty salons, and other lifestyle-oriented businesses.

Yodoyabashi West

Corporate Social Responsibility (CSR)

“To Achieve Prosperity and Realize Dreams”

This is at the heart of the Sumitomo Corporation Group’s management principles. By carrying out sound and healthy business activities, we seek to achieve prosperity and realize dreams for all of our stakeholders. Only in doing so can we realistically expect to achieve our long-term goal of sustainable growth.

Basic Stance and Principles

Awareness of the importance of corporate social responsibility (CSR) has been growing in recent years. Sumitomo Corporation does not regard CSR as a new concept, however. This is because CSR is fully embodied in the "Sumitomo Spirit," the indispensable philosophical core of the Sumitomo Group for nearly 400 years. We believe that companies are obligated to fulfill their CSR duties not only through voluntary social initiatives but also through their day-to-day business activities.

Only by providing distinctive, value-added services, can we realistically hope to satisfy and inspire all of our stakeholders. We also intend to heighten human happiness and contentment through our social contribution initiatives.

Reflecting these beliefs, we are building a reliable corporate governance framework and working to enhance compliance awareness and human resource development activities. At the same time, we are promoting various initiatives aimed at benefiting society and preserving the natural environment.

"Sumitomo Spirit" – embodied in "Business Principles" (established in 1891)

1. Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.
2. Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

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

Management Principles (established in 1998)

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

Activity Guidelines

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

SC VALUES

We created nine items of SC VALUES to share values described in our Management Principles and Activity Guidelines among all officers and employees.

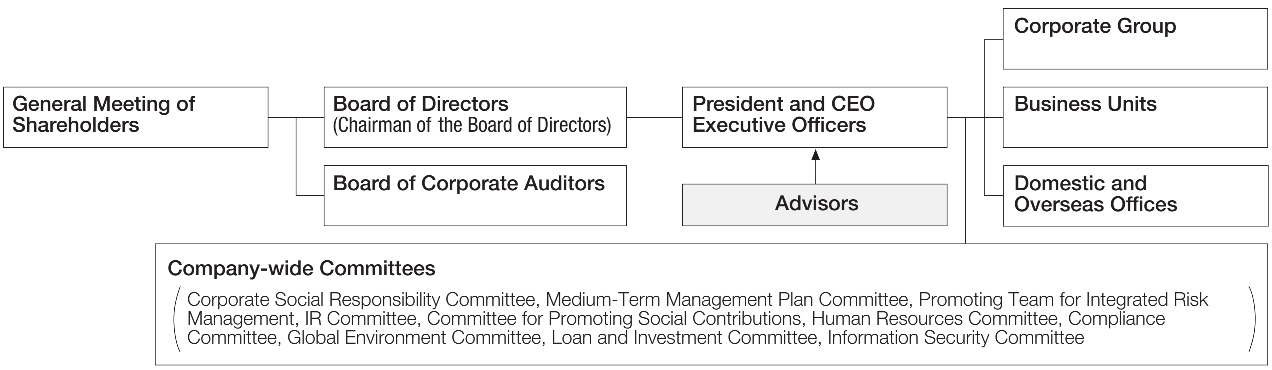
1. **Integrity and Sound Management** : To comply with laws and regulations, while maintaining the highest ethical standards.
2. **Integrated Corporate Strength** : To create no boundaries within the organization; always to act with a company-wide perspective.
3. **Vision** : To create a clear vision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

Our Management System

Corporate Governance

The Sumitomo Corporation Group works in pursuit of upgrading its corporate governance framework, by raising the efficiency, soundness, and transparency of management.

Organization chart



Corporate Governance Principles

In April 2003, we published the *Sumitomo Corporation Corporate Governance Principles*, which lay out our basic corporate governance approach and policies as well as define the roles of various organizations handling corporate governance functions. With the "Sumitomo Spirit" and "Management Principles" as our ethical backbone, we state in the *Corporate Governance Principles* that we view corporate governance as the "improvement of management efficiency" and the "maintenance of sound management," as well as "securing a high level of management transparency" which is required to achieve the first two goals. Based on these beliefs, we have defined the functions of the Board of Directors, Directors, Executive Officers, Advisors, councils and committees, the Board of Corporate Auditors, and information disclosure, as well as our views behind these functions.

Corporate Governance Framework

By reinforcing and upgrading the functions of the Board of Directors and the Board of Corporate Auditors, we have created a framework conducive to improving the effectiveness of corporate governance.

The role of the Board of Directors is to make important business decisions. To facilitate greater efficiency and effectiveness in decision making, we reduced the number of Board members from 24 to 12 in June 2003. The number of Board members as of June 2004 is 13.

We have also adopted an executive officer system to clarify executive responsibility and authority. By having directors concurrently serve as executive officers, we aim to prevent gaps between management decisions and the execution of those decisions, thereby raising management efficiency.

The performance of directors and executive officers is monitored by the Board of Directors and the Board of Corporate Auditors. We currently have five auditors, of whom three are from outside the Company. Of these three external auditors, two are legal experts and one is an accounting expert. We therefore ensure diverse perspectives in the auditing function.

Seeking to incorporate outside perspectives into our management decision making, we have formed a team of external advisors comprising four specialists who provide advice and offer suggestions with regard to management issues and medium- to long-term strategies.

The Company organizes two advisory boards for the President and CEO: the Management Council, which exchanges opinions and information on basic management policies and other important matters; and the Compliance Committee, which strives for thorough compliance throughout the Sumitomo Corporation Group.

Pursuing a Higher Level of Governance

Raising the efficiency, soundness, and transparency of management is an ongoing process. Looking forward, we will take note of the increasingly global nature of governance and changes to Japan's Commercial Code, while also observing the benefits of corporate governance systems in other countries. At the same time, we will preserve the positive aspects of more traditional Japanese corporate management principles as we strive to build an optimal corporate governance framework.

Compliance

The most important aspect to ensure effective compliance is that a focus on and awareness of compliance should be accepted by each officer and employee. Any action that may raise doubts about a compliance breach must be avoided completely. Any compliance breach by officers or employees in pursuit of profits for the Company is impermissible.

In case any compliance issue should arise, we request officers and employees to report the issue immediately and without fail to their supervisor or staff of the relevant Departments, as it is necessary to put in place prompt measures to cope with any such compliance issue.

About Sumitomo Corporation's System of Compliance

In November 2000, a Compliance Committee was established in order to strengthen our system of compliance under the direct instruction of the President. Compliance Leaders have been nominated in each of the domestic business units and also in each of the other regional and overseas subsidiaries and branches. Both the Compliance Committee and the Compliance Leaders are in charge of strengthening compliance within the Company and certain subsidiaries and branches. One of the further roles of the Compliance Committee and each Compliance Leader is to increase awareness of compliance among officers and employees.

Compliance Manual

The *Compliance Manual* was created under the supervision of the Compliance Committee and is distributed to all officers and employees. The *Compliance Manual* is intended to ensure that officers and employees naturally incorporate compliance into their practices by acting in accordance with the *Compliance Manual*. The *Compliance Manual* contains 18 important Guiding Principles, such as "Observing the Anti-trust Law," "Information Management," and "Regulation on Insider Trading." The latest version of the *Compliance Manual*, references to respective applicable laws and regulations, related Corporate Rules, and other manuals are available on the Company's Intranet.

Speak Up System

When compliance problems occur, they should be handled through the chain of command. However, in situations where reports cannot be made through the chain of command or routine methods do not work, a system has been created whereby those who have noticed problems may directly contact the Compliance Committee. We call this system the Speak Up System. To further strengthen the Speak Up System, outside legal counsels and corporate auditors as well as the secretariat of the Compliance Committee were included as additional points of contact within the Speak Up System as of August 2003. Although in principle the informant is required to disclose his or her identity, at the same time, the system ensures that not only are both the identity of the informant and the information given kept confidential but also that no unfair treatment befalls the informant as a result of his/her actions in accordance with the Corporate Rules. The Compliance Committee is responsible for appropriately handling all information it has received from the aforementioned points of contact. For the future, we are planning to introduce similar compliance committees and speak up systems within each of our subsidiaries.

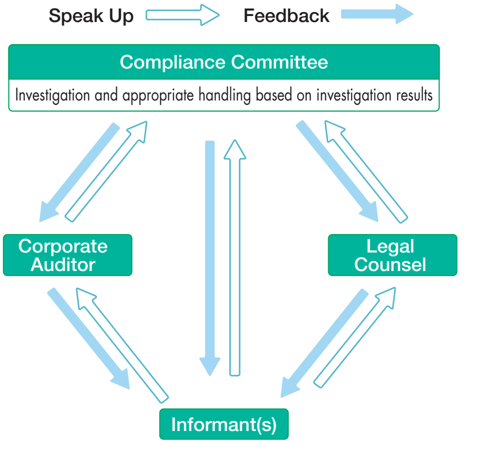
Compliance Seminars

We conduct regular compliance seminars targeted at various groups such as new recruits, newly promoted/appointed managers and corporate officers, as well as all officers and employees. We also make use of various conferences held by the Company in Japan and overseas in which compliance seminars are incorporated.

Guiding Principles of Compliance

- For Daily Business Activities
  1. Observing the Anti-trust Law
  2. Security and Trade Control
  3. Customs/Controlled Items
  4. Compliance with Business Related Laws
  5. Respecting and Protecting Intellectual Property Right
  6. Prohibition of Unfair Competition
  7. Information Management
  8. Preservation of the Environment
  9. Business Transactions Overseas
- As a Member of Society
  10. Prohibition of Giving and Receiving Bribes
  11. Prevention of Unlawful Payment to Foreign Government Employees
  12. Political Contribution
  13. Confrontation with Antisocial Forces
- To Create a Comfortable Working Environment
  14. Respect for Human Rights
  15. Eliminating Sexual Harassment
- For Individual Actions
  16. Regulation on Insider Trading
  17. Elimination of Conflict of Interest
  18. Proper Use of Information System

The Speak Up System



Directors and Corporate Auditors (As of July 1, 2004)

Shigemi Hiranuma
Executive Vice President

Atsushi Nishijo
Executive Vice President

Naoki Kuroda
Executive Vice President

Kosaburo Morinaka
Executive Vice President

Motoyuki Oka
President and CEO

Kenji Miyahara
Chairman of the Board of Directors

Directors and Corporate Auditors

Chairman of the Board of Directors

Kenji Miyahara

President and CEO

Motoyuki Oka

Directors

Shigemi Hiranuma
Naoki Kuroda
Kosaburo Morinaka
Kenichi Nagasawa
Shuji Hirose
Noriaki Shimazaki
Nobuhide Nakaido
Tadahiko Mizukami
Susumu Kato
Hisahiko Arai
Nobuo Kitagawa

Standing Corporate Auditor (Full-Time)

Takashi Nomura

Corporate Auditor (Full-Time)

Masahiro Ishikawa

Corporate Auditors

Hiroshi Maeda*
Itsuo Sonobe*
Koji Tajika*

Notes: 1. All Directors represent the Company.
2. Outside Corporate Auditors, stipulated by Article 18, Section 1 of the Law for Special Exceptions to the Commercial Code Concerning Audit, etc., of Corporations (Kabushiki-Kaisha), are indicated by an asterisk (*).

Executive Officers (As of July 1, 2004)

President and CEO

Motoyuki Oka*

Executive Vice Presidents

Shigemi Hiranuma*
General Manager,
Metal Products Business Unit

Naoki Kuroda*
General Manager,
Mineral Resources & Energy Business Unit

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

Kosaburo Morinaka*
General Manager,
Machinery & Electric Business Unit

Senior Managing Executive Officers

Kenichi Nagasawa*
General Manager,
Consumer Goods & Service Business Unit

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

Yuji Tamura
General Manager,
Kansai Regional Business Unit

Kenzo Okubo
Assistant General Manager,
Metal Products Business Unit
General Manager,
Iron & Steel Division No.2

Noriaki Shimazaki*
Responsible for Internal Auditing Department
Responsible for Human Resources Development & Information Management Group
Responsible for Financial Resources Management Group

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

Managing Executive Officers

Takaaki Shibata
General Manager for Europe
CEO, Sumitomo Corporation Europe Group
Director & President
Sumitomo Corporation Europe Holding Limited
Chairman, President & Director,
Sumitomo Corporation Europe Limited

Tadahiko Mizukami*
General Manager,
Financial & Logistics Business Unit

Shizuka Tamura
General Manager for China
Director & President,
Sumitomo Corporation (China) Holding Ltd.

Katsuichi Kobayashi
General Manager,
Chubu Regional Business Unit

Susumu Kato*
General Manager,
Corporate Planning & Coordination Office

Michio Ogimura
Assistant General Manager,
Machinery & Electric Business Unit
General Manager,
E & M New Business Development Division

Hisahiko Arai*
General Manager,
Materials & Real Estate Business Unit

Yoshi Morimoto
Assistant General Manager,
Consumer Goods & Service Business Unit
General Manager,
Textile Division

Makoto Shibahara
Assistant General Manager,
Financial & Logistics Business Unit
General Manager,
Financial Service Division

Michihisa Shinagawa
Assistant General Manager,
Mineral Resources & Energy Business Unit
General Manager,
Energy Division No.1

Executive Officers

Yoshihiko Shimazu
General Manager for CIS

Kenji Kajiwara
General Manager,
Retail & Consumer Service Division

Shingo Yoshii
General Manager,
Media Division

Shuichi Mori
General Manager,
Corporate Planning & Coordination Department

Kazuo Ohmori
General Manager,
Ship, Aerospace & Transportation Systems Division

Kentaro Ishimoto
General Manager,
Foodstuff & Fertilizer Division

Makoto Sato
General Manager,
Motor Vehicles Business Division

Shunichi Arai
Director & Executive Vice President,
Sumitomo Corporation of America

Toyosaku Hamada
General Manager,
Financial Resources Management Group

Nobuo Kitagawa*
General Manager,
Chemical Business Unit

Tsuneo Naito
General Manager,
Logistics & Insurance Business Division

Takahiro Moriyama
General Manager,
Power & Energy Project Division

Ichiro Miura
General Manager,
Human Resources Development & Information Management Group

Note: Representative Directors are indicated by an asterisk (*).

Environmental Initiatives

The Sumitomo Corporation Group attaches "great importance to protecting the global environment," as stated in its *Activity Guidelines*. In line with our *Environmental Policy*, we not only strive to minimize the environmental impact of our various business activities but also actively pursue new initiatives in environment-related businesses.

Environment-Friendly Businesses

We are focusing our attention on environment-friendly businesses where we can deploy the diverse technologies and capabilities of the Sumitomo Corporation Group. In the electric power business, for example, we are promoting the use of clean energy. In January 2004, we commenced full-scale operation of a wind power facility in Sakata, Yamagata Prefecture. In October 2004, a biomass power plant is scheduled to become operational in Itoigawa, Niigata Prefecture. We are also involved in resource-recycling businesses conducive to the creation of a recycling-based society, including complete recycling of polyethylene terephthalate (PET) bottles, production and sale of garments made of fibers derived from used PET bottles, and paper recycling.

Overseas, we engage in various projects to help reduce emissions of greenhouse gases. For example, we promote energy efficiency improvement projects in many countries, including Thailand and Egypt. We are also involved in a coal-mine methane gas recovery and power generation project in Heilongjiang Province, China. And in South America and other areas, we participate in various reforestation projects.

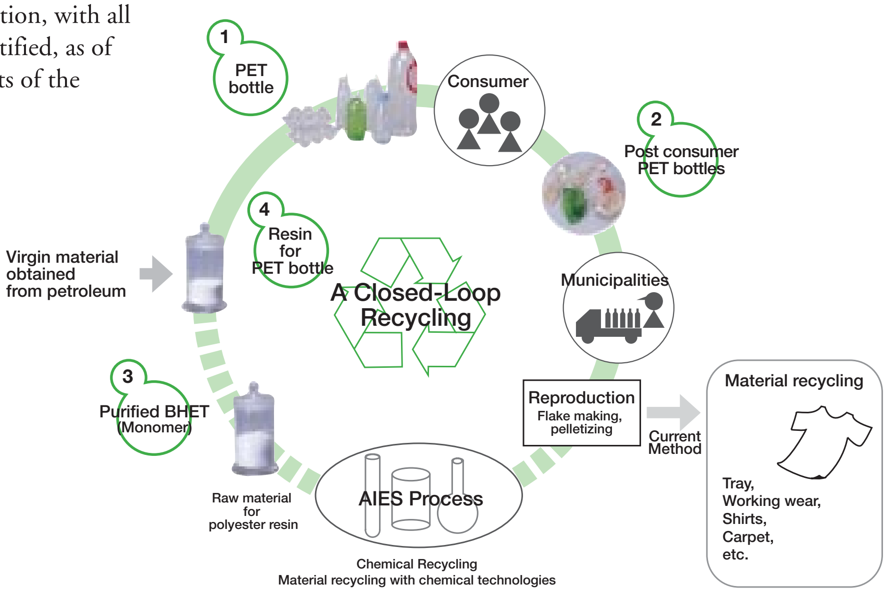
Environmental Management System

Our Tokyo and Osaka offices obtained certification under ISO14001, the international standard for environmental management systems, in 1999. Since then, we have expanded the scope of ISO certification throughout our organization, with all domestic offices and 42 Group companies ISO-certified, as of July 2004. Based on the standards and requirements of the ISO14001 Environmental Management System, we have set targets for reducing the environmental impact of our activities. Under the eco-leaders, assigned at each organization, we continue to undertake further initiatives, all the while monitoring our progress. At present, approximately 9,000 Group employees are directly involved in initiatives aimed at minimizing the environmental impact of both our operational and our administrative activities.

In-House Efforts to Minimize Environmental Impact

As an example of Group-wide efforts to conserve energy, in fiscal year 2003 our Tokyo office reduced power consumption by 4% compared with the previous year. The headquarters building of Sumitomo Corporation is equipped with facilities for recycling rainwater and wastewater from kitchen and other facilities, which is used to water plants and flush toilets. Also at the headquarters building, we collect and sort waste into 12 categories, noting the weight and the source of the waste for each category. This data is used to monitor our progress toward achieving our waste-reduction targets. Finally, the waste is separated into reusable, recyclable, industrial, and general waste categories and disposed of accordingly. In addition, we promote the use of 100% recycled paper and reduce the volume of paper consumption by using both sides of each sheet. Where possible, moreover, we encourage the purchase of environment-friendly office supplies.

Biomass power plant in Itoigawa, Niigata Prefecture



Complete recycling system of PET bottles

Benefiting Society and Enabling Our People

We aim to broadly benefit society both through our business operations and through various corporate initiatives. Moreover, we strive to create working environments that enable all employees, who support our corporate activities, to achieve and excel.

Social Contribution Activities

As stated in our *Activity Guidelines*, we endeavor to "contribute to society as a good corporate citizen." While we make our fundamental contribution to society through our business activities, we also participate in local communities and support social welfare and cultural institutions. Our company-wide Committee for Promoting Social Contributions is responsible for deciding which activities we become involved in and how we can be of greatest assistance. In addition, our Social Contribution Promotion Supporter system invigorates our various corporate initiatives.

Our ongoing activities include scholarship programs for university students in Asia, support for the J-League Players Association Soccer School, and social activities for children at nursing homes. To enable and encourage employees to participate in volunteer activities, we have set up a system allowing them to take time off from the job to engage in volunteer endeavors. To help prepare employees for volunteer work, we offer courses that provide practical volunteer experience. Our cultural support activities include support for concerts given by the Junior Philharmonic Orchestra, an amateur youth orchestra in Japan.

Scholarship awards ceremony in Hanoi, Vietnam

Training programs in Tokyo for locally hired staff abroad

Human Resources Development

Our commitment to "achieving prosperity and realizing dreams" for society equally applies to each and every one of our employees. Our personnel system is designed to enable employees to fully demonstrate their capabilities and to be properly evaluated for their hard work.

The Right People in the Right Places

Our policy is to appoint motivated people to jobs that challenge their capabilities to new heights. This approach engenders a mutually beneficial stimulus for each employee and the organization to which he or she belongs. Our human resource allocation strategy, therefore, is to rotate employees through various parts of the Corporation to heighten the learning aspect of their jobs. At the same time, we use both internal recruitment and self-application systems, which encourage employees to take responsibility for their own career development.

Personnel around the Globe

As our global business activities expand, we constantly work to cultivate business operations with close ties to local communities and to strengthen the functional capabilities of each overseas operation. To this end, we endeavor to recruit and nurture highly talented staff. At our overseas offices, we undertake human resources development with a view to promoting locally hired staff to key positions and to elevating high-potential locally hired staff to leadership positions in their respective operations.

Enabling Our Employees to Excel

The Sumisho Business College provides a company-wide educational infrastructure that supports ongoing personnel development. Designed to improve the practical knowledge and skills of our people at all levels, from new employees to managers, the Sumisho Business College has introduced a training program geared to boosting business creativity. We also facilitate learning-oriented job rotation throughout our operations and encourage training programs specific to each business line. In these ways, we are nurturing professionals with specialized expertise and leaders with clear vision, effectively enabling them to excel both for their own sakes and for the larger benefit of the entire Sumitomo Corporation Group.


Business Operating Structure

Organization

(As of July 1, 2004)

General Meeting of Shareholders

Board of Directors
(Chairman of the Board of Directors)

Board of Corporate Auditors

President and CEO Executive Officers

Corporate Group

- Internal Auditing Dept.
- Corporate Planning & Coordination Office
- Human Resources Development & Information Management Group
- Financial Resources Management Group

Business Units

Metal Products Business Unit
- Planning & Administration Dept., Metal Products Business Unit
- Metal products IT Solution Dept.
- Iron & Steel Division, No.1
- Iron & Steel Division, No.2
- Tubular Products Division
- Metal Products for Automotive Industries Division
- Non-Ferrous Products & Metals Division

Transportation & Construction Systems Business Unit
- Planning & Administration Dept., Transportation & Construction Systems Business Unit
- Ship, Aerospace & Transportation Systems Division
- Motor Vehicles Business Division
- Construction & Mining Systems Division

Machinery & Electric Business Unit
- Planning & Administration Dept., Machinery & Electric Business Unit
- E & M New Business Development Division
- Power & Energy Project Division
- Information, Telecommunication & Industrial Project Division

Media, Electronics & Network Business Unit
- Planning & Administration Dept., Media, Electronics & Network Business Unit
- Media Division
- Network Division
- Electronics Division

Chemical Business Unit
- Planning & Administration Dept., Chemical Business Unit
- Performance Chemicals Division
- Plastics & Organic Chemicals Division

Mineral Resources & Energy Business Unit
- Planning & Administration Dept., Mineral Resources & Energy Business Unit
- Mineral Resources Division
- Energy Division, No.1
- Energy Division, No.2

Consumer Goods & Service Business Unit
- Planning & Administration Dept., Consumer Goods & Service Business Unit
- Foodstuff & Fertilizer Division
- Textile Division
- Retail & Consumer Service Division

Materials & Real Estate Business Unit
- Planning & Administration Dept., Materials & Real Estate Business Unit
- Materials & Supplies Division
- Construction & Real Estate Division
- General Construction Development & Coordination Dept.

Financial & Logistics Business Unit
- Planning & Administration Dept., Financial & Logistics Business Unit
- Financial Service Division
- Logistics & Insurance Business Division

Branches and Offices

Japan
- 3 Regional Business Units
- 2 Offices
- 1 Branches

Overseas
- 3 Branches
- 48 Offices

Subsidiaries

Japan	2
Overseas	40

Domestic and Overseas Subsidiaries

(As of July 1, 2004)

Region	Name of Subsidiary	Location
Japan	Sumitomo Corporation Hokkaido Co., Ltd.	Sapporo
	Sumitomo Corporation Tohoku Co., Ltd.	Sendai
Asia	Sumitomo Corporation (China) Holding Ltd.	Beijing
	Sumitomo Corporation (Shanghai) Limited	Shanghai
	Sumitomo Corporation (Tianjin) Ltd.	Tianjin
	Sumitomo Corporation (Dalian) Ltd.	Dalian
	Sumitomo Corporation (Qingdao) Ltd.	Qingdao
	Sumitomo Corporation (Guangzhou) Ltd.	Guangzhou
	Shenzhen Sumitomo Corporation Ltd.	Shenzhen
	Sumitomo Corporation (Hong Kong) Limited	Hong Kong
	Sumitomo Corporation Taiwan Ltd.	Taipei
	Sumitomo Corporation Korea Ltd.	Seoul
	Sumitomo Corporation Thailand, Ltd. / Sumi-Thai International Limited	Bangkok
	Sumur Cahaya Sdn. Bhd.	Kuala Lumpur
	Sumitomo Corporation (Singapore) Pte. Ltd.	Singapore
	PT. Sumitomo Indonesia	Jakarta
	Sumitomo Corporation India Private Limited	New Delhi
The Middle East	Sumitomo Corporation M.E., FZ-LLC	Dubai
	Sumitomo Corporation Iran, Ltd.	Teheran
	Sumitomo Corporation Dis Ticaret A.S.	Istanbul
Europe	SUMITRADE	Moscow
	Sumitomo Corporation Europe Holding Limited	London
	Sumitomo Corporation Europe Limited	London
	Sumitomo Corporation Italia S.p.A.	Milan
	Sumitomo Corporation Hellas S.A.	Athens
	Sumitomo Corporation España S.A.	Madrid
	Sumitomo Deutschland GmbH	Duesseldorf
	Sumitomo France S.A.S.	Paris
	Sumitomo Benelux S.A./N.V.	Brussels
North America	Sumitomo Canada Limited	Vancouver
	Sumitomo Corporation of America	New York
Central America and South America	Sumitomo Corporation International S.A.	Panama
	Sumitomo Corporation de Mexico S.A. de C.V.	Mexico City
	Sumitomo Corporation del Ecuador S.A.	Quito
	Sumitomo Corporation de Venezuela, S.A.	Caracas
	Sumitomo Corporation Colombia S.A.	Bogota
	Sumitomo Corporation del Peru S.A.	Lima
	Sumitomo Corporation Argentina S.A.	Buenos Aires
	Sumitomo Corporation (Chile) Limitada	Santiago
	Sumitomo Corporation do Brasil S.A.	Sao Paulo
Oceania	Sumitomo Australia Limited	Sydney
	Sumitomo Corporation (New Zealand) Limited	Auckland

Principal Subsidiaries and Associated Companies

Metal Products Business Unit	Main Business	Common Stock	Ownership (%)
SC Grainger Co., Ltd.	Electric-commerce of MRO (maintenance, repair, and operations) products	¥ 2,953 millions	43.54
Sumisho Tekko Hanbai Co., Ltd.	Sale of steel products	¥ 310 millions	100.00
Hokkaido Shearing Kaisha, Ltd.	Fabrication and sale of steel products	¥ 210 millions	96.40
Summit Steel Corporation	Sale of steel sheet	¥ 20 millions	100.00
Fibercoat Co., Ltd.	Manufacture and sale of fiber-coated steel	¥ 150 millions	64.63
Sumisho Speciality Steel Corporation	Stock, sale, and processing of specialty steel	¥ 210 millions	84.00
Ishihara Kohtetu Co., Ltd	Stock, sale, and processing of tool steel	¥ 96 millions	81.00
Stainless Kakou Center	Shearing and sale of stainless steel sheet	¥ 45 millions	70.00
SC Tubulars Co., Ltd.	Sale of specialty tubular products	¥ 50 millions	100.00
Sumisho Pipe and Steel Co., Ltd.	Sale of steel piping and other steel products	¥ 499 millions	100.00
Mazda Steel Co., Ltd.	Shearing, slitting, and blanking of steel sheet	¥ 60 millions	51.00
Sumisho Metalex Corporation	Sale of non-ferrous metal products, materials for home heat solution	¥ 1,170 millions	69.62
Summit Aluminum Ltd.	Production of aluminum alloy ingots	¥ 400 millions	79.06
Alcut Co., Ltd.	Shearing, slitting, and blanking of aluminum coils, sheets, and circles	¥ 96 millions	65.00
Dong Guan S.Y. Metal Ltd. (China)	Shearing, slitting, and sale of steel plates	RMBY 50,968 thousands	80.00
Dong Guan Nitec Metal Processing Co., Ltd. (China)	Shearing, slitting, and sale of steel plates	US$ 5,000 thousands	100.00
Zhongshan Nomura Steel Products Co., Ltd. (China)	Shearing, slitting, and sale of steel plates	US$ 1,700 thousands	100.00
Wuxi Meifeng Metal Products Co., Ltd. (China)	Shearing, slitting, and sale of steel plates	US$ 4,000 thousands	81.00
Shanghai Summit Metal Products Co., Ltd. (China)	Shearing, slitting, and sale of steel plates	US$ 6,000 thousands	80.00
Tianjin Hua Zhu Metal Products Co., Ltd. (China)	Shearing, slitting, and sale of steel plates	US$ 5,000 thousands	53.90
Shanghai Hi-Tec Metal Products Co., Ltd. (China)	Manufacture and sale of metal-processing products	US$ 4,800 thousands	90.00
Shanghai Nikka Metal Products Co., Ltd. (China)	Stock, sale, and processing of tool steel	US$ 3,695 thousands	81.00
Mason Metal Industry Co., Ltd. (Taiwan)	Shearing, slitting, and sale of steel plates	NT$ 500,000 thousands	99.99
CS Metal Co., Ltd. (Thailand)	Shearing, slitting, and sale of steel plates	BAHT 360,000 thousands	47.33
Thai Steel Service Center Ltd. (Thailand)	Shearing, slitting, and sale of steel plates	BAHT 216,000 thousands	64.60
Thai Special Wire Co., Ltd. (Thailand)	Manufacture and sale of PC wire and strand	BAHT 160,000 thousands	73.50
CS Non-Ferrous Center Co., Ltd. (Thailand)	Shearing, slitting, and sale of non-ferrous metal sheets	BAHT 110,000 thousands	42.00
Asian Steel Company Ltd. (Singapore)	Investment in steel service centers and other operations in Asia	S$ 41,176 thousands	100.00
Mactan Steel Center Inc. (Philippines)	Shearing, slitting, and sale of steel plates	P.PESO 70,000 thousands	90.00
Calamba Steel Center Inc. (Philippines)	Shearing, slitting, and sale of steel plates	P.PESO 281,000 thousands	90.00
Sumiputeh Steel Centre Sdn. Bhd. (Malaysia)	Shearing, slitting, and sale of steel plates	M$ 12,000 thousands	39.00
P.T. Super Steel Karawang (Indonesia)	Shearing, slitting, and sale of steel plates	US$ 4,000 thousands	75.00
P.T. Super Steel Indah (Indonesia)	Shearing, slitting, and sale of steel plates	RP 3,573,000 thousands	40.02
Petro-Summit Mechanical Co., Ltd. (Vietnam)	Manufacture of steel drum	US$ 3,674 thousands	51.00
Hanoi Steel Center Co., Ltd. (Vietnam)	Shearing, slitting, and sale of steel plates	US$ 3,000 thousands	100.00
Saigon Steel Service & Processing Co. (Vietnam)	Shearing, slitting, and sale of steel plates	DON 25,769,000 thousands	50.00
Myanmar Sai Steel Industry Co., Ltd. (Myanmar)	Manufacture and sale of galvanized plates	KYAT 22,800 thousands	51.00
Steel Center Europe, s.r.o. (Czech)	Shearing, slitting, and sale of steel plates	KORUNA 190,000 thousands	50.00
Arkansas Steel Associates LLC (U.S.)	Steel mini mill (Manufadture of railroad tie plates)	US$ 26,000 thousands	50.00
SC Pipe Services Inc. (U.S.)	Investment in VAMPTS Co.	US$ 27,411 thousands	100.00
Servilamina Summit Mexicana S.A. de C.V. (Mexico)	Steel service center (processing and sale of steel sheets)	US$ 20,000 thousands	100.00
SC Metal Pty. Ltd. (Australia)	Investment in aluminum smelting operation in Australia	A$ 23,208 thousands	100.00

Transportation & Construction Systems Business Unit			
Oshima Shipbuilding Co., Ltd.	Shipbuilding	¥ 56,000 millions	34.11
Sumisho Auto Leasing Corporation	Leasing of motor vehicles	¥ 2,751 millions	52.90
Sumisho Pocket Finance Corporation	Retail finance	¥ 1,000 millions	50.00
R.B.I.	Automotive e-business operator	¥ 490 millions	100.00
SC-ABeam Automotive Consulting	Automotive industry focused consulting	¥ 50 millions	80.00
Blue-Tech Corporation	Rental of aerial work platforms	¥ 250 millions	100.00
Sumisho Aero-Systems Corporation	Sale of aerospace equipment	¥ 100 millions	100.00
Sumisho Machinery Trade Corporation	Trading of machinery, equipment and automobiles	¥ 450 millions	100.00
Sumisho Marine Co., Ltd.	Daily administration of ship finance, shipowning, and marine equipment business	¥ 30 millions	100.00
Sumisho Aircraft Asset Management B.V. (Netherlands)	Aircraft leasing	US$ 1,700 thousands	100.00
PT. Oto Multiartha (Indonesia)	Financing of vehicles	RP 325,000,000 thousands	96.34
PT. Summit Oto Finance (Indonesia)	Financing of vehicles	RP 454,220,000 thousands	99.69
Summit Auto Management (Thailand)	Holding and management company of automotive dealership and finance companies	BAHT 240,000 thousands	100.00
Toyota Ly Thuong Kiet (Vietnam)	Sale of Toyota motor vehicles	US$ 1,050 thousands	100.00
Summit Investment Australia Pty Limited (Australia)	Holding and management company of automotive dealership and leasing companies	A$ 27,000 thousands	100.00
▶ Summit Auto Lease Australia Pty Limited (Australia)	Motor vehicle leasing to corporate customers	A$ 12,000 thousands	100.00 *1

	Main Business	Common Stock	Ownership (%)
Summit Motors Investment (U.K.) Limited (U.K.)	Holding and management company of automotive dealership	STG£ 35,610 thousands	100.00
Summit Motors Hungary RT (Hungary)	Sale and import of Nissan motor vehicles	FORINT 830,000 thousands	100.00
Nissan CR spol. s r.o. (Czech)	Sale and import of Nissan motor vehicles	KORUNA 60,000 thousands	100.00
Summit Motors Ljubljana d.o.o. (Slovenia)	Sale and import of Ford motor vehicles	TOLAR 1,129,144 thousands	100.00
Summit Motors (Vladivostok) (Russia)	Sale of Toyota motor vehicles	RB 15,081 thousands	100.00
Nissan Otomotiv A.S. (Turkey)	Sale and import of Nissan motor vehicles	T.LIRA 19,186,000,000 thousands	99.21
Summit Auto Holdings South Africa Pty Limited (South Africa)	Holding and management company of automotive dealership	RAND 44,000 thousands	100.00
Summit Motors (Cameroun) S.A. (Cameroon)	Sale and import of Mitsubishi motor vehicles	CFAF 500,000 thousands	100.00
Komatsu Canada Limited (Canada)	Wholesale of construction machinery and management of dealers	CAN$ 24,800 thousands	100.00
SMS International Corporation (U.S.)	Holding and management company of Komatsu construction machinery dealership	US$ 22,000 thousands	100.00
Linder Industrial Machinery Company (U.S.)	Sale of Komatsu construction machinery	US$ 25,422 thousands	100.00
Continental Equipment Company (U.S.)	Sale of Komatsu construction machinery	US$ 8,000 thousands	100.00
Red Australia Equipment Pty Limited (Australia)	Forklift hire/rental, and sale/service for material handling equipment	A$ 20,000 thousands	100.00
Tecnosumit (Tecnologia para La Construccion y Mineria S.L.) (Spain)	Holding and management company of Komatsu distributor	EURO 27,500 thousands	100.00
Sumitec International, Ltd. (Russia)	Sale and aftersales service of construction, mining machinery and material handling equipment	RB 20,055 thousands	100.00
SC Construction Machinery (Shanghai) Ltd. (China)	Sale of Komatsu construction machinery	RMBY 41,398 thousands	100.00

note: *[1] Summit Investment Australia's ownership

Machinery & Electric Business Unit

Sumisho Machinery Trade Corporation	Trading of machinery, equipment and automobiles	¥ 450 millions	100.00
Sumitomo Shoji Machinex Co., Ltd.	Sale of machinery and equipment	¥ 450 millions	100.00
Sumitomo Shoji Machinex Kansai Co., Ltd.	Sale of machinery and equipment	¥ 360 millions	100.00
SC BioSciences Corporation	Sales of biotechnology instruments/technology	¥ 480 millions	100.00
Hokkaido District Heating Co., Ltd.	District heating and cooling in Sapporo	¥ 800 millions	45.63
Inax Corporation	Sale and maintenance of industrial washing machines	¥ 100 millions	97.44
Inamoto Manufacturing Co., Ltd.	Manufacture and sale of industrial washing machines	¥ 96 millions	70.57
Chugoku Systech Corporation	Sale and installation of air-conditioning equipment	¥ 80 millions	85.00
Summit Hisense Co., Ltd.	Trading and sale of home appliance products, materials and components	¥ 10 millions	50.00
Perennial Power Holdings Inc.	Development, ownership and management of power plant in the U.S.	US$ 34,985 thousands	100.00
MobiCom Corporation (Mongolia)	Integrated telecommunication service in Mongolia	TUGRIK 5,522,160 thousands	33.33

Media, Electronics & Network Business Unit

Nippon Card Co., Ltd.	Production and sale of point-card systems and equipment	¥ 1,500 millions	18.86
VA Linux Systems Japan K.K.	Consulting service and system development with open source like Linux	¥ 195 millions	55.83
MS Communications Co., Ltd.	Sales of telephone circuits and equipment	¥ 1,545 millions	50.00
Asia Internet Holding Co., Ltd.	Providing international Internet-related telecommunications services	¥ 1,624 millions	31.61
Jupiter Programming Co., Ltd. (JPC)	Management and operation of programming services	¥ 8,434 millions	50.00
▶ JPC's main operating channels			
▶ Jupiter Entertainment Co., Ltd.	Supplier of movie programming and women's entertainment programming	¥ 1,788 millions	100.00 *[2]
▶ Jupiter Golf Network Co., Ltd.	Supplier of golf programming	¥ 1,700 millions	89.40 *[2]
▶ Jupiter Shop Channel Co., Ltd.	Supplier of live TV shopping programming	¥ 4,400 millions	70.00 *[2]
▶ Discovery Japan Inc.	Supplier of documentary programming	¥ 3,890 millions	65.40 *[2]
▶ Jupiter Sports, Inc.	Supplier of sports programming	¥ 5,451 millions	66.66 *[2]
▶ Animal Planet Japan K.K.	Supplier of animal entertainment programming	¥ 41 millions	33.33 *[2]
Jupiter VOD Co., Ltd.	Aggregator for Video On Demand Service	¥ 10 millions	44.18
Asmik Ace Entertainment Inc.	Production, distribution and sale of movies and videos	¥ 947 millions	47.67
Step Visual Corporation	Production and sale of visual software	¥ 490 millions	91.84
United Cinema Co., Ltd.	Construction and operation of multiplex cinemas	¥ 1,600 millions	40.00
Jupiter Telecommunications Co., Ltd. (J-COM Broadband)	Cable television multiple system operation (MSO)	¥ 63,133 millions	31.82
▶ J-COM Broadband managed franchises			
▶ J-COM Tokyo Co., Ltd.	Cable television operation	¥ 10,075 millions	80.17 *[3]
▶ J-COM Shonan Co., Ltd.	Cable television operation	¥ 5,771 millions	79.50 *[3]
▶ Urawa Cable Television Network Co., Ltd.	Cable television operation	¥ 1,600 millions	50.10 *[3]
▶ Media Saitama Co., Ltd.	Cable television operation	¥ 2,993 millions	59.03 *[3]
▶ Tsuchiura Cable Television Co., Ltd.	Cable television operation	¥ 1,500 millions	70.33 *[3]
▶ Kisarazu Cable Television Co., Ltd.	Cable television operation	¥ 1,800 millions	81.69 *[3]
▶ Cable Network Yachiyo Co., Ltd.	Cable television operation	¥ 1,600 millions	58.66 *[3]
▶ Super Network U Inc.	Cable television operation	¥ 3,395 millions	59.09 *[3]

	Main Business	Common Stock	Ownership (%)
▶ Izumi CATV Co., Ltd.	Cable television operation	¥ 676 millions	67.31 *3
▶ J-COM Gunma Co., Ltd.	Cable television operation	¥ 1,100 millions	100.00 *3
▶ Hokusetsu Cable Net Co., Ltd.	Cable television operation	¥ 2,000 millions	55.00 *3
▶ J-COM Kansai Co., Ltd.	Cable television operation	¥ 15,500 millions	84.17 *3
▶ Cablenet Kobe Ashiya Co., Ltd.	Cable television operation	¥ 2,900 millions	52.63 *3
▶ Izumiotsu CATV Inc.	Cable television operation	¥ 240 millions	66.67 *3
▶ Cable Net Shimonoseki Co., Ltd.	Cable television operation	¥ 1,000 millions	50.00 *3
▶ J-COM Kitakyushu Co., Ltd.	Cable television operation	¥ 1,801 millions	84.29 *3
▶ Cablevision 21 Inc.	Cable television operation	¥ 2,767 millions	97.95 *3
▶ Fukuoka Cable Network Co., Ltd.	Cable television operation	¥ 2,000 millions	45.00 *3
▶ J-COM Kanto Co., Ltd.	Cable television operation	¥ 30,004 millions	100.00 *3
▶ ▶ J-COM Sapporo Co., Ltd.	Cable television operation	¥ 8,800 millions	83.13 *4
Chofu Cable Inc.	Cable television operation	¥ 2,525 millions	30.00
Kansai Multimedia Service Co., Ltd.	Cable-Internet service provider	¥ 2,000 millions	6.50 25.75 *3
@NetHome Co., Ltd.	Cable-Internet service provider	¥ 7,800 millions	100.00 *3
AJCC Corporation	Leasing of cable television converters	¥ 400 millions	57.50
Billingsoft Japan Co., Ltd.	Development and sale of CATV billing software	¥ 100 millions	49.00
AlphaBridge Corporation	Digital content delivery storage/services over broadband network	¥ 337 millions	65.70
Sumisho Computer Systems Corporation	Data processing services; development and sale of computer software	¥ 21,152 millions	51.01
Sumisho Electronics Co., Ltd.	Sale of office computers, systems, and software	¥ 7,001 millions	67.36
G-Plan Inc.	Point e-market place	¥ 206 millions	73.65
SC Semicon Technology Corporation	Marketing and maintenance of, and consulting for semiconductor manufacturing systems	¥ 255 millions	100.00
Sumitronics Corporation	Sale of electronics products and parts	¥ 400 millions	100.00
Pleomart, Inc.	Intermediate commodities e-market place provider	¥ 1,100 millions	27.27
WAM!NET Japan K.K.	Digital graphics data transfer service	¥ 200 millions	63.51
Sumitronics Inc. (U.S.)	Sale of electronics equipments and parts	US$ 7,800 thousands	64.99
Sumitronics Taiwan Co., Ltd. (Taiwan)	Sale of electronics materials and parts	NT$ 10,000 thousands	100.00
Sumitronics Asia Holding Pte. Ltd. (Singapore)	Management and operation of Sumitronics group	US$ 9,627 thousands	100.00
Sumitronics Korea, Ltd. (Korea)	Sale of electronics products and parts	W 1,000,000 thousands	100.00
Technoclean Philippines, Inc. (Philippines)	High-tech cleaning service of clean room garments	P.PESO 125,622 thousands	100.00
Sumitronics Shanghai Co., Ltd. (China)	Sale of electronics products and parts	RMBY 3,459 thousands	100.00
SC Venture, Inc. (U.S.)	Investments in IT ventures	US$ 23,996 thousands	100.00

note: *2 JPC's ownership *3 J-COM's ownership *4 J-COM Kanto's ownership

Chemical Business Unit

Sumitomo Shoji Chemicals Co., Ltd.	Sale of chemical products	¥ 450 millions	100.00
Sumisho Air Water Co., Ltd.	Manufacturing and sales of hydrogen and other industrial gases	¥ 480 millions	20.00
Summit Medi-Chem, Ltd.	Sale of pharmaceuticals and industrial chemicals	¥ 138 millions	100.00
Summit Pharmaceuticals International Corporation	A comprehensive provider of innovative and biotechnology oriented pharmaceutical & diagnostic R&D related services, fund management	¥ 480 millions	80.00
Summit Agro International, Ltd.	Sale of agricultural chemicals, fertilizers, and other materials; sale and leasing of related equipment	¥ 320 millions	100.00
Sumitomo Shoji Plastics Co., Ltd.	Sale and trade of plastics	¥ 900 millions	100.00
Summit Minerals (Malaysia) Sdn. Bhd. (Malaysia)	Pulverization, processing, and sale of feldspar, etc.	M$ 6,950 thousands	70.04
Interacid Trading S.A. (Switzerland)	International trade of sulfur and sulfuric acid	US$ 11,920 thousands	85.00
Summit Agro Europe Ltd. (U.K.)	Investment in agricultural chemicals in Europe	EURO 13,940 thousands	100.00
The Hartz Mountain Corporation (U.S.)	Pet supplies company	US$ 140,000 thousands	95.38
Cantex Inc. (U.S.)	Manufacture and sale of polyvinyl chloride pipes	US$ 15,000 thousands	100.00
New Port Bulk Terminal Sdn. Bhd. (Malaysia)	Storage, transportation, and sale of liquid chemicals	M$ 2,000 thousands	70.00

Mineral Resources & Energy Business Unit

Sumisho Reftech Co., Ltd.	Import and export of refractories, other materials and equipments for iron and steel manufacturing Providing comprehensive service (tech. and price) for efficient manufacturing of iron and steel	¥ 200 millions	100.00
Nusa Tenggara Mining Corporation	Investment in and financing of the Batu Hijau copper/gold mine development project in Indonesia	¥ 14,000 millions	74.28
Sumisho Oil Corporation	Sale of petroleum products and operation of gasoline stations	¥ 500 millions	100.00

	Main Business	Common Stock	Ownership (%)
Sumisho LPG Holdings Co., Ltd.	Planning strategy of LPG business and controlling its 5 subsidiaries	¥ 115 millions	100.00
▶Sumisho Daiichi LPG Co., Ltd.	Sale and distribution of LPG in Hokkaido	¥ 250 millions	100.00 *5
▶Sumisho LPG East Co., Ltd.	Sale and distribution of LPG in Tohoku	¥ 50 millions	100.00 *5
▶Sumisho LPG Central Co., Ltd.	Sale and distribution of LPG in Kanto	¥ 270 millions	100.00 *5
▶Sumisho LPG West Co., Ltd.	Sale and distribution of LPG in Kinki, Chugoku and Shikoku	¥ 95 millions	100.00 *5
▶Sumisho LPG Kyushu Co., Ltd.	Sale and distribution of LPG in Kyushu	¥ 80 millions	100.00 *5
LNG Japan Corporation	Trading of LNG, investment and financing related to LNG business	¥ 8,002 millions	50.00
Nippon Nuclear Service Corporation	Nuclear fuel transport and related services and sale of related equipment	¥ 40 millions	100.00
Summit Energy Holdings Corporation	Planning, development and operation of business in electric power and energy field	¥ 495 millions	100.00
▶Summit Energy Corporation	Electricity retailing business	¥ 50 millions	70.00 *6
▶Summit Amagasaki Power Corporation	Gas-fired power generation and supply of electricity	¥ 350 millions	100.00 *6
▶Summit Mihama Power Corporation	Gas-fired power generation, supply of electricity and thermal energy	¥ 300 millions	100.00 *6
▶Summit Wind Power Sakata Corporation	Wind power generation and supply of electricity	¥ 477 millions	100.00 *6
▶Summit Wind Power Kashima Corporation	Wind power generation and supply of electricity	¥ 10 millions	100.00 *6
▶Summit Onahama S Power Corporation	Coal-fired power generation, supply of electricity and thermal energy	¥ 495 millions	65.00 *6
▶Summit Myojo Power Corporation	Wood chip and coal fired power generation, and supply of electricity	¥ 400 millions	65.00 *6
Sumisho Coal Australia Pty. Ltd. (Australia)	Investment in coal mines in Australia	A$ 332,000 thousands	100.00
SC Mineral Resources Pty. Ltd. (Australia)	Investment in the Northparkes copper mine in Australia	A$ 38,000 thousands	100.00
SC Minerals America, Inc. (U.S.)	Investment in the Morenci copper mine, the Pogo gold mine in the U.S. and the La Candelaria copper mine in Chile	US$ 1 thousand	100.00
Petro Summit Pte. Ltd. (Singapore)	International trade of crude oil and petroleum products	US$ 3,000 thousands	100.00

note: *5 Sumisho LPG Holdings' ownership *6 Summit Energy Holdings' ownership

Consumer Goods & Service Business Unit

Sumisho Nosan Kaisha, Ltd.	Sale of fertilizers and agriculture-related materials	¥ 55 millions	100.00
Nittoh Bion Co., Ltd.	Manufacture and sale of fertilizer	¥ 1,304 millions	100.00
Sumisho Fresh Meat Co., Ltd.	Sale of beef, pork, and processed meats, including chicken	¥ 100 millions	100.00
Chiba Kyodo Silo Co., Ltd.	Operation of silo facility and handling of grain, such as wheat, barley and corn	¥ 708 millions	53.68
Summit Oil Mill Co., Ltd.	Manufacture and sale of vegetable oil and oil meal	¥ 97 millions	51.00
SC Foods Co., Ltd.	Import, development, and sale of foodstuffs	¥ 495 millions	100.00
Shinko Sugar Co., Ltd.	Sugar refining	¥ 1,495 millions	66.60
Sumifru Corporation	Import and sale of fruits and vegetables	¥ 200 millions	51.00
Allied Co., Ltd.	Import and sale of flowers	¥ 60 millions	100.00
ST Agri-Products Corp.	Import and sale of Chinese fresh and prosessed vegetables	¥ 360 millions	72.78
Sumitex Co., Ltd.	Import, export and sale of textile products	¥ 800 millions	100.00
Sumisho Interior International Inc.	Space & interior designing and installation, import, export and sale of consumer goods, such as furniture and carpet for residential and contract use	¥ 100 millions	100.00
Ansell Sumisho Ltd.	Import and sale of industrial-use gloves and related products	¥ 100 millions	43.00
Summit, Inc.	Supermarket chain	¥ 3,920 millions	100.00
Summit Colmo, Inc.	General merchandise store chain	¥ 100 millions	100.00
Mammy Mart Corporation	Supermarket chain	¥ 2,660 millions	20.04
Sumisho Drugstores Inc.	Drugstore chain	¥ 160 millions	100.00
Otto-Sumisho Inc.	Mail-order business with OTTO GmbH & Co. KG, Germany	¥ 7,150 millions	49.00
Eddie Bauer Japan Inc.	Sale of casual wears & goods through mail-order & retailstore chain	¥ 3,000 millions	34.30
Club Createurs Beaute Japon, Inc.	Mail-order business of brand cosmetics offered by the top French creators such as agnès b. and Michel Klein	¥ 1,150 millions	29.40
Sumisho Hermes General Service Inc.	Fulfillment service provider for mail-order business	¥ 400 millions	51.00
Coach Japan, Inc.	Sale of Coach brand handbags and accessories	¥ 50 millions	50.00
Oriental Diamond, Inc.	Wholesale and retail sales of polished diamonds and jewelry products	¥ 270 millions	100.00
Taisei Coins Corporation	Sale of the numismatic coins & commemorative coins covering all over the world	¥ 200 millions	80.00
Sumifert Sdn. Bhd. (Malaysia)	Import and sale of fertilizers	M$ 500 thousands	50.00
Summit-Quinphos (NZ) Ltd. (New Zealand)	Import and sale of fertilizers in New Zealand	NZ$ 1,818 thousands	60.00
Sumi-Thai Fertilizer Co., Ltd. (Thailand)	Import of fertilizer materials and sale of chemical fertilizers in Thailand	BAHT 10,000 thousands	100.00
Summit Specialty Oil Co., Inc. (U.S.)	Contracting of vegetable oil crushing and refining in the U.S.	US$ 3,716 thousands	100.00
Thai SPF Products Co., Ltd. (Thailand)	Farming of SPF (Specific Pathogen Free) pork in Thailand	BAHT 250,000 thousands	26.94
Pressa Holdings, Inc. (U.S.)	Investment in hay compressing operation in the U.S.	US$ 2,328 thousands	100.00
SC Agri Produce Pty Ltd (Australia)	Investment in hay compressing operation in Australia	A$ 2,436 thousands	100.00
Sumitex Hong Kong Limited (Hong Kong)	Sale of textile products and materials	HK$ 10,000 thousands	100.00
Dalian Huayou Knitting Co., Ltd. (China)	Manufacture and sale of tussah silk sweaters	RMBY 11,000 thousands	100.00

Materials & Real Estate Business Unit	Main Business	Common Stock	Ownership (%)
S.C. Cement Co., Ltd.	Sale of cement, ready-mixed concrete and concrete products	¥ 200 millions	100.00
Sumisho & Mitsuibussan Kenzai Co., Ltd.	Sale of building materials	¥ 2,500 millions	50.00
IG Kogyo Co., Ltd.	Manufacture and sale of insulated metal panels for roofing and walls	¥ 254 millions	48.70
Sumisho Paper Co., Ltd.	Sale of pulp, wastepaper, paper, paperboard and packaging materials	¥ 400 millions	100.00
SEVEN INDUSTRIES CO., LTD.	Manufacture and sale of laminated lumber and wood products	¥ 2,473 millions	50.70
Horiden Co., Ltd.	Sales of ready-mixed concrete, concrete products, cement and aggregate.	¥ 61 millions	100.00
Shaheen Tyres Company L.L.C. (UAE)	Import and sales of tires in the UAE	DIRHAM 12,500 thousands	49.00
SC Tire International Co., Ltd.	Import, export and sales of tires and tubes	¥ 50 millions	100.00
Sumisho Building Management Co., Ltd.	Management and operation of office buildings and shopping centers	¥ 100 millions	100.00
SC Properties Co., Ltd.	Ownership and leasing of office buildings and other real estate	¥ 15,000 millions	100.00
Yokohama City Management Co., Ltd.	Management, operation, and leasing of multipurpose facilities in Minato Mirai 21	¥ 100 millions	25.50
Harumi Corporation	Management of Harumi Island Triton Square	¥ 38 millions	19.44
Sumisho Urban Kaihatsu Co., Ltd.	Planning, development, management, and operation of shopping centers; microbrewery	¥ 100 millions	100.00
Osaka Hokko Development Co., Ltd.	Ownership and leasing of retail facilities and office buildings	¥ 40 millions	100.00
Sumisho Tatemono Co., Ltd.	Sale and management of residential properties; house remodeling	¥ 400 millions	100.00
SC Building Management Corporation	Management and operation of office buildings in Kansai region	¥ 40 millions	60.00
Reibi Corporation	Management of buildings in Kansai region	¥ 30 millions	63.47
Sumisho Estem Corporation	Sale and management of residential properties in Kansai region	¥ 350 millions	100.00
Yasato Kosan Kaisha, Ltd.	Owning and operating of golf course; Summit Golf Club (Ibaraki Pref.)	¥ 90 millions	100.00
Sumisho Development Co., Ltd. (Thailand)	Leasing of apartment and office buildings	BAHT 15,000 thousands	98.83
P.T. Summitmas Property (Indonesia)	Leasing of office buildings	US$ 12,500 thousands	40.00

Financial & Logistics Business Unit			
Sumisho Financial Service Co., Ltd.	Financial services	¥ 100 millions	100.00
Sumisho Card Inc.	Credit card business	¥ 490 millions	100.00
SC Bio Capital Co., Ltd.	Investment funds	¥ 60 millions	100.00
Sumisho Materials Corporation	Trading of precious metals and other products	¥ 200 millions	100.00
All Trans Co., Ltd.	Warehousing and distribution services	¥ 200 millions	100.00
Sumitrans (Japan) Corporation	Global logistics provider	¥ 400 millions	100.00
Sumisho Logistics Co., Ltd.	Logistics service provider	¥ 150 millions	100.00
Bluewell Corporation	Agent for casualty insurance and life insurance	¥ 125 millions	100.00
Bluewell Insurance Brokers Ltd.	Broker for casualty insurance and re-insurance	¥ 10 millions	100.00
Summit Air Service Corporation	Travel agency	¥ 100 millions	100.00
Sumisho Capital Management Co. (Cayman)	Investment advisory	¥ 100 millions	100.00
Sumitomo Corporation Equity Asia Limited (Hong Kong)	Private equity investment in Asia	US$ 13,000 thousands	100.00
Nava Nakorn Distribution Centre Co., Ltd. (Thailand)	Financial services	BAHT 180,000 thousands	57.32
P.T. Indo Summit Logistics (Indonesia)	Credit card business	US$ 5,480 thousands	90.44
Dragon Logistics Co., Ltd. (Vietnam)	Investment funds	DON 41,602,000 thousands	27.00
Summit Logitech Korea, Limited (Korea)	Trading of precious metals and other products	W 1,500,000 thousands	75.00
Shanghai Huayou International Forwarding Co., Ltd. (China)	Warehousing and distribution services	US$ 2,000 thousands	25.00
Shanghai Sumisho-ADP Internationa Forwarding Co., Ltd. (China)	Warehousing and distribution services	US$ 1,100 thousands	70.00
Fuzhu Logistics (Shenzhen) Co., Ltd. (China)	Warehousing and distribution services	HK$ 5,000 thousands	100.00
Tianjin Sumisho Logistics Co., Ltd. (China)	Warehousing and distribution services	US$ 1,000 thousands	100.00
Wuxi Sumisho Hi-tech Logistics Co., Ltd. (China)	Warehousing and distribution services	US$ 5,000 thousands	50.00
Shanghai Dazhong Sagawa Logistics Co., Ltd. (China)	Door-to-door delivery services	US$ 4,220 thousands	24.50
Beijing Sumisho Sagawa Logistics Co., Ltd. (China)	Door-to-door delivery services	US$ 3,620 thousands	35.00
Bluewell Insurance (Singapore) Pte. Ltd. (Singapore)	Captive insurance company	S$ 1,200 thousands	91.00
Thang Long Industrial Park Corporation (Vietnam)	Development, sales, and operation of industrial estate in Vietnam	DON 327,620,000 thousands	58.00
P.T. East Jakarta Industrial Park (Indonesia)	Sales, operation, and maintenance of industrial estate in Indonesia	US$ 8,550 thousands	60.00

Domestic			
Fukusaki Coil Center Co., Ltd.	Processing and sale of steel sheets	¥ 300 millions	90.00
Sumisho Steel Sheets Works Co., Ltd.	Fabrication and sale of steel products	¥ 462 millions	89.18
Kansai Stainless Corp.	Processing of stainless steel sheets	¥ 100 millions	60.00
Sumisho Iron & Steel Co., Ltd.	Sale of specialty steel products	¥ 100 millions	90.00
Ishida Kinzoku Co.,Ltd.	Sale of Stainless Steel sheets	¥ 63 millions	82.76
SC Pipe Solutions Co.,Ltd.	Sale of steel tubular products	¥ 334 millions	99.88
Nippon Katan Co., Ltd.	Manufacture and sale of hardware for transmitters and automotive parts	¥ 886 millions	39.00
Sumisho Textile Company, Ltd.	Processing and sale of textile goods	¥ 830 millions	100.00
Tortoise Co., Ltd.	Processing and sale of interior goods and home furnishing to consumers' cooperatives	¥ 50 millions	100.00
Sumisho Montblanc Co., Ltd.	Processing and sale of work uniforms and related clothing products	¥ 80 millions	87.50

	Main Business	Common Stock	Ownership (%)
Tamashima Sports Plaza Co., Ltd.	Sports club	¥ 150 millions	85.00
Summit Wool Spinners Limited (New Zealand)	Manufacture and sale of wool yarn for carpets	NZ$ 14,275 thousands	100.00
Sumisho Material Chugoku Co., Ltd.	Sale of civil engineering and construction steel materials, and stone	¥ 30 millions	100.00
A-FOSS Asia Pte. Ltd. (Singapore)	Factory operation supporting service, in Southeast Asia, including sale of machinery and equipment	S$ 6,600 thousands	100.00
Sumisho Chemicals & Plastics Nagoya Co., Ltd.	Wholesaling of general composite resins and chemicals	¥ 120 millions	100.00
Sumitomo Shoji Machinex Chubu Co., Ltd.	Sale of machinery and equipment	¥ 350 millions	100.00
SC Machinery & Service Co., Ltd.	Sales of equipments for automotive industries and FA products	¥ 90 millions	100.00
C-Systems Inc.	Operating service of cashless parking system	¥ 30 millions	75.00
Sumisho I.S. Co., Ltd.	Sale of civil engineering and construction materials	¥ 40 millions	67.50
Sumisho Chemicals & Plastics Kyushu Co., Ltd.	Sale of chemicals and related materials in the Kyushu region	¥ 120 millions	100.00
Sumisho Management Kyushu Co., Ltd.	Contracting of administrative work and accounting	¥ 30 millions	100.00
Sumisho Machinex Kyushu Co., Ltd.	Sale of machinery and equipment	¥ 100 millions	100.00
Hokkaido Sekisan Kogyo Co., Ltd.	Macadam production	¥ 10 millions	100.00

Overseas

AB Tube Processing, Inc. (U.S.)	Tube processing for airbag inflators	US$ 2,600 thousands	100.00
Global Stainless Supply, Inc. (U.S.)	Wholesale of stainless steel tubes	US$ 200 thousands	100.00
Premier Pipe, L.P. (U.S.)	Investment in Total Premier Service and pipe stocking	US$ 3,501 thousands	100.00
Summit Tubulars Corporation (Canada)	Sale of tubular products for oil and gas industry	C$ 282 thousands	100.00
V & M Star LP (U.S.)	Seamless tubular products mill	US$ 380,000 thousands	19.47
Distributor Metals Corporation (U.S.)	Sale of stainless steel materials	US$ 372 thousands	100.00
SET Enterprises Inc (U.S.)	Slitting and blanking of steel sheet for automotive industry	US$ 21,955 thousands	45.00
SteelSummit Holdings, Inc. (U.S.)	Steel service center (processing and sale of steel sheets)	US$ 14,501 thousands	100.00
SteelSummit International Inc. (U.S.)	Sale of steel products	US$ 8,000 thousands	100.00
Perennial Power Holdings, Inc. (U.S.)	Development, ownership and management of power plant in the U.S.	US$ 34,985 thousands	100.00
Summit Motor Management, Inc. (U.S.)	Holding and management company of automotive dealerships	US$ 20,963 thousands	100.00
Clickstream Capital L.L.C. (U.S.)	Investment in IT venture capital funds	US$ 7,164 thousands	100.00
Presidio Venture Partners, L.L.C. (U.S.)	Investment in IT ventures	US$ 73,043 thousands	100.00
Cantex Inc. (U.S.)	Manufacture and sale of polyvinyl chloride pipes	US$ 15,000 thousands	100.00
Diversified CPC International, Inc. (U.S.)	Mixing, refining, and sale of aerosol gases	US$ 25,000 thousands	96.00
Summit Chemicals Holding Corp. (U.S.)	Holding company of trading chemical products	US$ 4,000 thousands	100.00
The Hartz Mountain Corporation (U.S.)	Pet supplies company	US$ 140,000 thousands	95.38
Pressa Agri GP (U.S.)	Sale of hay	US$ 5,000 thousands	100.00
Summit Agriculture Co., Inc. (U.S.)	Investment in carnation seedling production and sale	US$ 720 thousands	100.00
600 Third Avenue Associates (U.S.)	Office building leasing	US$ 52,786 thousands	100.00
Atlantic Hills Corporation (U.S.)	Residential area development	US$ 19,000 thousands	100.00
SCOA Residential L.L.C. (U.S.)	Investment in house/apartment developments	US$ 30,620 thousands	100.00
Summit Pulp & Paper Inc. (U.S.)	Processing and sale of wastepaper	US$ 5,000 thousands	100.00
Treadways Corporation (U.S.)	Sale of tires	US$ 21,123 thousands	100.00
Sumitrans Corporation (U.S.)	International intermodal transport	US$ 3,082 thousands	100.00
Broadway Premium Funding (U.S.)	Insurance premium financing	US$ 1,500 thousands	100.00
GeoFocus, LLC (U.S.)	Development and sale of train tracking system	US$ 3,800 thousands	100.00
SCOA Capital LLC (U.S.)	Investment in buyout funds	US$ 14,003 thousands	100.00
Oxford Finance Corporation (U.S.)	Equipment loan service in bio science industry	US$ 51,000 thousands	97.00
SCOA Finance Company (U.S.)	Financial services	US$ 3,000 thousands	100.00
Summit D&V Kft. (Hungary)	OEM supply, sub-assembly and sequence delivery of automotive components	FORINT 125,000 thousands	90.00
Summit Pharmaceuticals Europe Ltd. (U.K.)	Sale of pharmaceuticals products	STG£ 500 thousands	100.00
Sumitrans Europe GmbH (Germany)	Forwarding, logistics business	EURO 1,024 thousands	100.00

Others

Sumisho Administration Services Co., Ltd.	Personnel & general affair service	¥ 30 millions	100.00
SC InfoTech Corporation	Information services, including the development of business software as a system integrator	¥ 200 millions	49.00 51.00 *7
Sumitomo Shoji Financial Management Co., Ltd.	Financial services such as cash management, trade settlement, accounting services, and risk management services to Sumitomo Corporation and its subsidiaries	¥ 400 millions	100.00
Sumisho Lease Co., Ltd.	Leasing	¥ 14,760 millions	36.21
Sumitomo Corporation Capital Europe Plc (U.K.)	Financial services to group companies	US$ 125,000 thousands STG£ 5,765 thousands	100.00

note: *7 Sumisho Computer Systems' ownership

Global Network

(As of August 1, 2004)

ASIA

Beijing
Shanghai
Changchun
Dalian
Shenyang
Tianjin
Qingdao
Nanjing
Chengdu
Guangzhou
Xiamen
Shenzhen
Hong Kong
Taipei
Kaohsiung
Seoul
Ulaanbaatar
Bangkok
Singapore
Manila
Kuala Lumpur
Jakarta
Surabaya
Bandung
Medan
Hanoi
Ho Chi Minh City
Danang
Phnom Penh
Vientiane
Yangon
New Delhi
Mumbai
Karachi
Lahore
Islamabad
Colombo
Dhaka
Chittagong

MIDDLE EAST

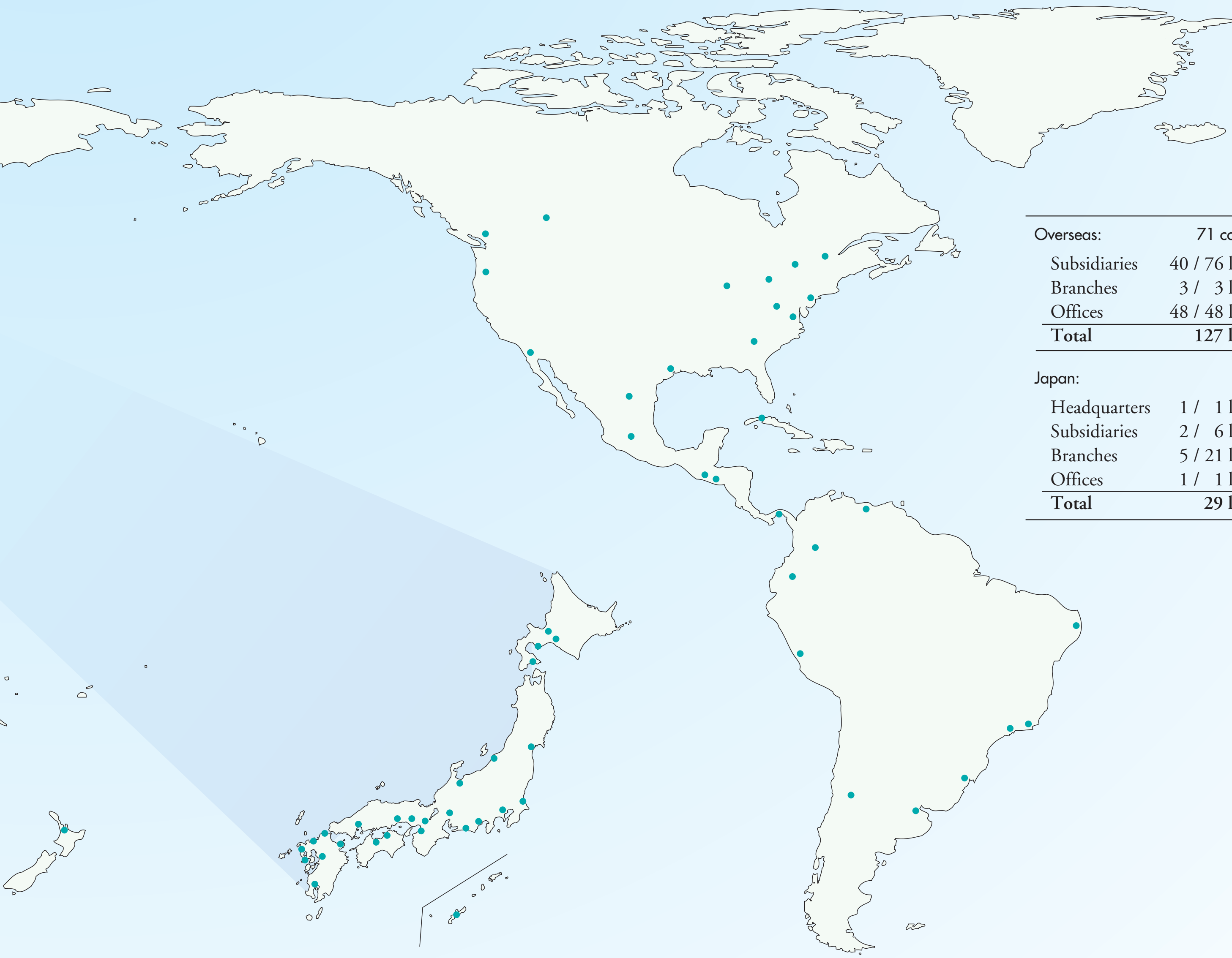
Dubai
Teheran
Istanbul
Ankara
Bahrain
Abu Dhabi
Amman
Damascus
Kuwait
Sanaa
Doha
Baghdad
Muscat
Riyadh
Jeddah
Alkhobar

EUROPE AND CIS

London
Oslo
Stockholm
Brussels
Rotterdam
Duesseldorf
Paris
Milan
Turin
Madrid
Barcelona
Athens
Krakow
Prague
Moscow
Khabarovsk
Vladivostok
Yuzhno-Sakhalinsk
St. Petersburg
Kiev
Almaty
Tashkent
Bishkek
Baku

AFRICA

Algiers
Casablanca
Cairo
Nairobi
Luanda
Abidjan
Dakar
Johannesburg



Overseas:	71 countries
Subsidiaries	40 / 76 locations
Branches	3 / 3 locations
Offices	48 / 48 locations
Total	**127 locations**

Japan:	
Headquarters	1 / 1 location
Subsidiaries	2 / 6 locations
Branches	5 / 21 locations
Offices	1 / 1 locations
Total	**29 locations**

NORTH AMERICA

New York
Detroit
Pittsburgh
Washington, D.C.
Atlanta
Chicago
Houston
Portland
Los Angeles
Vancouver
Calgary
Toronto
Montreal

CENTRAL AMERICA AND SOUTH AMERICA

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

OCEANIA

Sydney
Melbourne
Perth
Auckland

JAPAN

Tokyo
Sapporo
Tomakomai
Muroran
Hakodate
Sendai
Niigata
Ibaraki
Toyama
Shizuoka
Hamamatsu
Nagoya
Kyoto
Osaka
Kobe
Himeji
Hiroshima
Takamatsu
Niihama
Kita-Kyushu
Fukuoka
Oita
Nagasaki
Oshima
Kumamoto
Kagoshima
Naha

Financial Section

Five-Year Financial Summary

For the years ended March 31

1. Key Financial Indicators

	Billions of Yen					Millions of U.S. Dollars
	2004	2003	2002	2001	2000	**2004**
Total assets	**5,012.5**	4,856.2	4,860.2	4,954.1	4,904.6	**48,197**
Shareholders' equity	**730.8**	618.7	658.0	627.0	629.8	**7,027**
Shareholders' equity ratio	**14.6**	12.7	13.5	12.7	12.8	**14.6**
Return on Equity (%)	**9.9**	2.2	7.4	8.0	5.4	**9.9**
Return on Assets (%)	**1.4**	0.3	1.0	1.0	0.6	**1.4**
Interest-bearing liabilities (gross)	**2,795.9**	2,830.6	2,813.4	2,704.4	2,721.4	**26,883**
Interest-bearing liabilities (net)	**2,377.6**	2,502.8	2,528.8	2,447.7	2,503.8	**22,862**
Debt-Equity Ratio (gross) (times)	**3.8**	4.6	4.3	4.3	4.3	**3.8**
Debt-Equity Ratio (net) (times)	**3.3**	4.0	3.8	3.9	4.0	**3.3**
Working Capital	**694.0**	346.9	194.5	173.8	187.5	**6,673**

2. Consolidated Statements of Income

	Billions of Yen					Millions of U.S. Dollars
	2004	2003	2002	2001	2000	**2004**
Revenues:						
Sales of tangible products	**1,284.1**	1,129.4	966.5	948.5	930.0	**12,347**
Sales of services and others	**424.5**	408.9	419.4	430.8	417.5	**4,082**
Total revenues	**1,708.6**	1,538.3	1,385.9	1,379.3	1,347.5	**16,429**
Cost of revenues:						
Cost of tangible products sold	**1,097.5**	948.2	817.0	807.0	802.3	**10,553**
Cost of services and others	**109.8**	93.7	81.6	83.9	70.5	**1,055**
Total cost of revenues	**1,207.3**	1,041.9	898.6	890.9	872.8	**11,608**
Gross profit	**501.3**	496.4	487.3	488.4	474.7	**4,821**
Other income (expenses):						
Selling, general and administrative expenses	**-422.4**	-406.3	-400.8	-390.6	-408.7	**-4,061**
Settlements on copper trading litigation	**-7.1**	0.2	4.3	12.4	-1.8	**-69**
(Provision for) reversal of allowance for doubtful receivables	**-8.0**	-5.6	12.6	-31.9	-7.5	**-77**
Loss on termination and restructuring of projects	**—**	—	—	-44.3	-5.5	**—**
Impairment losses on long-lived assets	**-5.2**	-20.4	-4.8	-7.7	-30.8	**-50**
Gain on sale of property and equipment, net	**13.3**	3.3	2.8	1.0	1.3	**128**
Interest income	**15.7**	24.9	32.3	42.3	43.1	**151**
Interest expense	**-22.0**	-30.9	-46.0	-60.3	-65.1	**-212**
Dividends	**6.9**	6.4	6.6	6.0	5.6	**67**
Gain (loss) on marketable securities and other investments, net	**16.3**	-47.1	-8.9	72.3	60.6	**157**
Equity in earnings of associated companies, net	**20.7**	9.8	0.2	-6.4	5.7	**199**
Other, net	**-0.5**	-2.1	-2.4	-1.2	-12.8	**-5**
Total other income (expenses)	**-392.3**	-467.8	-404.1	-408.4	-415.9	**-3,772**
Income before income taxes and minority interests in earnings of subsidiaries	**109.0**	28.6	83.2	80.0	58.8	**1,049**
Income taxes	**-35.7**	-8.4	-30.2	-24.3	-30.2	**-344**
Income before minority interests in earnings of subsidiaries	**73.3**	20.2	53.0	55.7	28.6	**705**
Minority interests in earnings of subsidiaries, net	**-6.7**	-6.3	-5.3	-5.2	3.7	**-64**
Net income	**66.6**	13.9	47.7	50.5	32.3	**641**
Total trading transactions*	**9,197.9**	9,229.6	9,645.4	10,080.1	10,656.0	**88,441**

* Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under accounting principles generally accepted in the United States of America ("U.S. GAAP")

3. Consolidated Statements of Comprehensive Income (Loss)

	Billions of Yen					Millions of U.S. Dollars
	2004	2003	2002	2001	2000	**2004**
Net income	**66.6**	13.9	47.7	50.5	32.3	**641**
Net unrealized holding gains (losses) on securities available for sale adjustments	**79.5**	-30.5	-34.8	-72.8	68.5	**764**
Foreign currency translation adjustments	**-26.1**	-13.9	27.7	28.2	-30.2	**-251**
Net unrealized gains (losses) on derivatives adjustments	**0.4**	0.1	-0.9	—	—	**4**
Total comprehensive income (loss)	**120.4**	-30.4	39.7	5.9	70.6	**1,158**

4. Consolidated Balance Sheets

	Billions of Yen					Millions of U.S. Dollars
	2004	2003	2002	2001	2000	**2004**
Current assets:						
Cash and cash equivalents	**415.6**	324.4	276.7	251.5	211.4	**3,996**
Time deposits	**2.7**	3.4	7.9	5.2	6.2	**26**
Marketable securities	**2.8**	7.7	5.6	14.9	30.5	**27**
Receivables-trade						
Notes and loans	**238.2**	270.7	289.4	396.7	351.5	**2,290**
Accounts	**1,178.0**	1,095.8	1,072.5	1,174.2	1,066.2	**11,327**
Associated companies	**151.2**	138.3	162.4	195.1	128.8	**1,453**
Allowance for doubtful receivables	**-8.9**	-9.8	-10.7	-11.6	-11.6	**-85**
Inventories	**412.3**	413.1	406.6	418.6	373.3	**3,965**
Deferred income taxes	**37.6**	29.3	24.2	23.7	25.8	**362**
Advance payments to suppliers	**51.6**	47.8	46.5	61.1	71.7	**496**
Other current assets	**140.1**	116.1	134.0	97.2	78.8	**1,347**
Total current assets	**2,621.2**	2,436.8	2,415.1	2,626.6	2,332.6	**25,204**
Investments and long-term receivables:						
Investments in and advances to associated companies	**384.0**	375.7	285.4	242.5	180.3	**3,692**
Other investments	**469.0**	413.6	583.3	704.0	887.9	**4,509**
Long-term receivables	**597.5**	666.1	680.3	648.2	661.1	**5,745**
Allowance for doubtful receivables	**-50.0**	-76.2	-83.1	-95.9	-87.2	**-480**
Total investments and long-term receivables	**1,400.5**	1,379.2	1,465.9	1,498.8	1,642.1	**13,466**
Property and equipment, at cost	**1,144.0**	1,126.8	1,120.4	1,038.7	1,185.3	**11,001**
Accumulated depreciation	**-388.6**	-365.8	-344.0	-333.4	-367.8	**-3,737**
	755.4	761.0	776.4	705.3	817.5	**7,264**
Prepaid expenses, non-current	**98.6**	110.7	77.1	52.9	38.3	**948**
Deferred income taxes, non-current	**9.4**	46.3	19.0	14.7	2.9	**90**
Other assets	**127.4**	122.2	106.7	55.8	71.2	**1,225**
Total	**5,012.5**	4,856.2	4,860.2	4,954.1	4,904.6	**48,197**
Current liabilities:						
Short-term debt	**452.1**	615.8	773.8	820.5	559.2	**4,347**
Current maturities of long-term debt	**330.6**	382.2	356.5	285.8	398.2	**3,179**
Payables-trade						
Notes and acceptances	**107.5**	115.2	166.6	233.5	201.7	**1,033**
Accounts	**771.1**	728.7	673.0	824.0	739.0	**7,414**
Associated companies	**22.8**	25.6	25.4	51.1	37.4	**220**
Income taxes	**15.9**	17.1	9.8	8.7	8.6	**153**
Accrued expenses	**61.2**	47.7	37.5	45.5	57.7	**589**
Advances from customers	**66.2**	60.4	64.8	71.4	67.7	**637**
Other current liabilities	**99.8**	97.2	113.2	112.3	75.5	**959**
Total current liabilities	**1,927.2**	2,089.9	2,220.6	2,452.8	2,145.0	**18,531**
Long-term debt, less current maturities	**2,218.5**	2,046.0	1,883.6	1,772.9	1,942.9	**21,331**
Accrued pension and retirement benefits	**10.9**	9.1	8.5	8.1	41.6	**105**
Deferred income taxes, non-current	**38.8**	3.9	14.6	24.4	78.5	**373**
Minority interests	**86.3**	88.6	74.9	68.9	66.8	**830**
Commitments and contingent liabilities						
Shareholders' equity:						
Common stock	**169.4**	169.4	169.4	169.4	169.4	**1,629**
Additional paid-in capital	**189.6**	189.5	189.5	189.5	189.5	**1,823**
Retained earnings:						
Appropriated for legal reserve	**17.7**	17.7	17.7	17.2	16.4	**170**
Unappropriated	**365.9**	307.8	302.4	263.7	222.6	**3,518**
	383.6	325.5	320.1	280.9	239.0	**3,688**
Accumulated other comprehensive income (loss)	**-11.2**	-65.0	-20.7	-12.7	31.9	**-108**
Treasury stock, at cost	**-0.6**	-0.7	-0.3	-0.1	—	**-5**
Total shareholders' equity	**730.8**	618.7	658.0	627.0	629.8	**7,027**
Total	**5,012.5**	4,856.2	4,860.2	4,954.1	4,904.6	**48,197**

Notes: 1. For the fiscal year ended March 31, 2004, the Company and its subsidiaries (together, the "Companies") have reported revenues in a manner consistent with the accounting guidance in Emerging Issues Task Force ("EITF") Issue No. 99-19. The revenues of prior years have been reported accordingly.

2. For the fiscal year ended March 31, 2004, equity in earnings of associated companies has been included in other income (expenses). The presentation of the prior years has been reclassified accordingly.

3. The Companies restated prior year consolidated financial statements with respect to the accounting of deferred taxes related to investments in affiliates.

4. Consolidated statements of income and consolidated statements of comprehensive income (loss) for the years ended March 31, 2001 and 2000, and consolidated balance sheets as of March 31, 2002, 2001 and 2000 are not audited.

5. The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥104=U.S.$1, the approximate exchange rate on March 31, 2004.

Management's Discussion and Analysis of Financial Condition and Results of Operations

1. INTRODUCTION

We are an integrated trading company (*sogo shosha*). Through our worldwide network, we engage in general trading, including the purchase, supply, distribution and marketing of a wide range of goods and commodities, from metals, machinery, electronics, energy and mineral resources, chemicals, textiles and food products to consumer goods. We act as both principal and agent in these trading transactions. We also provide a range of services for a variety of industries, such as financing for customers and suppliers; planning, coordination and operation of urban and industrial infrastructure projects; consulting in areas such as system integration and technology development; and transportation and logistics. In addition, we engage in other diverse business activities, including investing in a variety of industries ranging from biotechnology to communications, developing natural resources, manufacturing and processing products such as steel products and textiles, developing and managing real estate, and operating retail stores.

We conduct our business through nine industry-based business units and two sets of regional operations, domestic and overseas. The business units and regional operations are referred to as "segments" in our consolidated financial statements, consistent with our determination of business segments in accordance with U.S. GAAP. Our industry-based business units are:

- Metal Products
- Transportation & Construction Systems
- Machinery & Electric
- Media, Electronics & Network
- Chemical
- Mineral Resources & Energy
- Consumer Goods & Service
- Materials & Real Estate
- Financial & Logistics

As of March 31, 2004, we had total assets of ¥5,012.5 billion and 33,799 employees worldwide. For the fiscal year ended March 31, 2004, our consolidated net income was ¥66.6 billion.

2. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

In the past, we reported total trading transactions and gross trading profit in our consolidated statements of income. For the fiscal year ended March 31, 2004, we have reported revenue from sales of tangible products, revenue from sales of services and others, cost of tangible products sold and cost of services and others in a manner consistent with the accounting guidance in Emerging Issues Task Force ("EITF") Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent" as to reporting revenues based on the gross amount billed or the net amount retained. We have restated our consolidated financial statements for the fiscal years ended March 31, 2003 and 2002 in order to conform to the presentation for the fiscal year ended March 31, 2004. This restatement had no effect on reported gross profit or net income for the years restated.

We also restated our consolidated financial statements for the fiscal years ended March 31, 2003 and 2002 and as of March 31, 2003 with respect to the accounting for deferred taxes related to investments in affiliates and the effect of tax rate changes on deferred taxes recognized as part of other comprehensive income (loss).

See note 2 to our Consolidated Financial Statement.

3. OUR MEDIUM-TERM TARGETS

The following discussion of our medium-term targets contains forward-looking statements and measures that have been calculated based on a number of judgments, estimates and assumptions.

In recent years, we have been setting targets for, and monitoring the progress of, our businesses and operations by establishing medium-term plans. We are currently in the process of implementing our AA Plan, covering the period from April 2003 to March 2005. Under the AA Plan, we seek to expand our profitability and earnings base by maximizing our integrated corporate strength and seek to strengthen our financial condition by enhancing our management efficiency and soundness.

As part of our efforts to efficiently allocate our resources, we use two key management measures that we call "risk-adjusted assets" and "risk-adjusted return ratio." "Risk adjusted assets" is the maximum amount of losses that could be incurred if all identified potential risks were actually to occur. The amount of risk-adjusted assets is calculated by multiplying the amount of assets, including receivables, inventory, fixed assets and investments, by a ratio which reflects the potential risk of loss as determined by us and then adding the amount of potential losses with respect to our derivative transactions, commitments and guarantees. In determining the potential risk of loss, we make various assumptions taking into account, among other things, market risk, country risk and asset portfolio. In addition, we account for risks inherent to particular industries, and, accordingly, the ratio of potential risk of loss to total assets varies among our business units. We estimate the potential loss amount with a certain statistical confidence level based on the volatility of the market value of the assets. As of March 31, 2003, our risk-adjusted assets were approximately ¥900 billion compared to our total assets of ¥4,856.2 billion, indicating that our estimate of maximum potential loss on our assets at such date was around 18% of our total assets. As we expand our risk-adjusted assets through the AA Plan, we expect the maximum potential loss with respect to our assets to increase to around 20% of our total assets. Although we believe that our risk-adjusted asset measure appropriately reflects the risks associated with our assets and related businesses, our assumptions and estimates relating to the risks associated with our assets and related businesses may be wrong. In order to measure whether we are achieving returns in proportion to the level of risk that we assume, we calculate a measure that we refer to as "risk-adjusted return ratio," which is the ratio of net income to risk-adjusted assets.

We have set certain financial targets that we aim to achieve through the implementation of the AA Plan initially in May 2003 and subsequently reviewed such targets in April 2004, based on our assumptions and estimates of the global economy, the outlook for our industry sectors and the future business results that we aim to achieve at the time of the initial AA Plan targets were announced and at the time of their review. Under the AA Plan, we are targeting to achieve an annualized average after-tax consolidated risk-adjusted return ratio of at least 6% for the two fiscal years ending March 31, 2005. The AA Plan represents a proactive business plan setting the consolidated net income targets at the highest levels ever set—aiming to achieve consolidated net income of ¥130 billion for two years (¥60 billion for fiscal year ended March 31, 2004 and ¥70 billion for fiscal-year ending March 31, 2005). We also seek to expand our current and future earnings base by targeting to achieve a ¥180 billion increase in our risk-adjusted assets, which in turn is expected to increase our total assets by approximately ¥300 billion. Our consolidated net income for the fiscal year ended March 31, 2004 was ¥66.6 billion, which exceeded the first year AA Plan target set at ¥60 billion.

Our financial targets set forth above are based on various assumptions and strategic goals, including among other things:

- General recovery of the Japanese economy, and continued expansion of the economies in the United States and China;
- Relative stability of the Japanese stock market, real estate values in Japan and interest rates;
- Certain assumptions with respect to foreign currency exchange rates, including an average U.S. dollar-Japanese yen exchange rate of $1.00=¥110 during the fiscal year ending March 31, 2005;
- Successful expansion of what we believe will be our key growth businesses, such as our automobile leasing business and information technology and media business, and growth regions, such as China;
- Continued strong performance of certain of our associated companies, such as our media- related and leasing-related associated companies;
- Certain assumptions regarding future commodity price movements, including copper, gold, oil, gas and coal prices;
- Stability of and improvement in the Asian economy, particularly in countries where we have large-scale projects, such as Indonesia; and
- Continued migration of manufacturing operations from Japan to other Asian countries, and the related prospects for new business opportunities in our various business segments.

4. ECONOMIC ENVIRONMENT

During the first part of the period under review, even after the declaration of the end of major combat operations in Iraq, the global economy experienced a spell of sluggishness due to concerns about terrorism and the spread of Severe Acute Respiratory Syndrome (SARS), but in the second half of the fiscal year strong growth in the U.S. and Chinese economies powered a general recovery. Also, commodity prices on international markets rose in response to increased demand, particularly from China.

The Japanese economy was basically marking time for a while during the first half of the fiscal year because of factors like the cool, rainy summer, but it subsequently picked up, driven largely by rises in exports and capital investment. Consumer spending, particularly purchases of digital appliances, also showed improvement against a backdrop of a somewhat brighter employment situation and a recovery of stock prices.

5. CERTAIN LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF INCOME

The following is a description of certain of our line items in our consolidated statements of income:

Revenues. We categorize our revenues into sales of tangible products and sales of services and others. We generate revenue from sales of tangible products:

- in connection with our wholesale, retail, manufacturing and processing operations;
- in connection with our real estate operations; and
- under long-term construction type arrangements.

We also enter into transactions that include multiple element arrangements, which may include any combination of products, equipment and installation services. We also generate revenue from sale of services and others in connection with:

- customized software development services contracts and other software related services;
- direct finance or operating leases of commercial real estate, automobiles, vessels and aircraft; and
- other service arrangements, such as arranging finance and coordinating transportation and logistics for customers and suppliers in connection with the general trading of products and commodities.

Gross Profit. Gross profit primarily consists of:

- gross profit on transactions for which we act as a principal; and
- fees and commissions received on transactions for which we act an agent.

To the extent revenues are recorded on a gross basis, any expenses or commissions or other payments to third parties that are directly attributable to the sales are recorded as cost of sales. Gross profit reflects the net amount of gross revenues after cost of sales. As part of sales of services and others, we recognize revenues from fees and commissions, which generally have a larger gross margin than revenues on transactions for which we act as principal. As a result, sales of services and others contribute to a larger portion of our gross profit than they do to our revenues. For the fiscal year ended March 31, 2004, sales of services and others accounted for 24.8% of our total revenues, but the gross profit from sales of services and others accounted for 62.8% of our gross profit.

Settlements on Copper Trading Litigation. Since 1996, we have been involved in a number of legal proceedings relating to unauthorized copper trading by a former employee. Any settlement in connection with the copper trading litigation are reported as settlements on copper trading litigation.

(Provision for) Reversal of Allowance for Doubtful Receivables. Provision for allowance for doubtful receivables represents the valuation allowance provided for probable losses inherent in the trade receivables and long-term loans portfolio. In cases where we ultimately are able to collect on such receivables and loans, we subsequently record a reversal of allowance for doubtful receivables. Provisions are reversed when subsequent developments lead us to believe that the receivables will be recoverable. See "7. Critical Accounting Policies—Collectibility of Receivables."

Impairment Losses on Long Lived Assets. To operate our global business, we maintain a significant amount of long-lived assets. A large portion of such long-lived assets are our real estate holdings. In recent years, mainly due to the decline in the Japanese real estate market, we have, from time to time, recorded impairment losses with respect to our real estate assets. For a detailed discussion of our accounting policy with respect to such impairment losses, see "7. Critical Accounting Policies—Recoverability of Long-Lived Assets."

Gain on Sale of Property and Equipment, Net. To operate our global business, we maintain a significant amount of property and equipment. A large portion of our property is our real estate assets, such as office rental buildings. In recent years, mainly due to the decline in the Japanese real estate market, we have, from time to time, recorded losses with respect to some of our real estate assets. In the Tokyo and Osaka metropolitan regions, however, we have, at times, been able to realize gains on sales of some of our real estate assets. In addition, when we withdraw from a business, we may recognize losses on sales of property and equipment associated with such business.

Dividends. Dividends reflect dividends declared by companies in which we hold interests other than our consolidated subsidiaries or associated companies.

Gain (Loss) on Marketable Securities and Other Investments, Net. In order to supplement our trading activities, we maintain a significant level of investments. From time to time, we recognize gains or losses on sales of our marketable securities and other investments when we elect to sell some of such investment holdings. In addition, when some of our investments were presumed to have suffered an other-than-temporary decline in value, we may recognize impairment losses on such investments. For a detailed discussion of our accounting policy with respect to our marketable securities and other investments, see "7. Critical Accounting Policies—Impairment of Investment in Marketable Securities and Other Investments."

Equity in Earnings of Associated Companies, Net. In connection with our investment strategy and the development of business opportunities, we may, from time to time, acquire or make investments in newly established or existing companies, enter into joint ventures with other entities or form strategic business alliances with industry participants, in each case in a variety of business segments. In general, we account for the earnings or losses of such investee under the equity method when the level of the investment is between 20% and 50% of equity in the investee.

Total Trading Transactions. Total trading transactions is a voluntary disclosure and represents the gross transaction volume of trading transactions, or the nominal aggregate value of the transactions for which we act as principal or as agent. Total trading transactions is not meant to represent sales or revenues in accordance with U.S. GAAP. Total trading transactions should not be construed as equivalent to, or a substitute or proxy for, revenues, or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing or financing activities. A substantial part of total trading transactions represents transactions in which we participate without physical acquisition of goods or without significant inventory risk. We have included the information concerning total trading transactions because it is used by similar Japanese trading companies as an industry benchmark, and we believe it is a useful supplement to results of operations data as a measure of our performance compared to other similar Japanese trading companies.

6. EFFECTS OF RECENT TRANSACTIONS ON OUR CONSOLIDATED STATEMENTS OF INCOME

In the fiscal year ended March 31, 2004, through a series of transactions, we acquired the steel product business lines from Nichimen Corporation. The total acquisition cost was approximately ¥11 billion for these business lines which included several steel processing centers as well as steel trading operations. In addition, Kawasho Lavie Corporation and Kubota Lease Corporation, both of which focus on domestic automobile leasing business, became subsidiaries of Sumisho Auto Leasing Corp. starting January 2003 and April 2003, respectively. The inclusion of these three companies in our consolidated financial results for the fiscal year ended March 31, 2004 increased our revenues, cost of revenues and selling, general and administrative expenses.

7. CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions. For a summary of our significant accounting policies, including the critical accounting policies discussed below, see note 3 to our consolidated financial statements.

The following are the critical accounting policies that are important to our financial condition and results of operations and require significant management judgments and estimates:

Revenue Presentation—Gross Versus Net

Acting as an intermediary in executing transactions with third parties is a distinctive role of an integrated trading company (*sogo shosha*). In recognizing revenue from transactions, we must determine whether we are acting as a "principal" in the transaction, and should report revenue on a gross basis based on the sales amount of the transaction, or we are acting as an "agent" in the transaction, and should recognize net fees or commissions earned. The evaluation of the relevant factors in making this determination is subject to significant subjective judgments. In certain situations, others might make a different determination. Similarly, if our risks and obligations in a certain type of transactions change, the determination of whether revenue should be recognized on a net or gross basis for that type of transaction may also change. Revenues related to a substantial portion of the trading transactions in all our business segments are recognized on a net basis. The amounts of gross profit and net income are not affected by whether revenue is reported on a gross or net basis.

Factors that indicate that we are acting as a principal, and thus should recognize revenue on a gross basis include:

- we are the primary obligor in the arrangement;
- we have general inventory risk (before customer order is placed or upon customer return);
- we have physical loss inventory risk (after customer order or during shipping);
- we have latitude in establishing price;
- we change the product or perform part of the services;
- we have discretion in supplier selection;
- we are involved in the determination of product or service specifications; and
- we have credit risk.

Factors that indicate that we are acting as an agent, and thus should recognize revenue on a net basis relative to the service offered include:

- the supplier (not us) is the primary obligor in the arrangement;
- the amount we earn is fixed; and
- the supplier (not us) has credit risk.

Revenue Recognition

Most of our revenues are the result of (i) the sale of tangible products in connection with our wholesale, retail, manufacturing, and processing operations from which revenue is recognized based on the transfer of title, deliver or shipment, or the attainment of customer acceptance, or (ii) from the provision of services, from which revenue is recognized based on the delivery of services. Revenue recognition in these situations does not involve difficult, subjective or complex judgments or estimations.

Recognition of revenue using the percentage-of-completion method for certain long-term construction-type arrangements is based on the ratio that costs incurred bear to total estimated project costs and is dependent on our ability to estimate these costs reliably. The impact of revisions of profit estimates on fixed price contracts is recognized in the period in which the revisions are made; anticipated losses on fixed price contracts are charged to earnings when losses can be estimated; and provisions are made for contingencies in the period in which they become known and losses are estimable.

Collectibility of Receivables

We engage in a variety of businesses and carry substantial notes and loans receivable, accounts receivable, receivables for associated companies, and long-term receivables. In maintaining our allowance for doubtful receivables, our estimate of probable losses requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, collateral values, and the present and expected future levels of interest rates. This estimation requires us to make assumptions and judgments about inherently uncertain matters, and we cannot predict with absolute certainty the amount of losses inherent in the portfolio.

Operating segments that hold greater amounts of long-term receivables than other segments are Transportation & Construction Systems and Machinery & Electric Business Units.

Recoverability of Long-Lived Assets

We maintain significant long-lived assets in the operation of our global business. We review long- lived assets, such as real estate and aircraft, for impairment whenever events or changes in circumstances suggest that the carrying amount of such assets may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining whether cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal discounted cash flow estimates, quoted market prices, when available, and independent appraisals as appropriate to determine fair value. We derive cash flow estimates from our historical experience and our internal business plans, and apply an appropriate discount rate. Changes in strategy or in market conditions could significantly affect these determinations.

Impairment of Investments in Marketable Securities and Other Investments

We regularly review investment securities for impairment based on criteria that include the extent to which the investment's carrying value exceeds its market value, the duration of the market decline, our ability to hold to recovery and the financial strength and specific prospects of the issuer of the security. We monitor market conditions and the performance of the investees to identify potentially impaired investments. The fair value of non-marketable securities for which impairment losses are recognized is determined based on estimated discounted future cash flows, or other appropriate valuation methods.

Tax Asset Valuation

A valuation allowance is established on deferred tax assets when, in management's judgment, it is more likely than not, that the deferred tax asset, or a portion thereof, will not be realized. In assessing the realizability of deferred tax assets, we must determine whether we will be able to generate adequate future taxable income in the tax jurisdictions that give rise to the deferred tax assets during the periods in which the underlying temporary differences become deductible or before tax net operating loss carryforwards expire. We consider all available evidence, both positive and negative, in making this assessment. Determination of the allowance is based on estimates and judgment. A change in the ability of our operations to generate future taxable income in the tax jurisdictions that give rise to the deferred tax assets could change our assessment as to the realizability of these assets.

8. RESULTS OF OPERATIONS

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Total Revenues. Total revenues increased by ¥170.3 billion, or 11.1%, from ¥1,538.3 billion in the fiscal year ended March 31, 2003, to ¥1,708.6 billion in the fiscal year ended March 31, 2004. The increase was mainly due to the expansion of our automotive financing and leasing operation in Japan, Asia and Europe, the acquisition of the steel products business lines from Nichimen, and the higher level of sales from our consumer goods and food operations, particularly from our supermarket chain, Summit, Inc. The increase was partially offset by a decline in revenue resulting from lower coal production when a coal mine collapsed in Australia and the impact of the stronger yen which reduced the yen value of foreign currency denominated revenue, which impacted our overseas operations, particularly Sumitomo Corporation of America.

Gross Profit. Gross profit increased by ¥4.9 billion, or 1.0%, from ¥496.4 billion in the fiscal year ended March 31, 2003 to ¥501.3 billion in the fiscal year ended March 31, 2004. The increase in gross profit was primarily driven by the increase in revenues discussed above. In particular, the expansion of our automotive financing and leasing operation in Japan and Asia and the acquisition of the steel products business lines from Nichimen contributed to a ¥5.7 billion and a ¥3.0 billion increase in gross profit, respectively. The increase was partially offset by losses recorded upon disposal and revaluation of some of our real estate held as inventory for sale and partially by the decrease in revenues discussed above.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by ¥16.1 billion, or 4.0%, from ¥406.3 billion in the fiscal year ended March 31, 2003 to ¥422.4 billion in the fiscal year ended March 31, 2004. This was mainly due to an increase in personnel and facility-related expenses resulting from the expansion of the business activities of our subsidiaries such as Sumisho Auto Leasing and the increase in the number of new stores of Summit. Our acquisition of the steel products business lines from Nichimen contributed to a ¥2.3 billion increase in selling, general and administrative expenses. In addition, we recorded higher personnel costs as a result of increased retirement benefits expenses as the value of pension assets decreased when the Japanese stock declined to its 20-year historical low in April 2003. We also had higher amortization charges resulting from our computer system upgrades.

Settlements on Copper Trading Litigation. In the fiscal year ended March 31, 2004, we expensed ¥7.1 billion for settlements on copper trading litigation compared to a net gain of ¥0.2 billion on settlements on copper trading litigation in the fiscal year ended March 31, 2003. The settlement expensed in the fiscal year ended March 31, 2004 reflected the amount to settle certain lawsuits brought against us.

(Provision for) Reversal of Allowance for Doubtful Receivables. The provision for the allowance for doubtful receivables increased by ¥2.4 billion, or 42.9%, to ¥8.0 billion in the fiscal year ended March 31, 2004, compared to ¥5.6 billion in the fiscal year ended March 31, 2003. The provision reflected the recognition of losses incurred in connection with our polyvinyl chloride manufacturing business in Asia, as well as doubtful receivables resulting from the deteriorating creditworthiness of textile related clients and aircraft lessees.

Impairment Losses on Long-Lived Assets. Impairment losses on long-lived assets decreased by ¥15.2 billion, or 74.5%, from ¥20.4 billion in the fiscal year ended March 31, 2003 to ¥5.2 billion in the fiscal year ended March 31, 2004. The impairment losses for the fiscal year ended March 31, 2004 were attributable to the devaluation of three aircraft resulting from the sluggish aircraft market and the devaluation of three real estate properties.

Gain on Sale of Property and Equipment, Net. Gain on sale of property and equipment increased by ¥10.0 billion, or 303.0%, from ¥3.3 billion in the fiscal year ended March 31, 2003 to ¥13.3 billion in the fiscal year ended March 31, 2004, mainly due to the sale of the Sumitomo Building located in Osaka.

Interest Income. Interest income decreased by ¥9.2 billion, or 36.9%, from ¥24.9 billion in the fiscal year ended March 31, 2003 to ¥15.7 billion in the fiscal year ended March 31, 2004. The decrease was primarily due to lower interest rates, particularly with respect to interest-earning assets denominated in U.S. dollars. Average six-month TIBOR for debt denominated in Japanese yen decreased from 0.10% during the fiscal year ended March 31, 2003 to 0.09%, and the average six month LIBOR for debt denominated in U.S. dollars decreased from 2.13% during the fiscal year ended March 31, 2003 to 1.35%.

Interest Expense. Interest expense decreased by ¥8.9 billion, or 28.8%, from ¥30.9 billion in the fiscal year ended March 31, 2003 to ¥22.0 billion in the fiscal year ended March 31, 2004. The decrease was primarily due to lower interest rates discussed above, particularly with respect to debt denominated in U.S. dollars.

Dividends. Total dividend income increased by ¥0.5 billion, or 7.8%, from ¥6.4 billion in the fiscal year ended March 31, 2003 to ¥6.9 billion in the fiscal year ended March 31, 2004, primarily reflecting the resumption of dividend payments of Sumitomo Metal Industries, Ltd., as the company returned to profitable operations for the fiscal year ended March 31, 2003.

Gain (Loss) on Marketable Securities and Other Investments, Net. We recorded a net gain on marketable securities and investments of ¥16.3 billion for the fiscal year ended March 31, 2004 compared to a net loss on marketable securities and investments of ¥47.1 billion for the fiscal year ended March 31, 2003. The improvement was mainly attributable to a ¥16.2 billion gain on sale of equity securities of listed financial institutions, which were sold as part of our efforts to reduce our investment exposure to that sector, and a ¥6.2 billion gain on transfer of securities to employee retirement benefit trust compared to a gain of ¥2.3 billion in the prior fiscal year. These gains were partially offset by impairment losses which consisted mainly of other than temporary losses related to the unlisted securities, including a ¥9.6 billion loss related to POWEREDCOM, Inc., which was completely written off.

Equity in Earnings of Associated Companies, Net. Equity in earnings of associated companies increased by ¥10.9 billion, or 111.2%, from ¥9.8 billion in the fiscal year ended March 31, 2003 to ¥20.7 billion in the fiscal year ended March 31, 2004. The increase was primarily a result of JCOM, recording a profit for the first time as a result of increased subscriptions, improved profitability of the Batu Hijau project and continuing profitability of Sumisho Lease Co., Ltd and Jupiter Programming Co., Ltd. (JPC).

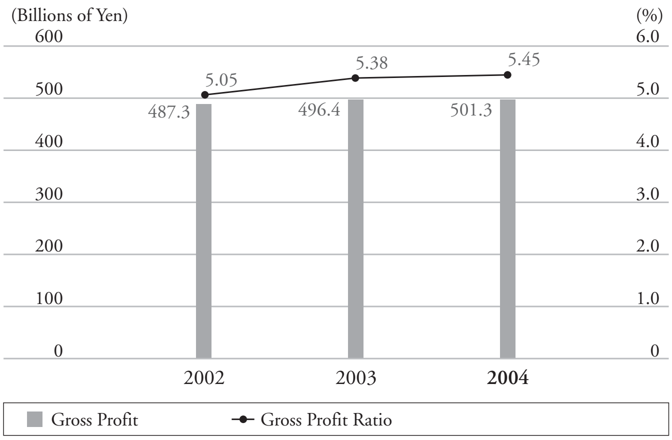
Income Taxes. Income taxes increased by ¥27.3 billion, or 325.0%, from ¥8.4 billion in the fiscal year ended March 31, 2003 to ¥35.7 billion in the fiscal year ended March 31, 2004. The increase was primarily due to increase of income before income taxes and minority interests in earnings of subsidiaries.

Minority Interests in Earnings of Subsidiaries, Net. Minority interests in earnings of subsidiaries increased by ¥0.4 billion, or 6.3%, from ¥6.3 billion in the fiscal year ended March 31, 2003 to ¥6.7 billion in the fiscal year ended March 31, 2004. The increase was attributable mainly to the increased profitability of Sumisho Auto Leasing.

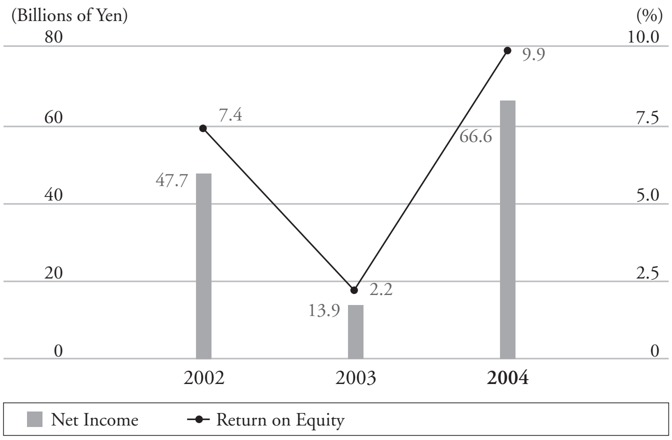
Net Income. As a result of the factors discussed above, net income increased by ¥52.7 billion, or 379.1%, from ¥13.9 billion in the fiscal year ended March 31, 2003 to ¥66.6 billion in the fiscal year ended March 31, 2004.

Total Trading Transactions. Total trading transactions decreased ¥31.7 billion, or 0.3%, from ¥9,229.6 billion in the fiscal year ended March 31, 2003 to ¥9,197.9 billion in the fiscal year ended March 31, 2004. Although increases in commodity prices, such as fuel prices, increased the value of our total trading transaction, such increases were offset by the impact of the stronger yen which decreased the yen value of foreign currency denominated transactions. In addition, we withdrew from certain lower margin trading activities.

Gross Profit & Gross Profit Ratio (Gross Profit/Total Trading Transactions)



Net Income & Return on Equity



9. OPERATING SEGMENT ANALYSIS

We manage and assess our business through 11 operating segments, including nine operating segments based on industries and two operating segments based on geographical focus.

We conduct our business through nine business units based on industries. Our business units consist of: Metal Products; Transportation & Construction Systems; Machinery & Electric; Media, Electronics & Network; Chemical; Mineral Resources & Energy; Consumer Goods & Service; Materials & Real Estate; and Financial & Logistics.

In addition, we conduct our business through two sets of regional operations—domestic and overseas. Domestically, in addition to our subsidiaries, offices and branch offices throughout Japan, we have three regional business units, which are distinct from the industry-based business units, that oversee activities in the Kansai, Chubu and Kyushu-Okinawa regions. Our overseas operations are conducted by our overseas subsidiaries, such as Sumitomo Corporation of America, Inc., and branch offices. These regional operations conduct trading activities in all industry sectors based on their specialized knowledge of region. In addition, they work together on certain projects with our industry-based business unit in order to develop products and services that are more focused for that particular region. In such cases, revenue and expenses are shared by the units based on their respective roles. These regional operations constitute the "Domestic Regional Business Units and Offices" and "Overseas Subsidiaries and Branches" segments in our consolidated financial statements.

For the fiscal year ended March 31, 2004, the real estate related business previously included in the Domestic Regional Business Units and Offices segment has been transferred to the Material & Real Estate Business Unit segment due to our reorganization. Accordingly, revenues, gross profit and net income for the years ended March 31, 2003 and 2002 have been restated to conform to the presentation for the fiscal year ended March 31, 2004.

The following table sets forth our operating results by operating segments for the fiscal years ended March 31, 2004 and 2003:

Breakdown of Gross Profit by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2004 and 2003	**2004**	2003	increase/ decrease	increase/ decrease	**2004**
Metal Products	**¥ 42.0**	¥ 37.2	¥ 4.8	12.9 %	**$ 403**
Transportation & Construction Systems	**98.6**	86.2	12.4	14.4	**948**
Machinery & Electric	**28.2**	28.6	(0.4)	(1.4)	**271**
Media, Electronics & Network	**40.8**	40.9	(0.1)	(0.2)	**392**
Chemical	**22.8**	23.6	(0.8)	(3.4)	**219**
Mineral Resources & Energy	**27.1**	31.6	(4.5)	(14.2)	**261**
Consumer Goods & Service	**90.4**	86.0	4.4	5.1	**870**
Materials & Real Estate	**47.8**	57.8	(10.0)	(17.3)	**460**
Financial & Logistics	**15.7**	15.5	0.2	1.3	**151**
Domestic Regional Business Units and Offices	**40.4**	41.8	(1.4)	(3.3)	**389**
Overseas Subsidiaries and Branches	**55.8**	59.3	(3.5)	(5.9)	**536**
Segment Total	**509.6**	508.5	1.1	0.2	**4,900**
Corporate and Eliminations	**(8.3)**	(12.1)	3.8	31.4	**(79)**
Consolidated	**¥ 501.3**	¥ 496.4	¥ 4.9	1.0 %	**$ 4,821**

Breakdown of Net Income (Loss) by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2004 and 2003	**2004**	2003	increase/ decrease	increase/ decrease	**2004**
Metal Products	**¥ 7.6**	¥ 6.3	¥ 1.3	20.6 %	**$ 73**
Transportation & Construction Systems	**9.6**	5.6	4.0	71.4	**92**
Machinery & Electric	**1.8**	1.8	0.0	0.0	**17**
Media, Electronics & Network	**7.5**	8.5	(1.0)	(11.8)	**72**
Chemical	**(0.1)**	1.1	(1.2)	—	**(1)**
Mineral Resources & Energy	**7.1**	3.9	3.2	82.1	**69**
Consumer Goods & Service	**5.8**	5.3	0.5	9.4	**56**
Materials & Real Estate	**9.1**	(5.7)	14.8	—	**88**
Financial & Logistics	**2.4**	2.0	0.4	20.0	**23**
Domestic Regional Business Units and Offices	**1.7**	2.5	(0.8)	(32.0)	**16**
Overseas Subsidiaries and Branches	**7.0**	7.1	(0.1)	(1.4)	**67**
Segment Total	**59.5**	38.4	21.1	54.9	**572**
Corporate and Eliminations	**7.1**	(24.5)	31.6	—	**69**
Consolidated	**¥ 66.6**	¥ 13.9	¥ 52.7	379.1 %	**$ 641**

Fiscal Year Ended March 31, 2004 Compared to Fiscal Year Ended March 31, 2003

Metal Products

Gross profit increased by ¥4.8 billion, or 12.9%, from ¥37.2 billion in the fiscal year ended March 31, 2003 to ¥42.0 billion in the fiscal year ended March 31, 2004. The increase was mainly attributable to the acquisition of the steel products business lines from Nichimen, the increased sales of steel sheets by our Asian steel service centers, the increased export activities of steel sheets to Asia and the increase of the price of such products. Net income increased ¥1.3 billion, or 20.6%, from ¥6.3 billion in the fiscal year ended March 31, 2003 to ¥7.6 billion in the fiscal year ended March 31, 2004. In addition to the factors discussed above, net income increased due to gain on sale of marketable securities and investments.

Transportation & Construction Systems

Gross profit increased by ¥12.4 billion, or 14.4%, from ¥86.2 billion in the fiscal year ended March 31, 2003 to ¥98.6 billion in the fiscal year ended March 31, 2004. The increases were mainly due to the expansion of domestic and Asian automobile financing businesses, which are operated through Sumisho Auto Leasing (which acquired Kawasho Lavie and Kubota Lease) and P.T. Oto Multiartha, the improvement of our motor vehicle sales and import business in Turkey and the higher sales volume of overseas construction equipment business mainly in the United States. Net income increased ¥4.0 billion, or 71.4%, from ¥5.6 billion in the fiscal year ended March 31, 2003 to ¥9.6 billion in the fiscal year ended March 31, 2004.

Machinery & Electric

Gross profit decreased by ¥0.4 billion, or 1.4%, from ¥28.6 billion in the fiscal year ended March 31, 2003 to ¥28.2 billion in the fiscal year ended March 31, 2004. Although plant export volume was increasing at the end of the fiscal year mainly to Asia, there was an overall decrease in plant sales volume for the year ended March 31, 2004 compared with the sales volume in the previous fiscal year. Furthermore, as a result of the decline in capital investments in Japan, there is a continuing lack of demand in domestic machinery and equipment market. Net income remained unchanged in the fiscal year ended March 31, 2004 from ¥1.8 billion in the fiscal year ended March 31, 2003. In the fiscal year ended March 31, 2003, we recorded a significant amount of impairment losses relating to securities and investments, but had no such significant impairment losses in the fiscal year ended March 31, 2004.

Media, Electronics & Network

Gross profit decreased by ¥0.1 billion, or 0.2%, from ¥40.9 billion in the fiscal year ended March 31, 2003 to ¥40.8 billion in the fiscal year ended March 31, 2004. The decrease was due to increased competition of systems integration services. The decrease was partially offset by higher commissions and fees received from our fabless electronic machinery production outsourcing services, or EMS, business in China and ASEAN countries and from the increased trading volume of materials used for electronic components, such as LED chips and electronics components. Net income decreased ¥1.0 billion, or 11.8%, from ¥8.5 billion in the fiscal year ended March 31, 2003 to ¥7.5 billion in the fiscal year ended March 31, 2004. The decrease was mainly due to the recognition of a ¥9.6 billion impairment loss relating to the unlisted securities of POWEREDCOM, and a decrease in gains from securities and investments profits compared to the fiscal year ended March 31, 2003. The decline was partially offset by increased earnings from JCOM, which became profitable for the first time along with JPC and MS Communications.

Chemical

Gross profit decreased by ¥0.8 billion, or 3.4%, from ¥23.6 billion in the fiscal year ended March 31, 2003 to ¥22.8 billion in the fiscal year ended March 31, 2004. The decrease was primarily attributable to the decreased sales by Cantex Inc., our North American polyvinyl chloride pipes and joints subsidiary, as competition intensified. We had a net loss of ¥0.1 billion in the fiscal year ended March 31, 2004 compared to net income of ¥1.1 billion in the fiscal year ended March 31, 2003, mainly due to the recognition of the losses incurred in connection with our withdrawal from the polyvinyl chloride manufacturing business in Asia.

Mineral Resources & Energy

Gross profit decreased by ¥4.5 billion, or 14.2%, from ¥31.6 billion in the fiscal year ended March 31, 2003 to ¥27.1 billion in the fiscal year ended March 31, 2004. The decreases were primarily due to the decline in the coal business in Australia as the coal production output decreased when a coal mine collapsed. Net income, however, increased ¥3.2 billion, or 82.1%, from ¥3.9 billion in the fiscal year ended March 31, 2003 to ¥7.1 billion in the fiscal year ended March 31, 2004, as earnings from the Batu Hijau project improved. The Batu Hijau project, which is a copper and gold mining operation in Indonesia, reported stronger performance as a result of an increase in copper and gold prices and increased production output.

Consumer Goods & Service

Gross profit increased by ¥4.4 billion, or 5.1%, from ¥86.0 billion in the fiscal year ended March 31, 2003 to ¥90.4 billion in the fiscal year ended March 31, 2004. The increases were mainly due to increased sales at our supermarket chain, Summit, as we focused on catering to changing consumer preference patterns, such as the increasing sensitivity to the origin of food products. Our drugstore and brand businesses also recorded higher sales. Net income increased ¥0.5 billion, or 9.4%, from ¥5.3 billion in the fiscal year ended March 31, 2003 to ¥5.8 billion in the fiscal year ended March 31, 2004 as a result of the increased gross profit as well as gains on sales of securities recorded in this segment.

Materials & Real Estate

Gross profit decreased by ¥10.0 billion, or 17.3%, from ¥57.8 billion in the fiscal year ended March 31, 2003 to ¥47.8 billion in the fiscal year ended March 31, 2004, primarily as a result of losses recorded upon disposal and revaluation of some of our real estate held as inventory for sale. Unit sales of condominiums declined compared to the previous fiscal year as the previous fiscal year was a particularly successful year for our projects in the Tokyo metropolitan region. The decrease was partially offset by sales of units in recently completed large scale urban projects such as Aoyama Park Tower, as well as properties in the suburban areas targeted towards families such as Genecity Shikiasakadai. On the other hand, we recorded a net income of ¥9.1 billion in the fiscal year ended March 31, 2004 compared to a net loss of ¥5.7 billion in the fiscal year ended March 31, 2003. The change was mainly due to the recognition of a gain from the sale of the Sumitomo Building in Osaka in the fiscal year ended March 31, 2004, while having recognized impairment losses in connection with some of our real estate assets in the prior fiscal year.

Financial & Logistics

Gross profit increased by ¥0.2 billion, or 1.3%, from ¥15.5 billion in the fiscal year ended March 31, 2003 to ¥15.7 billion in the fiscal year ended March 31, 2004 mainly due to increases in fees and commissions relating to our domestic distribution business and our insurance brokerage business. In addition, our distribution business in China was not severely affected by SARS and Bird Flu, while the Shanghai and Beijing package delivery companies expanded their businesses by securing large contracts. Net income increased ¥0.4 billion, or 20.0%, from ¥2.0 billion in the fiscal year ended March 31, 2003 to ¥2.4 billion in the fiscal year ended March 31, 2004, as a result of higher gross profit and higher gains on sales of equity securities.

Domestic Regional Business Units and Offices

Gross profit decreased by ¥1.4 billion, or 3.3%, from ¥41.8 billion in the fiscal year ended March 31, 2003 to ¥40.4 billion in the fiscal year ended March 31, 2004. The decreases were mainly due to our selective withdrawal from some of our less profitable textile businesses. Net income decreased ¥0.8 billion, or 32.0% from ¥2.5 billion in the fiscal year ended March 31, 2003 to ¥1.7 billion in the fiscal year ended March 31, 2004, mainly due to lower gross profit and the provision for allowance for doubtful receivables relating to our textile business counterparties.

Overseas Subsidiaries and Branches

Gross profit decreased by ¥3.5 billion, or 5.9%, from ¥59.3 billion in the fiscal year ended March 31, 2003 to ¥55.8 billion in the fiscal year ended March 31, 2004. The decrease was due to the effect of the stronger yen, as the foreign currency denominated revenues of the overseas subsidiaries and branches were recorded at lower yen values. Net income decreased ¥0.1 billion, or 1.4%, from ¥7.1 billion in the fiscal year ended March 31, 2003 to ¥7.0 billion in the fiscal year ended March 31, 2004.

10. LIQUIDITY AND CAPITAL RESOURCES

In general, we seek to fund our operations through cash flow from operations, bank debt and debt raised in the capital markets and through commercial paper issuances. Our basic policy for fund raising activities is to secure stable, medium- to long-term low-interest rate funds and liquidity for our operations. During the fiscal year ended March 31, 2004, we shifted a portion of our debt financing from short-term debt to long-term debt to take advantage of the low interest rate and tighter credit spread environment, particularly in the Japanese financial markets. We reduced ¥215.3 billion of short-term debt, including current maturities of long-term debt, and increased our long-term debt, excluding current maturities of long-term debt, by ¥172.5 billion from March 31, 2003 to March 31, 2004.

Our short-term debt, excluding current maturities of long-term debt, as of March 31, 2004 was ¥452.1 billion. Our short-term debt consisted of:

- ¥206.6 billion of loans, principally from banks, with an average interest rate of 2.47%; and
- ¥245.5 billion of commercial paper with an average interest rate of 0.10%.

As of March 31, 2004, we had long-term debt of ¥2,549.0 billion, including current maturities of ¥330.6 billion and capital lease obligations of ¥44.2 billion. We increased our long-term debt, including current maturities, between March 31, 2003 and March 31, 2004 mostly by increasing the balance of our borrowings from banks and insurance companies by ¥117.2 billion and by increasing the balance of notes and bonds by ¥11.8 billion, mostly through the issuance of new notes and bonds. Moreover, we reduced the weighted average interest rate of our long-term debt for the fiscal year ended March 31, 2004 to 1.46% compared to 1.67% for the prior fiscal year due to the lower interest rate environment around the world. See the table setting forth our contractual cash obligations below for detailed information on the repayment schedule of our long-term debt.

All of our loans from banks contain provisions customary in Japan. We do not believe those provisions materially limit our operating or financial flexibility. Some credit agreements, however, require us to obtain prior approvals for any dividend payments or other distributions to shareholders. Several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. We may be required to make early repayments of outstanding amounts under some agreements, principally with government-owned financial institutions, if the lender concludes that we are able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and makes such prepayment request. We have not been asked to make any such prepayment and currently do not anticipate any prepayment request.

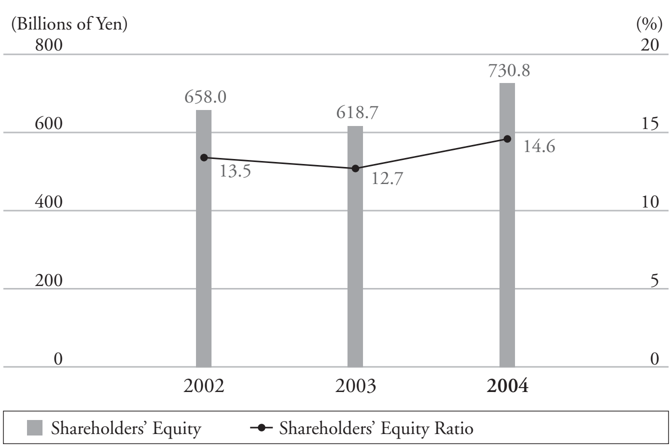
In addition, as of March 31, 2004, we had several committed lines of credit available for immediate borrowing providing an aggregate of up to $980 million and ¥350 billion in short-term loans, including:

- a $930 million multi-borrower and multi-currency line of credit provided by a syndicate of major European and U.S. banks, under which we can obtain loans for Sumitomo Corporation or any of our subsidiaries in the United Kingdoms, Netherlands and the United States;
- a $50 million U.S. dollar-denominated line of credit provided to Sumitomo Corporation of America by a major U.S. bank;
- a ¥250 billion line of credit provided by a syndicate of major Japanese banks; and
- a ¥100 billion line of credit provided by a syndicate of Japanese regional banks.

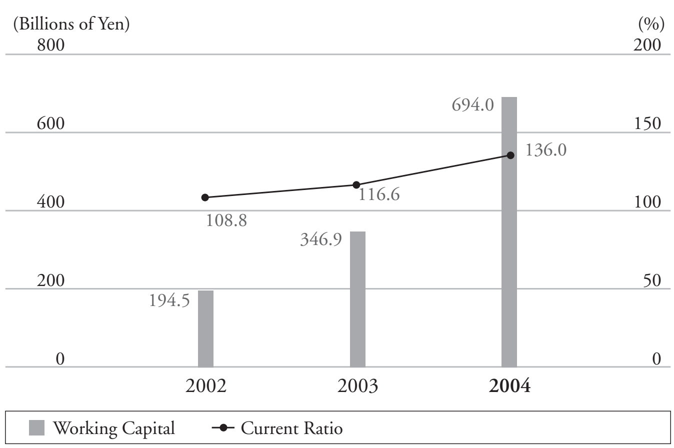
To date, we have not drawn on any of these lines of credit. We believe these lines of credit do not contain any material covenants, ratings triggers or other restrictions that could potentially impair our ability to draw down funds.

We also have several uncommitted lines of credit.

Shareholders' Equity & Shareholders' Equity Ratio



Working Capital & Current Ratio (Current Assets/Current Liabilities)



In order to facilitate our access to capital markets for funding, we have established several funding programs, including

- a ¥200 billion Japanese shelf registration for primary debt offerings;
- a ¥100 billion Japanese shelf registration for secondary debt offerings to facilitate the sale of any unsold allotments in our Euro-market debt offerings;
- a ¥2.4 trillion commercial paper program in Japan;
- a $500 million U.S. Medium Term Note program and a $1.5 billion commercial paper program, both established by our U.S. subsidiary, Sumitomo Corporation of America;
- a U.S.$2 billion Euro Medium Term Note program jointly established by Sumitomo Corporation Capital Europe PLC and Sumitomo Corporation Capital Netherlands N.V.; and
- a U.S.$1.5 billion Euro-denominated commercial paper program established by Sumitomo Corporation Capital Europe.

Our long-term and short-term credit ratings are Baa1/P-2 from Moody's Investors Service, BBB+/A-2 from Standard & Poor's and A+/a-1 from Rating and Investment Information, Inc.

As of March 31, 2004, we had total assets of ¥5,012.5 billion, which was an increase of ¥156.3 billion from March 31, 2003. This was mainly due to the increase in operating assets in connection with the expansion of our business base and an increase in unrealized gains on available-for-sale marketable securities due to the recovery of the stock market.

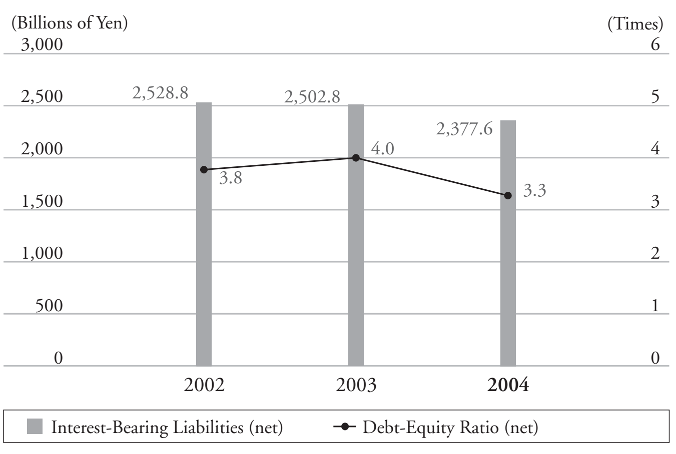
As of March 31, 2004, our shareholders' equity was ¥730.8 billion, which was an increase of ¥112.1 billion from March 31, 2003, due to the increase in retained earnings and an increase in unrealized gains on available-for-sale marketable securities resulting from the recovery of the stock market. As a result, our ratio of shareholders' equity to total assets improved by 1.9 percentage points to 14.6%. Net interest-bearing debt, which is interest-bearing debt less cash and cash equivalents, was ¥2,377.6 billion, which was a decrease of ¥125.2 billion from March 31, 2003. As a result, our net debt-to-equity ratio was 3.3 times as of March 31, 2004.

As of March 31, 2004, we held ¥415.6 billion in cash and cash equivalents and ¥2.7 billion in fixed time deposits.

As of March 31, 2004, we had current trade receivables of ¥1,416.2 billion from third parties and ¥151.2 billion from associated companies. Our current trade receivables in Japan are generally collected within six months. We make allowances for doubtful current receivables, which at March 31, 2004 were ¥8.9 billion. As of March 31, 2004, we had current trade payables of ¥878.6 billion to third parties and ¥22.8 billion to associated companies.

We had working capital of ¥694.0 billion as of March 31, 2004 compared to ¥346.9 billion as of March 31, 2003. The significant increase is due to the fact that in order to prepare for the increase in assets expected for the period ending March 31, 2005, we raised long-term capital and shifted short-term borrowing to long-term borrowing to secure stable funds.

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



Liquidity and Capital Resources

As of March 31, 2004, 2003, and 2002	Billions of Yen 2004	Billions of Yen 2003	Millions of U.S. Dollars 2004
Short-term			
Loans, principally from banks	¥ 206.6	¥ 326.2	$ 1,987
Commercial paper	245.5	289.6	2,360
	452.1	615.8	4,347
Long-term			
Secured long-term debt			
Loans	102.6	73.9	987
Bonds	7.7	4.1	74
Unsecured long-term debt			
Loans	1,785.8	1,697.3	17,171
Bonds and notes	447.7	439.5	4,305
	2,343.8	2,214.8	22,537
Interest-bearing liabilities (gross)	2,795.9	2,830.6	26,884
Cash and cash equivalents & time deposits	418.3	327.8	4,022
Interest-bearing liabilities (net)	2,377.6	2,502.8	22,862
Total assets	5,012.5	4,856.2	48,197
Shareholders' equity	730.8	618.7	7,027
Shareholders' equity ratio (%)	14.6	12.7	
Debt-Equity ratio (gross) (times)	3.8	4.6	
Debt-Equity ratio (net) (times)	3.3	4.0	

The following table sets forth our cash flow information for the fiscal years ended March 31, 2004, 2003 and 2002:

Summary Statements of Consolidated Cash Flows

For the years ended March 31, 2004, 2003, and 2002	Billions of Yen 2004	Billions of Yen 2003	Billions of Yen 2002	Millions of U.S. Dollars 2004
Net cash provided by operating activities	¥ 61.8	¥ 67.0	¥ 72.7	$ 594
Net cash used in investing activities	57.9	(59.9)	(78.8)	557
Free cash flow	119.7	7.1	(6.1)	1,151
Net cash provided by financing activities	(23.6)	43.0	26.7	(227)
Effect of exchange rate changes on cash and cash equivalents	(4.9)	(2.5)	4.6	(47)
Net increase in cash and cash equivalents	¥ 91.2	¥ 47.6	¥ 25.2	$ 877

Net cash provided by operating activities was ¥61.8 billion for the fiscal year ended March 31, 2004 compared to ¥67.0 billion for the fiscal year ended March 31, 2003. Although our net income increased in the fiscal year ended March 31, 2004, the increase in accounts receivables adversely affected net cash provided by operating activities. The increase in accounts receivable and accounts payable, which impacted our cash flow from operating activities, was mainly due to the expansion of our subsidiaries' business activities.

Net cash provided by investing activities was ¥57.9 billion for the fiscal year ended March 31, 2004 compared to net cash used in investing activities of ¥59.9 billion for the fiscal year ended March 31, 2003. In the fiscal year ended March 31, 2004, we increased the sales of our securities holdings and increased the collection of our loan receivables. The cash from these transactions was partially invested as we acquired additional leasing assets at Sumisho Auto Leasing in connection with our expansion into the automobile leasing business. We also purchased an additional interest in Sumisho Computer System Corp. In addition, we increased our coal mining interests by purchasing additional stakes in coal mines in Australia.

Free cash flow, which is net cash provided by operating activities plus net cash provided by investing activities, was ¥119.7 billion for the fiscal year ended March 31, 2004 compared to ¥7.1 billion for the fiscal year ended March 31, 2003.

Net cash used in financing activities was ¥23.6 billion for the fiscal year ended March 31, 2004 compared to net cash provided by financing activities of ¥43.0 billion for the fiscal year ended March 31, 2003. The change was attributable to our efforts to repay some of our outstanding short-term debt and lower overall borrowings.

As of March 31, 2004, we had long-term financing commitments in the aggregate amount of ¥32.3 billion in connection with loans, investments in equity capital and financing on a deferred payment basis for equipment purchased by customers.

As of March 31, 2004, our contractual cash obligations for the periods indicated were as follows:

	Billions of Yen				
	Payments due by period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Long term debt (1)	¥ **2,549.0**	¥ 330.6	¥ 817.0	¥ 617.8	¥ **783.6**
Operating leases	**107.9**	14.5	23.7	18.4	**51.3**
Total	¥ **2,656.9**	¥ 345.1	¥ 840.7	¥ 636.2	¥ **834.9**

(1) Long-term debt includes capital leases.

We enter into long-term purchase commitments in the normal course of our trading operations that provide for either fixed prices or basic purchase prices adjustable to market. Those commitments are in most instances matched with counterparty sales contracts. Long-term purchase contracts at fixed prices or at basic purchase prices adjustable to market amounted to ¥349.7 billion as of March 31, 2004. Scheduled deliveries are at various dates through 2020.

We currently have no material commitments for capital expenditures or for any other transaction that are expected to result in material changes in our cash flows.

In addition to our commitments discussed above, in connection with our business, from time to time, we create various contingent liabilities, such as guarantees of our customers' obligations. In addition, we are, from time to time, subject to contingent liabilities arising from litigation. These contingent liabilities are discussed in detail in "—Contingencies" and "—Litigation" described below. Although we currently do not believe that our cash needs under such contingent liabilities will be significant, if, contrary to expectations, defaults under guarantees are substantial or there is a major adverse outcome in our litigation, such contingent liabilities may create significant new cash needs for us.

Our primary future recurring cash needs will be for working capital, capital investments in new and existing business ventures and debt service.

In the fiscal year ended March 31, 2004, we invested ¥148.2 billion in property and equipment and made ¥55.4 billion of other investments in an effort to increase our earnings base. In June 2004, we acquired JWC Hartz Holdings, Inc. for approximately ¥40 billion. We plan to make further investments in future periods in our existing businesses and consider acquisitions of new businesses in order to expand our earnings base. We are currently contemplating acquisitions of companies complementary to our existing businesses in the Transportation & Construction Systems, Mineral Resources & Energy, Chemical and Overseas Subsidiaries & Branches segments. We are also reviewing additional investments in existing projects and investments in new projects in the Machinery & Electric, Mineral Resources & Energy and Media, Electronics & Network sectors. These investments, however, are either at a preliminary evaluation stage or are subject to a number of conditions, and accordingly, may not be completed.

Our growth strategy contemplates the making of investments, in the form of acquisitions, equity investments or loans. We believe that our existing cash, current credit arrangements and cash flow from operations will be sufficient to meet our cash needs during the foreseeable future, although we cannot assure you that this will be the case. If our future cash flows from operations are less than we expect, we may need to incur additional debt, pursue other sources of liquidity, or modify our investment plans.

11. CONTINGENCIES

In connection with our businesses, from time to time, we create various contingent liabilities, such as guarantees of our customers' obligations. We conduct business with counterparties around the world, and we make an effort to control the related trade receivables and guarantees in order to minimize concentrations of credit risks. We do not anticipate losses on the commitments and guarantees discussed below in excess of established allowances.

From time to time, we sell certain trade notes receivable to banks and other financial institutions on a recourse basis in the ordinary course of our business. In particular, we enter into such transactions when we believe holding a particular receivable may expose us to unnecessary risks, such as foreign currency exchange risks associated with a non-yen-denominated receivable matched with a yen-denominated payable. As of March 31, 2004, we were contingently liable to certain banks for the aggregate amount of ¥50.5 billion for discounted trade notes receivable (principally relating to export transactions maturing through 2005) sold to those banks on a recourse basis.

As of March 31, 2004, we were contingently liable for guarantees (continuing through 2029) in the aggregate amount of ¥103.1 billion, including ¥32.0 billion relating to our associated companies and ¥6.9 billion to our employees but excluding discounted trade note receivable sold to banks on a recourse basis as discussed above. We were able to reduce this amount compared to the amount as of March 31, 2002 as we were released from our guarantee relating to some of JCOM's borrowings. The guarantees were primarily to enhance the credit standings of our associated companies, suppliers, buyers and employees, and in respect of the residual value on operating leases.

We also provide residual value guarantees to compensate for any potential shortfall between a specified price and actual sale proceeds on fixed dates from 2012 to 2015 in the aggregate amount of ¥11.6 billion, for some owners in relation to transportation equipment subject to operating leases. If the market value of the transportation equipment is less than the guaranteed value on the fixed date, we will be required to compensate for the shortfall. The current estimated future value of such transportation equipment is higher than the guaranteed value, and consequently there was no allowance for the liabilities under these guarantees as of March 31, 2004.

12. LITIGATION

In June 1996, we announced that we had incurred significant losses resulting from unauthorized copper trading by a former employee. Following the announcement, regulatory authorities in the United States and the United Kingdom conducted investigations into our copper trading activities. Several lawsuits were also brought against us, alleging, among other things, manipulation of the price of copper. We have reached agreements with regulators in the United States and the United Kingdom, and reached settlements or otherwise resolved many of the related civil lawsuits. Nevertheless, as of the date of this report, we have one class action lawsuit pending in Canada and one individual lawsuit pending in the United States arising out of the copper trading incident. In addition, we have sued two companies for recovery of losses incurred in connection with the copper trading incident in the United Kingdom and Japan.

13. NEW ACCOUNTING PRONOUNCEMENTS

In December 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 (revised December 2003) ("FIN 46R"), "Consolidation of Variable Interest Entities ("VIEs")," which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," which was issued in January 2003. We were required to apply FIN 46R to variable interests in VIEs from the period ending after March 31, 2004. For any VIEs created before December 31, 2003, which must be consolidated under FIN 46R, the assets, liabilities and noncontrolling interests of the VIEs initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, the fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and noncontrolling interest of the VIEs. We were required to apply FIN 46R to special-purpose entities in consolidated financial statements as of December 31, 2003, and to other VIEs in consolidated financial statements as of March 31, 2004. The adoption of this statement did not have a material impact on our consolidated financial statements.

14. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

In the normal course of business, we are exposed to risks arising from fluctuations in interest and currency exchange rates, commodity prices and equity prices. In order to manage these risks, we use financial and commodity derivative instruments including: foreign exchange forwards, currency swaps and options; interest rate swaps, futures and options; and commodity futures, forwards, swaps, and options. To a lesser degree, we also use derivative commodity instruments for trading purposes within prescribed position limits and loss limits imposed under the risk management structure described below.

Interest Rate Risk

Our business activities expose us to market risks arising from changes in interest rates, which we monitor and take measures to minimize through our Financial Resources Management Group. In particular, interest rate fluctuations will impact our borrowing costs because a significant amount of our outstanding debt instruments are floating rate instruments and because we have short-term borrowings that we refinance from time to time. However, the impact on our borrowing costs will be partially offset by increased returns on some of our assets which will also be impacted by interest rate fluctuations. In addition, we are engaged in financing activities, such as automobile financing, which could be affected by interest rate fluctuations. To manage this risk, we enter into interest rate swap agreements, future contracts and option contracts which serve to modify and match the interest rate characteristics of our assets and liabilities.

Foreign Currency Exchange Rate Risk

The nature of our global operations exposes us to market risks caused by fluctuations in foreign currency exchange rates related to imports, exports and financing in currencies other than the local currency. Each business department manages its foreign currency exchange rate risk by entering into internal foreign exchange forward contracts with our Financial Resources Management Group. Through those internal transactions and otherwise, the Financial Resources Management Group monitors the company-wide market risks arising from the changes in foreign exchange rates associated with underlying transactions denominated in foreign currencies. The Financial Resources Management Group enters into foreign exchange forward contracts, currency swap agreements and currency option contracts with third parties for hedging purposes.

Commodity Price Risk

As major participants in global commodity markets, we trade in physical precious and base metals, energy products (crude oil and refined oil products) and agricultural products (wheat, coffee, sugar and others), and utilize a variety of derivatives related to these commodities. Derivatives on those commodities are often used to hedge price movements in the underlying physical transactions. To a lesser degree, we use such instruments for trading purposes within well-defined position limits and loss limits. In addition, we are engaged in mining and oil and gas production operations, which are subject to fluctuations in commodity prices. In recent months, there have been significant fluctuations in the market price of commodities such as copper, gold, coal, oil and gas. Such fluctuation in market prices may influence the results of operation for the Mineral Resources & Energy unit.

Equity Price Risk

We are exposed to equity price risk inherent in stock we hold in financial institutions and our customers and suppliers for strategic purposes and in the other investments held by us. We do not take continuous hedging measures against the market exposures on those securities.

The cost, fair value and unrealized holding net gains on our marketable equity securities at March 31, 2004 and 2003 were as follows:

The cost, fair value and net unrealized gains on marketable equity securities

	Billions of Yen		Millions of U.S. Dollars
As of March 31, 2004 and 2003	**2004**	2003	**2004**
Cost	**¥ 164.7**	¥ 228.5	**$ 1,584**
Fair value	**300.1**	230.8	**2,885**
Net unrealized gains	**135.4**	2.3	**1,301**

The increase in unrealized holding gain was due primarily to the improvement of the Japanese stock market.

Risk Management Structure

Any business department wishing to enter into a derivative transaction or any other type of transaction exposing us to market risk must obtain approval from the President or General Manager, depending on the magnitude of the transaction, before it enters into the transaction. The President or General Manager, as the case may be, reviews requests with the assistance of staff members who have expertise in derivative contracts. The request must identify the counterparty, the applicable market and credit risks and state the objectives of the transaction, the trading limit, and the loss limit amount.

The Financial Resources Management Group provides the following with respect to the execution and monitoring of transactions:

- back office support services for financial and derivative commodity transactions, such as opening accounts, confirming the execution of contracts, processing settlement and delivery of funds, and maintaining accounting records for the transactions;
- confirmation of balances of each transaction position; and
- monitoring of the status of positions and analyzing and calculating the risks of related transactions on a company-wide basis, and issuing periodic reports to our senior management, including semi-annual reports to our board of directors.

Our major overseas subsidiaries are required to comply with the risk management structure described above when they execute commodity market transactions.

VaR (Value at Risk)

VaR is a statistical measure of the potential maximum loss in the fair value of a portfolio that may result from adverse market movements in underlying risk factors, which is calculated over a defined period and within a certain confidence level. We use the VaR method to measure the market risk for certain market-sensitive commodities transactions and certain financial transactions. The following table sets forth the year-end, high, low, and average VaR figures (which are generally calculated on a three day holding period) as of the end of each month in the fiscal year ended March 31, 2004:

VaR

	Billions of Yen			
For the year ended March 31, 2004	At year-end	High	Low	Average
	4.1	4.7	3.1	3.9

We estimated VaR during the defined periods using the Monte Carlo simulation method with a confidence level of 99%. As VaR incorporates historical data regarding changes in market risk factors, our actual results may differ materially from the calculations above.

We periodically conduct backtesting in which estimated quantitative risks are compared with actual gains or losses to verify the accuracy of our VaR measurement model. The actual value of gains or losses never exceeded VaR in our backtesting during the twelve months ended September 30, 2003, which was the most recent period for which backtesting was conducted. Based on our backtesting, we believe our VaR model provided reasonably accurate measurements.

Consolidated Balance Sheets

Sumitomo Corporation and Subsidiaries
As of March 31, 2004 and 2003

	Millions of Yen		Millions of U.S. Dollars
ASSETS	2004	2003 Restated (Note 2)	2004
Current assets:			
Cash and cash equivalents	¥ 415,574	¥ 324,358	$ 3,996
Time deposits	2,690	3,360	26
Marketable securities (Notes 5 and 10)	2,823	7,643	27
Receivables—trade (Notes 6, 10 and 21)			
Notes and loans	238,213	270,737	2,290
Accounts	1,178,006	1,095,814	11,327
Associated companies	151,156	138,329	1,453
Allowance for doubtful receivables	(8,851)	(9,762)	(85)
Inventories (Note 20)	412,340	413,091	3,965
Deferred income taxes (Note 11)	37,613	29,273	362
Advance payments to suppliers	51,541	47,802	496
Other current assets	140,128	116,129	1,347
Total current assets	2,621,233	2,436,774	25,204
Investments and long-term receivables:			
Investments in and advances to associated companies (Note 7)	383,980	375,743	3,692
Other investments (Notes 5 and 10)	468,986	413,572	4,509
Long-term receivables (Notes 6, 10 and 21)	597,461	666,049	5,745
Allowance for doubtful receivables (Note 6)	(49,957)	(76,185)	(480)
Total investments and long-term receivables	1,400,470	1,379,179	13,466
Property and equipment, at cost (Notes 8, 10 and 21)	1,144,048	1,126,793	11,001
Accumulated depreciation	(388,639)	(365,777)	(3,737)
	755,409	761,016	7,264
Prepaid expenses, non-current (Note 12)	98,589	110,660	948
Deferred income taxes, non-current (Note 11)	9,369	46,308	90
Goodwill and other intangible assets (Note 9)	91,551	68,779	880
Other assets	35,844	53,441	345
Total	¥5,012,465	¥4,856,157	$ 48,197

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2004	Millions of Yen 2003 Restated (Note 2)	Millions of U.S. Dollars 2004
Current liabilities:			
Short-term debt (Note 10)	¥ 452,064	¥ 615,840	$ 4,347
Current maturities of long-term debt (Note 10)	330,622	382,164	3,179
Payables—trade			
Notes and acceptances	107,474	115,189	1,033
Accounts	771,092	728,680	7,414
Associated companies	22,829	25,565	220
Income taxes (Note 11)	15,890	17,075	153
Accrued expenses	61,228	47,695	589
Advances from customers	66,232	60,462	637
Other current liabilities (Notes 11 and 22)	99,773	97,245	959
Total current liabilities	1,927,204	2,089,915	18,531
Long-term debt, less current maturities (Note 10)	2,218,415	2,045,957	21,331
Accrued pension and retirement benefits (Note 12)	10,895	9,075	105
Deferred income taxes, non-current (Note 11)	38,797	3,914	373
Minority interests	86,306	88,584	830
Commitments and contingent liabilities (Note 22)			
Shareholders' equity (Notes 13 and 17):			
Common stock –			
authorized 2,000,000,000 shares;			
issued 1,064,608,547 shares in 2004 and 2003	169,439	169,439	1,629
Additional paid-in capital	189,621	189,548	1,823
Retained earnings:			
Appropriated for legal reserve	17,686	17,686	170
Unappropriated	365,894	307,781	3,518
	383,580	325,467	3,688
Accumulated other comprehensive loss (Note 14)	(11,237)	(64,993)	(108)
Treasury stock, at cost: 773,461 and 1,075,699			
shares in 2004 and 2003, respectively	(555)	(749)	(5)
Total shareholders' equity	730,848	618,712	7,027
Total	¥ 5,012,465	¥ 4,856,157	$ 48,197

Consolidated Statements of Income

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2004, 2003 and 2002

	Millions of Yen			Millions of U.S. Dollars
	2004	2003 Restated (Note 2)	2002 Restated (Note 2)	**2004**
Revenues (Note 18):				
Sales of tangible products	**¥1,284,117**	¥1,129,376	¥ 966,521	**$ 12,347**
Sales of services and others	**424,479**	408,952	419,362	**4,082**
Total revenues	**1,708,596**	1,538,328	1,385,883	**16,429**
Cost of revenues:				
Cost of tangible products sold	**1,097,503**	948,201	816,992	**10,553**
Cost of services and others	**109,761**	93,678	81,617	**1,055**
Total cost of revenues	**1,207,264**	1,041,879	898,609	**11,608**
Gross profit (Notes 8, 18 and 19)	**501,332**	496,449	487,274	**4,821**
Other income (expenses):				
Selling, general and administrative expenses (Notes 8, 9 and 12)	**(422,363)**	(406,334)	(400,839)	**(4,061)**
Settlements on copper trading litigation (Note 22)	**(7,139)**	192	4,296	**(69)**
(Provision for) reversal of allowance for doubtful receivables (Note 6)	**(8,019)**	(5,588)	12,588	**(77)**
Impairment losses on long-lived assets (Note 8)	**(5,178)**	(20,371)	(4,805)	**(50)**
Gain on sale of property and equipment, net (Note 8)	**13,320**	3,283	2,798	**128**
Interest income	**15,684**	24,895	32,268	**151**
Interest expense	**(22,058)**	(30,901)	(46,020)	**(212)**
Dividends	**6,934**	6,373	6,653	**67**
Gain (loss) on marketable securities and other investments, net (Notes 5 and 12)	**16,320**	(47,125)	(8,851)	**157**
Equity in earnings of associated companies, net (Notes 7 and 11)	**20,693**	9,768	209	**199**
Other, net	**(491)**	(2,040)	(2,354)	**(5)**
Total other income (expenses)	**(392,297)**	(467,848)	(404,057)	**(3,772)**
Income before income taxes and minority interests in earnings of subsidiaries	**109,035**	28,601	83,217	**1,049**
Income taxes (Note 11)	**(35,697)**	(8,374)	(30,260)	**(344)**
Income before minority interests in earnings of subsidiaries	**73,338**	20,227	52,957	**705**
Minority interests in earnings of subsidiaries, net	**(6,717)**	(6,353)	(5,227)	**(64)**
Net income	**¥ 66,621**	¥ 13,874	¥ 47,730	**$ 641**
Total trading transactions*	**¥9,197,882**	¥9,229,576	¥9,645,379	**$ 88,441**

	Yen			U.S. Dollars
Amounts per share of common stock:				
Net income (Note 17):				
Basic	**¥ 62.66**	¥ 13.04	¥ 44.85	**$ 0.60**
Diluted	**61.31**	13.00	43.89	**0.59**
Cash dividends declared for the year	**8.00**	8.00	8.00	**0.08**

* Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under accounting principles generally accepted in the United States of America ("U.S. GAAP")

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

Consolidated Statements of Shareholders' Equity and Comprehensive Income

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2004, 2003 and 2002

	Millions of Yen			Millions of U.S. Dollars
	2004	2003 Restated (Note 2)	2002 Restated (Note 2)	**2004**
Common stock:				
Balance, beginning of year	**¥ 169,439**	¥ 169,439	¥ 169,432	**$ 1,629**
Increase	**—**	—	7	**—**
Balance, end of year	**¥ 169,439**	¥ 169,439	¥ 169,439	**$ 1,629**
Additional paid-in capital:				
Balance, beginning of year	**¥ 189,548**	¥ 189,548	¥ 189,536	**$ 1,822**
Increase	**73**	—	12	**1**
Balance, end of year	**¥ 189,621**	¥ 189,548	¥ 189,548	**$ 1,823**
Retained earnings:				
Balance, beginning of year	**¥ 325,467**	¥ 320,106	¥ 280,889	**$ 3,129**
Net income	**66,621**	13,874	47,730	**641**
Cash dividends	**(8,508)**	(8,513)	(8,513)	**(82)**
Balance, end of year	**¥ 383,580**	¥ 325,467	¥ 320,106	**$ 3,688**
Accumulated other comprehensive income (loss) (Note 14):				
Balance, beginning of year	**¥ (64,993)**	¥ (20,750)	¥ (12,704)	**$ (625)**
Other comprehensive income (loss), net of tax	**53,756**	(44,243)	(8,046)	**517**
Balance, end of year	**¥ (11,237)**	¥ (64,993)	¥ (20,750)	**$ (108)**
Treasury stock:				
Balance, beginning of year	**¥ (749)**	¥ (376)	¥ (193)	**$ (7)**
Disposition (purchase) of treasury stock, net	**194**	(373)	(183)	**2**
Balance, end of year	**¥ (555)**	¥ (749)	¥ (376)	**$ (5)**
Total	**¥ 730,848**	¥ 618,712	¥ 657,967	**$ 7,027**
Comprehensive income (loss):				
Net income	**¥ 66,621**	¥ 13,874	¥ 47,730	**$ 641**
Other comprehensive income (loss), net of tax (Note 14)	**53,756**	(44,243)	(8,046)	**517**
Comprehensive income (loss)	**¥ 120,377**	¥ (30,369)	¥ 39,684	**$ 1,158**

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

Consolidated Statements of Cash Flows

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2004, 2003 and 2002

	Millions of Yen			Millions of U.S. Dollars
	2004	2003 Restated (Note 2)	2002 Restated (Note 2)	**2004**
Operating activities:				
Net income	¥ **66,621**	¥ 13,874	¥ 47,730	$ **641**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**81,177**	71,817	65,624	**781**
Provision for (reversal of) allowance for doubtful receivables	**8,019**	5,588	(12,588)	**77**
Impairment losses on long-lived assets	**5,178**	20,371	4,805	**50**
Gain on sale of property and equipment, net	**(13,320)**	(3,283)	(2,798)	**(128)**
(Gain) loss on marketable securities and other investments, net	**(16,320)**	47,125	8,851	**(157)**
Equity in (earnings) losses of associated companies, less dividend received	**(17,395)**	(7,954)	3,233	**(167)**
Changes in operating assets and liabilities, excluding effect of acquisitions and divestitures:				
(Increase) decrease in receivables	**(108,271)**	(39,720)	111,518	**(1,041)**
(Increase) decrease in inventories	**(3,449)**	(31,151)	22,577	**(33)**
Increase (decrease) in payables	**62,027**	31,110	(146,423)	**596**
Increase in prepaid expenses	**(6,258)**	(39,622)	(24,651)	**(61)**
Other, net	**3,745**	(1,117)	(5,152)	**36**
Net cash provided by operating activities	**61,754**	67,038	72,726	**594**
Investing activities:				
Expenditures for property and equipment	**(148,212)**	(90,432)	(156,527)	**(1,425)**
Proceeds from sale of property and equipment	**79,938**	38,163	39,459	**767**
Acquisition of available-for-sale securities	**(28,700)**	(75,177)	(102,362)	**(276)**
Proceeds from sale of available-for-sale securities	**122,959**	59,222	114,348	**1,182**
Proceeds from maturities of available-for-sale securities	**4,298**	7,709	8,851	**41**
Acquisition of held-to-maturity securities	**(2,435)**	(8,384)	(100)	**(23)**
Proceeds from maturities of held-to-maturity securities	**13,064**	14,693	15,477	**126**
Acquisition of other investments	**(55,376)**	(32,024)	(67,406)	**(532)**
Proceeds from sale of other investments	**22,959**	70,492	23,035	**221**
Increase in loans receivable	**(74,804)**	(141,724)	(119,033)	**(719)**
Collection of loans receivable	**123,724**	94,397	166,001	**1,190**
Net decrease (increase) in time deposits	**514**	3,187	(566)	**5**
Net cash provided by (used in) investing activities	**57,929**	(59,878)	(78,823)	**557**
Financing activities:				
Net (decrease) increase in short-term debt	**(175,757)**	(153,214)	9,049	**(1,690)**
Proceeds from issuance of long-term debt	**466,572**	545,600	302,332	**4,486**
Repayment of long-term debt	**(305,663)**	(343,529)	(276,288)	**(2,939)**
Cash dividends paid	**(8,508)**	(8,513)	(8,513)	**(82)**
Capital contribution from minority interests	**549**	3,040	254	**5**
Acquisition of treasury stock	**(775)**	(373)	(183)	**(7)**
Net cash (used in) provided by financing activities	**(23,582)**	43,011	26,651	**(227)**
Effect of exchange rate changes on cash and cash equivalents	**(4,885)**	(2,539)	4,640	**(47)**
Net increase in cash and cash equivalents	**91,216**	47,632	25,194	**877**
Cash and cash equivalents, beginning of year	**324,358**	276,726	251,532	**3,119**
Cash and cash equivalents, end of year	¥ **415,574**	¥ 324,358	¥ 276,726	$ **3,996**

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

Notes to Consolidated Financial Statements

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2004, 2003 and 2002

1. DESCRIPTION OF BUSINESS

Sumitomo Corporation (the "Company") is an integrated trading company (sogo shosha). Through their worldwide network, the Company and its subsidiaries (together, the "Companies"), engage in general trading, including the purchase, supply, distribution and marketing of a wide range of goods and commodities, including metals, machinery, electronics, energy and mineral resources, chemicals, textiles, food products and consumer goods in Japan, North America, Asia and other areas in the world. The Companies act as both principal and agent in these trading transactions. The Companies also provide a range of services for a variety of industries, such as: financing for customers and suppliers; planning, coordination and operation of urban and industrial infrastructure projects; consulting in areas such as system integration and technology development; and transportation and logistics. In addition, the Companies engage in other diverse business activities, including investing in a variety of industries ranging from biotechnology to communications; developing natural resources; manufacturing and processing products such as steel products and textiles; developing and managing real estate; and operating retail stores.

The Companies conduct business through nine industry-based business segments and two sets of regional operations; domestic and overseas which are in line with the operating segments monitored by the chief operating decision makers (see Note 18). The Companies' industry-based business segments are:

- Metal Products
- Transportation & Construction Systems
- Machinery & Electric
- Media, Electronics & Network
- Chemical
- Mineral Resources & Energy
- Consumer Goods & Service
- Materials & Real Estate
- Financial & Logistics

Each business segment operates with a degree of autonomy in pursuing strategic goals, managing operations and ensuring accountability.

"Trading" as used in the following descriptions of the Companies' industry-based business segments represents sales transactions where the business segment acts as a principal or an agent. See revenue recognition discussed in Note 3 (o).

Metal Products— The Metal Products Business Unit segment engages in transactions involving iron and steel and non-ferrous metals. The global businesses of this segment cover trading, processing, manufacturing and investment activities involving ferrous and non-ferrous metal raw materials and products. In addition to continually seeking to enhance operational efficiency, the segment also pursues new opportunities such as online sales of maintenance, repair and operating supplies such as factory tools. This segment is comprised of two Iron & Steel Divisions, the Tubular Products Division, the Non-Ferrous Products & Metals Division and the Metal Products for Automotive Industries Division.

Transportation & Construction Systems— The Transportation & Construction Systems Business Unit segment engages in global transactions involving ships, aircraft, transportation systems, motor vehicles, construction equipment and related components and parts. Activities of this segment range from trading, leasing and financing to designing and arranging the construction of public transportation systems. This segment consists of the Ship, Aerospace & Transportation Systems Division, the Motor Vehicles Business Division and the Construction & Mining Systems Division.

Machinery & Electric— The Machinery & Electric Business Unit segment engages in a wide range of large-scale infrastructure development projects relating to, among other things, power generation, telecommunications facilities, water and sewage facilities and natural gas and oil pipelines. Activities of this segment include planning, developing and coordinating as well as investing in and financing, infrastructure projects in emerging markets and supplying manufacturing equipment and systems for various domestic industries. This segment is also engaged in trading and investing in businesses such as biotechnology, clean energy, medical devices, water management and telecommunications and information technology. This segment consists of the E&M (Electric and Machinery) New Business Development Division, the Power & Energy Project Division and the Information, Telecommunication & Industrial Project Division.

Media, Electronics & Network— The Media, Electronics & Network Business Unit segment engages in a range of media and communications activities, including cable TV operations; production and distribution of programming and content; and development and sales of telecommunications and electronics equipment and related components, systems and devices. In addition to the Companies' investments, the Companies provide services such as marketing and strategic development, technology transfer and manufacturing and engineering support. The Companies also supply various materials and components to electronics manufacturers, including silicon wafers, LED chips and assembled printed circuit boards. This segment consists of the Media Division, the Network Division and the Electronics Division.

Chemical— The Chemical Business Unit segment engages in the trading of source materials, products and semi-finished goods as well as other related businesses, involving a variety of chemicals including inorganic chemicals, specialty chemicals, pharmaceuticals, agricultural chemicals, synthetic resins and organic chemicals. Activities of this segment range from distribution of chemicals to research and development of life science products and investment in and financing of new ventures. This segment consists of the Performance Chemicals Division and the Plastics & Organic Chemicals Division.

Mineral Resources & Energy— The Mineral Resources & Energy Business Unit segment develops and trades various raw materials, minerals and energy sources including coal, iron ore, ferrous and non-ferrous metal, petroleum, natural gas, liquefied natural gas, or LNG, and liquefied petroleum gas, or LPG. This segment also trades semi-manufactured goods and finished products relating to petroleum, LPG, batteries and carbon products. In addition, this segment conducts the retail sales of electricity in Japan. This segment consists of the Mineral Resources Division and two Energy Divisions.

Consumer Goods & Service— The Consumer Goods & Service Business Unit segment engages in trading, production, processing, distribution of food commodities, textiles, clothing and other consumer goods. In addition, activities of this segment include the distribution of fertilizers and the operation of retail businesses such as supermarkets, drugstores, direct-marketing and a high-end brand name clothing and accessories. This segment consists of the Retail & Consumer Services Division, the Foodstuff & Fertilizer Division and the Textile Division.

Materials & Real Estate— The Materials & Real Estate Business Unit segment engages in trading, marketing and distribution of raw materials and other products such as cement, timber, paper pulp, used paper and tires, and in a variety of real estate activities such as the development, sale and management of commercial and residential real property. This segment consists of the Materials & Supplies Division and the Construction & Real Estate Division.

Financial & Logistics— Financial & Logistics Business Unit segment engages in such finance-related businesses as commodity futures trading, derivative transactions, private equity investments, mergers and acquisition-related activities, consumer and small-business financing, and the development and marketing of alternative investment instruments, and in logistics services ranging from delivery, customs clearance and transportation services to the development and operation of industrial parks. Acting as a broker, this segment also arranges for insurance in connection with trading conducted by other business segments. This segment consists of the Financial Service Division and the Logistics & Insurance Business Division.

2. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

In the past, the Companies reported total trading transactions and gross trading profit in their consolidated statements of income. For the fiscal year ended March 31, 2004, the Companies have reported revenue from sales of tangible products, revenue from sales of services and others, cost of tangible products sold and cost of services and others in a manner consistent with the accounting guidance in Emerging Issues Task Force ("EITF") Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent" as to reporting revenues based on the gross amount billed or the net amount retained. The Companies have restated prior year consolidated financial statements in order to conform to the current year presentation. This restatement had no effect on reported gross profit or net income for the years restated.

The Companies also restated prior year consolidated financial statements with respect to the accounting of deferred taxes related to investments in affiliates and the effect of tax rate changes on deferred taxes recognized as part of other comprehensive income (loss).

This restatement resulted in changes to deferred income taxes (non-current), shareholders' equity, income tax expense (benefit), net income and net income per share for the years restated.

As a result of the restatement, shareholders' equity and retained earnings as of April 1, 2001 increased by ¥4,003 million and ¥1,979 million, respectively.

The effect of the restatement on the consolidated balance sheet as of March 31, 2003 is as follows:

	Millions of Yen	
	2003	
	Previously reported	Restated
Assets		
Current assets	¥2,436,774	¥2,436,774
Deferred income taxes, non-current	53,846	46,308
Other non-current assets	2,373,075	2,373,075
Total assets	¥4,863,695	¥4,856,157
Liabilities and Shareholders' equity		
Liabilities	¥4,237,445	¥4,237,445
Shareholders' equity:		
Common stock	169,439	169,439
Additional paid –in capital	189,548	189,548
Retained earnings:		
Appropriated for legal reserve	17,686	17,686
Unappropriated	317,694	307,781
Accumulated other comprehensive loss:		
Foreign currency translation adjustments	(60,287)	(54,797)
Net unrealized holding losses on securities available-for-sale	(6,262)	(9,377)
Net unrealized losses on derivatives	(819)	(819)
Total accumulated other comprehensive loss	(67,368)	(64,993)
Treasury stock, at cost	(749)	(749)
Total shareholders' equity	626,250	618,712
Total liabilities and shareholders' equity	¥4,863,695	¥4,856,157

The effect of the restatement on the consolidated statements of income for the years ended March 31, 2003 and 2002 is as follows:

	Millions of Yen			
	2003		2002	
	Previously reported	Restated	Previously reported	Restated
Revenues:				
Sales of tangible products	¥ —	¥1,129,376	¥ —	¥ 966,521
Sales of services and others	—	408,952	—	419,362
Total revenues	—	1,538,328	—	1,385,883
Cost of revenues:				
Cost of tangible products sold	—	948,201	—	816,992
Cost of services and others	—	93,678	—	81,617
Total cost of revenues	—	1,041,879	—	898,609
Gross profit	496,449	496,449	487,274	487,274
Other income (expenses)	(467,848)	(467,848)	(404,057)	(404,057)
Income before income taxes and minority interests in earnings of subsidiaries	28,601	28,601	83,217	83,217
Income taxes	6,032	(8,374)	(32,774)	(30,260)
Income before minority interests in earnings of subsidiaries	34,633	20,227	50,443	52,957
Minority interests in earnings of subsidiaries, net	(6,353)	(6,353)	(5,227)	(5,227)
Net income	¥ 28,280	¥ 13,874	¥ 45,216	¥ 47,730

	Yen			
Amounts per share of common stock:	2003		2002	
Net income:				
Basic	¥ 26.58	¥ 13.04	¥ 42.49	¥ 44.85
Diluted	26.18	13.00	41.59	43.89

For the consolidated statements of cash flows, the restatement had no net affect on reported net cash provided by operating activities, net cash used in investing activities, net cash provided by financing activities and net increase in cash and cash equivalents for the years ended March 31, 2003 and 2002.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Principles of Presentation and Consolidation

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into United States dollars for the year ended March 31, 2004 is included solely for the convenience of readers and has been made at the rate of ¥104=U.S.$1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2004. Such translation should not be construed as a representation that the Japanese yen amounts have been, or could in the future 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 subsidiaries' accounting records are maintained principally in accordance with accounting practices prevailing in the countries of domicile. Adjustments to those records have been made to present these consolidated financial statements in accordance with U.S. GAAP. The significant adjustments include those relating to the accounting for the valuation of certain investment securities, impairment losses on long-lived assets and loans receivable, pension costs, accrual of certain expenses and losses, derivative instruments and hedging activities, business combinations, and deferred taxes.

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Associated companies consist of companies and corporate joint ventures owned 20% to 50%, or those owned less than 20% in the case where the Companies have the ability to exercise significant influence over operating and financial policies. Investments in associated companies are accounted for by the equity method. All significant intercompany accounts and transactions have been eliminated. The accounts of certain subsidiaries that have a fiscal year end within three months prior to March 31 have been included in the consolidated 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

The Company's functional and reporting currency is Japanese yen. Under the provision of Statements of Financial Accounting Standards ("SFAS") No. 52, " Foreign Currency Transactions," assets and liabilities are translated into Japanese yen at the respective year-end exchange rates. All income and expense accounts are translated at the average rates of exchange prevailing during each fiscal year in consolidating the financial statements of overseas subsidiaries whose functional currency is other than Japanese yen. The resulting accumulated translation adjustments are included in a separate component of accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets. All foreign currency transaction gains and losses are included in income in the period incurred.

(d) Inventories

Inventories mainly consist of commodities, materials and real estate held for development and resale. The cost of inventories is determined based on the moving average basis or specific-identification basis. Precious metals that have immediate marketability at quoted market prices are valued at market value with unrealized gains and losses included in earnings. Other commodities and materials are stated at the lower of average cost or market. Real estate held for development and resale are stated at the lower of cost or net realizable value.

(e) Marketable Securities and Other Investments

The Companies conform with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires all investments in debt and marketable equity securities to be classified as either trading, available-for-sale, or held-to-maturity securities. As of March 31, 2004 and 2003, all of the Companies' investments in debt securities and marketable equity securities are classified as either (i) trading securities, which are accounted for at fair value with unrealized gains and losses included in earnings, (ii) 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 loss, net of related taxes in the accompanying consolidated balance sheets, or (iii) held-to-maturity securities, which are accounted for at amortized cost. Those securities, which mature or are expected to be sold in one year, are classified as current assets.

A decline in fair value of any available-for-sale or held-to-maturity security below the amortized cost basis that is deemed to be other than temporary results in a write-down of the amortized cost basis to fair value as a new cost basis and the amount of the write-down is included in earnings.

On a continuous basis, but no less frequently than at the end of each semi-annual period, the Companies evaluate the cost basis of an available-for-sale security for possible impairment. Factors considered in assessing whether an indication of other than temporary impairment exists include: the degree of change in ratio of market prices per share to book value per share at date of evaluation compared to that at date of acquisition, the financial condition and prospects of each investee company, industry conditions in which the investee company operates, the fair value of an available-for-sale security relative to the cost basis of the investment, the period of time the fair value of an available-for-sale security has been below the cost basis of the investment and other relevant factors.

The Companies evaluate the cost basis of held-to-maturity securities for possible impairment by taking into consideration the financial condition, business prospects and credit worthiness of the issuer.

Impairment to be recognized is measured based on the amount by which the carrying amount of the investment exceeds the fair value of the investment. Fair value is determined based on quoted market prices.

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.

Non-marketable securities held as investments are carried at cost. Management assesses semi-annually whether the value of non-marketable securities have declined below cost. If the decline in value below cost is judged to be other than temporary, the carrying value of the securities is written down to its estimated fair value. Factors considered in this assessment include the performance of the underlying company relative to plan, industry conditions, financial condition and prospects, and the period of time that estimated fair value has been below the carrying amount of the investment. Fair value is determined based on analysis of discounted estimated cash flows, valuation models based on revenues, profitability and net worth, market value of comparable companies, and other valuation approaches.

(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 estimated. Management considers individual customers' risk factors such as historical performance, recent developments, changes in original terms, internal risk-ratings, industry trends, and other specific factors applicable to the customer as well as general risk factors including, but not limited to, sovereign risk of the country where the customer resides.

The Companies maintain a specific allowance for impaired loans. A loan is considered impaired pursuant to SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." Pursuant to SFAS No. 114, a loan is impaired if it is probable that the Companies will not collect all principal and interest due. An impairment allowance is recognized equal to 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 occurred that are inherent in portfolios of similar loans. This allowance for losses is based on relevant observable data that include, but are not limited to, historical experience, delinquencies, loan stratification by portfolio, and when applicable, geography, collateral type, and size of the loan balance. Past due balances are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(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.

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to the legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and/or the normal operation of a long-lived asset. A legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract, or by legal construction of a contract under the doctrine of promissory estoppels. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Companies adopted SFAS No. 143 on April 1, 2003 and adoption did not have a material impact on the Companies' consolidated financial statements.

(h) Impairment of Long-Lived Assets

On April 1, 2002, the Companies adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Long-lived assets and purchased intangibles subject to amortization 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 estimated undiscounted future cash flows without interest expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair values are determined based on market values, appraisal or discounted future cash flows based on realistic assumptions less costs to sell.

Assets to be disposed of are reported separately in the balance sheet at the lower of the carrying amount or fair value less cost to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

Prior to adoption of SFAS No. 144, the Companies accounted for long-lived assets in accordance with SFAS No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of."

(i) Goodwill and Other Intangible Assets

Goodwill represents the excess of cost of the Companies' investments in subsidiaries over their equity in the net assets at the dates of acquisition. In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires the use of only the purchase method of accounting for business combinations and refines the definition of intangible assets acquired in a purchase business combination. SFAS No. 142 eliminates the amortization of goodwill and instead requires annual impairment testing thereof. SFAS No. 142 also requires acquired intangible assets with a definite useful life to be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144. Any acquired intangible asset determined to have an indefinite useful life is not amortized, but instead is tested for impairment based on its fair value until its life would be determined to no longer be indefinite. Goodwill associated with equity method investments is not amortized but is tested for impairment at least annually.

The Companies fully adopted the provisions of SFAS No. 141 and SFAS No. 142 as of April 1, 2002. Goodwill acquired in business combinations completed before July 1, 2001, was amortized until March 31, 2002. In connection with the transitional impairment evaluation, SFAS No. 142 required the Companies to perform an assessment of whether there was an indication that goodwill was impaired as of April 1, 2002. To accomplish this, the Companies (i) identified its reporting units, (ii) determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units, and (iii) determined the fair value of each reporting unit. The Companies completed the transitional impairment assessment as of April 1, 2002 and determined that no goodwill impairment charge was necessary. In addition, the Companies tested goodwill for impairment as of March 31, 2004 and 2003 with no indicator of impairment. The goodwill and intangible assets are tested for impairment at the reporting unit level at least annually at the end of each fiscal year, or more often if events or circumstances, such as adverse changes in the business climate, indicate that there may be impairment.

Prior to the adoption of SFAS No. 142, goodwill was amortized using the straight-line method. Amortization periods for goodwill were mainly over five years.

(j) Stock Option Plan

The Company has stock option plans as incentive plans for directors and executive officers of the Company and corporate officers under the Company's qualification system.

SFAS No. 123, "Accounting for Stock-Based Compensation," amended by SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123," 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 Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation." The Company chose to continue using the intrinsic-value-based method of accounting prescribed by APB Opinion No. 25 for fixed-plan stock options. Under this method, compensation expense is recorded on the date of grant only if the market price of the underlying common stock exceed the exercise price on the date of grant. No compensation expense was incurred for the years ended March 31, 2004, 2003 and 2002.

Had compensation expense for the Company's stock option plans been determined consistent with SFAS No. 123 as amended, the Companies' net income and net income per share for the years ended March 31, 2004, 2003 and 2002 would have been as follows:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Net income: As reported	**¥ 66,621**	¥ 13,874	¥ 47,730	**$ 641**
Deduct: Total stock-based compensation cost determined under fair value method for all awards, net of related tax effects	**(21)**	(19)	(21)	**(1)**
Pro forma	**¥ 66,600**	¥ 13,855	¥ 47,709	**$ 640**

		Yen			U.S. Dollars
		2004	2003	2002	**2004**
Basic net income per share:	As reported	**¥ 62.66**	¥ 13.04	¥ 44.85	**$ 0.60**
	Pro forma	**62.64**	13.02	44.83	**0.60**
Diluted net income per share:	As reported	**61.31**	13.00	43.89	**0.59**
	Pro forma	**61.29**	12.98	43.87	**0.59**

The fair value of these stock options is estimated using the Black-Scholes option pricing model with the following weighted-average valuation assumption:

	2004	2003	2002
Expected life	**4.5 years**	4.5 years	4.5 years
Risk-free rate	**0.36%**	0.32%	0.37%
Expected volatility	**43.56%**	45.84%	46.31%
Expected dividend yield	**0.91%**	0.92%	0.88%

(k) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date.

(l) Derivative Instruments and Hedging Activities

The Companies account for derivatives and hedging activities in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities", as amended, which requires that all derivative instruments be recorded on the balance sheet at their respective fair values. The Companies utilize derivative instruments to manage interest rate risk, foreign currency risk and the risk of the price fluctuation of commodity inventories and trading commitments. The primary derivative instruments used by the Companies include foreign exchange forward contracts, currency swaps, interest rate swaps and commodity future contracts. As of April 1, 2001, the adoption of SFAS No. 133, as amended, resulted in an immaterial impact to net income and an increase to accumulated other comprehensive loss of approximately ¥1,475 million.

On the date a derivative contract is entered into, the Companies designate the derivative as either a hedge of the fair value of a recognized asset or liability (fair-value hedge), a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge). For all hedging relationships the Companies formally document the hedging relationship and their risk management objective and strategy for undertaking the hedge, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring effectiveness and ineffectiveness. This process includes linking all derivatives that are designated as fair-value, or cash-flow hedges to specific assets and liabilities on the balance sheet. The Companies also formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair value hedge, along with the loss or gain on the hedged asset or liability that is attributable to the hedged risk, are recorded in earnings. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income (loss) to the extent that the derivative is effective as a hedge, until earnings are affected by the variability in cash flows of the designated hedged item. The ineffective portion of the change in fair value of a derivative instrument that qualifies as either a fair-value hedge or a cash flow hedge is reported in earnings. Changes in the fair value of derivative trading instruments are reported in current period earnings.

The Companies discontinue hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, or the derivative is de-designated as a hedging instrument, because management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair value hedge, the Companies continue to carry the derivative on the balance sheet at its fair value and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. In all other situations in which hedge accounting is discontinued, the Companies continue to carry the derivative at its fair value on the balance sheet and recognize any subsequent changes in its fair value in earnings.

(m) Use of Estimates in the Preparation of the Financial Statements

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period to prepare these consolidated financial statements in conformity with U.S. GAAP. Significant items subject to such estimates and assumptions include the allowance for doubtful receivables, inventories, investments, impairment of long-lived assets, deferred income taxes and contingencies. Actual results could differ from those estimates.

(n) Net Income per Share

Net income per share is presented in accordance with the provisions of SFAS No. 128, "Earnings Per Share." Under SFAS No. 128, basic net income per share excludes dilution for potential common shares and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares.

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

(o) Revenue Recognition

The Companies recognize revenue when it is realized or realizable and earned. The Companies consider revenue realized or realizable and earned when it has 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.

Gross versus Net. In the normal course of business, the Companies frequently act as an intermediary or agent in executing transactions with third parties. In these arrangements, the Companies determine whether to report revenue based on the "gross" amount billed to the ultimate customer for goods or services provided or on the "net" amount received from the customer after commissions and other payments to third parties. However, the amounts of gross profit and net income are not affected by whether revenue is reported on a gross or net basis.

Determining whether revenue should be reported gross or net is based on an assessment of whether the Companies are acting as a "principal" or an "agent" in a transaction. Accordingly, to the extent that the Companies are acting as a principal in a transaction, the Companies report revenue on a gross basis and to the extent that the Companies are acting as an agent in a transaction, the Companies report revenue on a net basis. The determination of whether the Companies are acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement.

Factors that indicate that the Companies act as a principal, and thus recognize revenue on a gross basis include: (i) the Companies are the primary obligor in the arrangement, (ii) the Companies have general inventory risk (before customer order is placed or upon customer return), (iii) the Companies have physical loss inventory risk (after customer order or during shipping), (iv) the Companies have latitude in establishing price, (v) the Companies change the product or perform part of the services, (vi) the Companies have discretion in supplier selection, (vii) the Companies are involved in the determination of product or service specifications, and (viii) the Companies have credit risk.

Factors that indicate that the Companies act as an agent, and thus recognize revenue on a net basis relative to the service offered include: (i) the supplier (not the Companies) is the primary obligor in the arrangement, (ii) the amount the Companies earn is fixed, and (iii) the supplier (not the Companies) has credit risk.

Total Trading Transactions. Total trading transactions is a voluntary disclosure and represents the gross transaction volume of trading transactions, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is not meant to represent sales or revenues in accordance with U.S. GAAP. Total trading transactions should not be construed as equivalent to, or a substitute or proxy for, revenues, or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing or financing activities. A substantial part of total trading transactions represents transactions in which the Companies participate without physical acquisition of goods or without significant inventory risk. The Companies have included the information concerning total trading transactions because it is used by similar Japanese trading companies as an industry benchmark, and the Companies believe it is a useful supplement to results of operations data as a measure of the Companies' performance compared to other similar Japanese trading companies.

Revenue from sales of tangible products

The Companies generate revenue from sales of tangible products (i) in connection with the Companies' wholesale, retail, manufacturing and processing operations, (ii) in connection with the Companies' real estate operations, and (iii) under long-term construction type arrangements. The Companies also enter into transactions that include multiple element arrangements, which may include any combination of products, equipment, and installation services. In accordance with the FASB's EITF Issue No. 00-21, "Guide to Accounting for Revenue Arrangements with Multiple Deliverables", if certain elements are delivered prior to others in the arrangement, revenue is deferred until the delivery of the last element, unless transactions are such that the price of a deliverable, when it is regularly sold on a standalone basis of the undelivered elements, is available and the functionality of the delivered element is not dependent on the undelivered elements. The Companies allocate revenue involving multiple elements to each element based on its relative fair value.

The Companies recognize revenue from sales of tangible products in connection with the Companies' wholesale, retail, manufacturing and processing operations when title and risk of loss have been transferred to the customer. Depending upon the terms of the contract, this may occur at the time of delivery or shipment or upon the attainment of customer acceptance. The conditions of acceptance are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specifications are not recognized as revenue until the attainment of customer acceptance. The Companies' policy is not to accept product returns unless the products are defective. The Companies have no material exposure to losses under warranty provisions on transactions with which the Companies are involved. Such losses are recognized when probable and estimable. The effects of rebate and discount programs are recognized as a reduction of revenue. The effects of such programs are not material. The Companies recognize revenue upon delivery, shipment, or upon the attainment of customer acceptance for steel service center operations in which the Companies process and cut steel sheets to customer specifications [Metal Products], dealership operations in which the Companies sell automobiles to general consumers and distribute construction equipment and machinery to construction companies [Transportation & Construction Systems], plastic products [Chemical], service station operations in which the Companies provide petroleum for automobiles [Mineral Resources & Energy], and retail business operations such as supermarkets and drugstores [Consumer Goods & Service].

Revenues from sale of land, office-buildings, and condominiums are recognized using the full accrual method provided that various criteria relating to the terms of the transactions are met. These criteria deal with whether (i) a sale is consummated, (ii) the buyer's initial and continuing investments are adequate, (iii) the seller's receivable is not subject to future subordination, and (iv) the seller has transferred to the buyer the usual risks and rewards of ownership and does not have a substantial continuing involvement with the property. Revenues relating to transactions that do not meet the established criteria are defined and recognized when the criteria are met or using the installment or cost recovery methods as appropriate in the circumstances.

The Companies generate revenue from sales of tangible products under long-term construction type arrangements, principally in connection with the construction of power plants in which the Companies provide engineering, procurement and construction [Machinery & Electric] under the percentage-of-completion method as prescribed by AICPA Statement of Position ("SOP") No. 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Progress toward completion is measured using the cost-to-cost method. Under the cost-to-cost method, revenues are recognized based on the ratio that costs incurred bear to total estimated costs. The Companies review cost performance and estimate to complete projections on its contracts at least quarterly, and in many cases, more frequently. The impact of revisions of profit estimates on fixed price contracts are recognized in the period in which the revisions are made. Anticipated losses on fixed price contracts are charged to earnings when such losses can be estimated. Provisions are made for contingencies in the period in which they become known pursuant to specific contract terms and conditions are estimable.

Revenue from sales of services and others

The Companies also generate revenue from sales of services and others in connection with (i) customized software development services contracts and other software related services, (ii) direct financing and operating leases of automobiles, vessels, and aircrafts, and (iii) all other service arrangements such as arranging finance and coordinating logistics in connection with trading activities.

The Companies recognize revenue from customized software development services contracts and other software related services in accordance with the provisions of SOP No. 97-2, "Software Revenue Recognition" as amended by SOP No. 98-9, "Modification of SOP No. 97-2, Software Revenue Recognition, With Respect to Certain Transactions." Revenue from the customized software services contracts that require the Companies to develop, manufacture or modify information technology (IT) systems to a customer's specification, and to provide services related to the performance of such contracts, is recognized upon customer acceptance if pricing is fixed and determinable and collectibility is probable. The terms of such service contracts range less than one year. Revenue from maintenance is recognized over the contractual period or as the services are performed [Media, Electronics & Network].

The Companies recognize revenue from direct financing leases using methods that approximate the interest method. Related origination and other non-refundable fees and direct origination costs are deferred and amortized as an adjustment of interest and direct financing lease income over the contractual lines of the arrangements. Rental income on operating leases is recognized on an accrual basis.

The accrual of interest income on direct financing leases is generally suspended and an account placed on non-accrual status when payment of principal on interest is contractually delinquent for ninety days or more, or earlier when in the opinion of management, full collection of principal and interest is doubtful. To the extent that the estimated value of collateral does not satisfy both the principal and accrued income receivables, previously accrued interest is reversed. Proceeds received on non-accrued loans are applied to the outstanding principal balance until such time as the outstanding receivable is collected, charged off, on returned to accrual status.

Direct financing leases are recorded at the aggregate future minimum lease payments plus estimated residual values less unearned finance income. Operating lease equipment is carried at cost less accumulated depreciation and is depreciated to estimated residual value using the straight-line method over the projected economic life of the asset. Equipment acquired in satisfaction of loans and subsequently placed on operating lease is recorded at the lower of carrying value or estimated fair value when acquired. Management performs periodic reviews of the estimated residual values and recognizes impairment losses in the period they are determined to occur. The Companies recognize revenue from operating leases in connection with automobiles leased to consumers, vessels leased to shipping companies, aircrafts leased to airlines [Transportation & Construction Systems], and rental of commercial real estate [Materials & Real Estate].

Revenue from all other service arrangements include transactions in which the Companies act between customer and supplier as agent or broker to provide such services as arranging finance or coordinating logistics in connection with trading activities. Such revenues are recognized when the contracted services are rendered to third-party customers.

(p) Issuance of Stock by Subsidiaries and Associated Companies

The Company recognizes a gain or loss when a subsidiary or an associated company issues its shares to third parties at amounts in excess or less than the Company's average carrying value. Such a gain or loss is recognized only when the realization of a gain or loss is reasonably assured and the value of the proceeds can be objectively determined.

(q) Capitalized Software Costs

The Companies capitalize certain costs incurred to purchase or develop software for internal-use. Costs incurred to develop software for internal-use are expensed as incurred during the preliminary project stage, which includes costs for making strategic decisions about the project, determining performance and system requirements and vendor demonstration cost. Costs incurred subsequent to the preliminary project stage through implementation are capitalized. The Companies also expense costs incurred for internal-use software projects in the post implement stage such as costs for training and maintenance.

Costs incurred to develop software to be sold are capitalized subsequent to the attainment of technological feasibility in the form of detailed program design. Those costs include coding and testing performed subsequent to establishing technological feasibility. Costs incurred prior to reaching technological feasibility are expensed as incurred. Capitalized software costs are amortized on a product-by-product basis. The annual amortization is the greater of the amount computed using (i) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (ii) the straight-line method over the remaining estimated economic life of the product including the period being reported on. Amortization starts when the product is available for general release to customers.

(r) New Accounting Standards

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003) ("FIN 46R"), "Consolidation of Variable Interest Entities ("VIEs")," which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FASB Interpretation No. 46, "Consolidation of Variable Interest Entities," which was issued in January 2003. The Companies were required to apply FIN 46R to variable interests in VIEs from the period ending after March 31, 2004. For any VIEs created before December 31, 2003, which must be consolidated under FIN 46R, the assets, liabilities and noncontrolling interests of the VIEs initially would be measured at their carrying amounts with any difference between the net amount added to the balance sheet and any previously recognized interest being recognized as the cumulative effect of an accounting change. If determining the carrying amounts is not practicable, the fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and noncontrolling interest of the VIEs. The Companies were required to apply FIN 46R to special-purpose entities in consolidated financial statements as of December 31, 2003, and to other VIEs in consolidated financial statements as of March 31, 2004. The adoption of this statement did not have a material impact on the Companies' consolidated financial statements.

(s) Reclassifications

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

4. CASH FLOW INFORMATION

Supplemental disclosure of cash flow information for the years ended March 31, 2004, 2003 and 2002 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Cash paid during the year for:				
Interest	**¥ 21,825**	¥ 30,139	¥ 47,240	**$ 210**
Income taxes	**25,487**	20,720	25,018	**245**
Non-cash investing and financing activities:				
Capital lease obligations incurred	**9,865**	9,558	5,179	**95**
Fair value of securities transferred to employee pension trust	**9,505**	5,069	21,541	**91**
Acquisition of subsidiaries:				
Fair value of assets acquired	**48,398**	27,519	19,436	**466**
Fair value of liabilities assumed	**38,566**	29,775	10,573	**371**
Minority interests assumed	**1,318**	(4,883)	8,508	**13**
Cash paid, net	**(8,514)**	(2,627)	(355)	**(82)**

5. MARKETABLE SECURITIES AND OTHER INVESTMENTS

Marketable securities and other investments as of March 31, 2004 and 2003 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Marketable securities-current:			
Trading	**¥ 237**	¥ 281	**$ 2**
Available-for-sale	**477**	4,298	**5**
Held-to-maturity	**2,109**	3,064	**20**
	¥ 2,823	¥ 7,643	**$ 27**

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Other investments:			
Available-for-sale	**¥ 301,403**	¥ 232,387	**$ 2,897**
Held-to-maturity	**9,812**	19,486	**95**
Non-marketable securities and other investments	**157,771**	161,699	**1,517**
	¥ 468,986	¥ 413,572	**$ 4,509**

(a) Marketable Equity Securities and All Debt Securities

Information regarding each category of securities classified as trading, available-for-sale and held-to-maturity as of March 31, 2004 and 2003 is as follows (excluding non-marketable securities and other investments discussed below):

	Millions of Yen			
As of March 31, 2004:	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	**¥ 237**	**¥ —**	**¥ —**	**¥ 237**
Available-for-sale:				
Equity securities	**164,749**	**138,345**	**2,965**	**300,129**
Debt securities	**1,688**	**63**	**—**	**1,751**
Held-to-maturity	**11,921**	**16**	**1**	**11,936**
	¥ 178,595	**¥ 138,424**	**¥ 2,966**	**¥ 314,053**

	Millions of Yen			
As of March 31, 2003:	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	¥ 281	¥ —	¥ —	¥ 281
Available-for-sale:				
Equity securities	228,533	23,908	21,621	230,820
Debt securities	5,803	83	21	5,865
Held-to-maturity	22,550	22	9	22,563
	¥ 257,167	¥ 24,013	¥ 21,651	¥ 259,529

As of March 31, 2004:	Millions of U.S. Dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	$ 2	$ —	$ —	$ 2
Available-for-sale:				
Equity securities	1,584	1,330	29	2,885
Debt securities	16	1	—	17
Held-to-maturity	115	0	0	115
	$ 1,717	$ 1,331	$ 29	$ 3,019

Debt securities classified as available-for-sale securities and held-to-maturity securities mainly consist of Japanese government and municipal bonds and corporate debt securities. Gross unrealized losses on marketable securities that had been in a continuous unrealized loss position for twelve months or longer as of March 31, 2004 were immaterial.

The carrying values of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2004 and 2003 are summarized by contractual maturities as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2004		2003		2004	
	Available -for-sale	Held-to -maturity	Available -for-sale	Held-to -maturity	Available -for-sale	Held-to -maturity
Due in one year or less	¥ 477	¥ 2,109	¥ 4,298	¥ 3,064	$ 5	$ 20
Due after one year through five years	738	9,009	840	9,107	7	87
Due after five years through ten years	15	791	127	10,264	0	8
Due after ten years	521	12	600	115	5	0
Total	¥ 1,751	¥ 11,921	¥ 5,865	¥ 22,550	$ 17	$ 115

Proceeds from sales and gross realized gains and losses on available-for-sale securities for the years ended March 31, 2004, 2003 and 2002 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	2004
Proceeds from sales	¥ 122,959	¥ 59,222	¥ 114,348	$ 1,182
Gross realized gains	¥ 42,985	¥ 12,437	¥ 36,575	$ 413
Gross realized losses	2,522	2,741	3,651	24
Net realized gains	¥ 40,463	¥ 9,696	¥ 32,924	$ 389

For the years ended March 31, 2004, 2003 and 2002, the Company contributed certain available-for-sale marketable equity securities, other than those of its subsidiaries or associated companies, to an employee retirement benefit trust (the "Trust") fully administrated and controlled by an independent bank trustee. The fair market value of those securities at the time of contribution was ¥9,505 million ($91 million), ¥5,069 million and ¥21,541 million for the years ended March 31, 2004, 2003 and 2002, respectively. Net realized gains of ¥6,250 million ($60 million), ¥2,317 million and ¥14,988 million from such contribution were recognized in the accompanying consolidated statements of income for the years ended March 31, 2004, 2003 and 2002, respectively.

(b) Non-Marketable Securities and Other Investments

Other investments as of March 31, 2004 and 2003 included investments in non-traded, unassociated companies, and others, amounting to ¥157,771 million ($1,517 million) and ¥161,699 million. Investments in non-traded securities of unassociated companies, and others were carried at cost unless there is decline in value determined to be other than temporary, in which case the investment is written down to its fair value.

(c) Gains and Losses on Marketable Securities and Other Investments

The amounts included in "Gain (loss) on marketable securities and other investments, net" in the accompanying consolidated statements of income for the years ended March 31, 2004, 2003 and 2002 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Net realized gains (losses):				
Marketable securities	**¥ 34,213**	¥ 7,379	¥ 17,936	**$ 329**
Marketable securities contributed to the Trust	**6,250**	2,317	14,988	**60**
Non-marketable securities	**(906)**	9,283	8,687	**(9)**
Other than temporary impairment losses on securities	**(23,237)**	(66,104)	(50,462)	**(223)**
Total	**¥ 16,320**	¥ (47,125)	¥ (8,851)	**$ 157**

6. RECEIVABLES

Receivables by operating segment as of March 31, 2004 and 2003 are summarized as follows:

As of March 31, 2004:	Millions of Yen				
	Notes and loans receivable	Accounts receivable	Receivables for associated companies	Long-term receivables	Total
Metal Products	**¥ 48,917**	**¥ 155,271**	**¥ 9,571**	**¥ 12,989**	**¥ 226,748**
Transportation & Construction Systems	**12,058**	**157,227**	**25,289**	**223,169**	**417,743**
Machinery & Electric	**14,581**	**78,692**	**7,213**	**221,148**	**321,634**
Media, Electronics & Network	**1,682**	**103,083**	**6,028**	**31,330**	**142,123**
Chemical	**19,365**	**89,514**	**1,709**	**2,849**	**113,437**
Mineral Resources & Energy	**7,847**	**91,675**	**1,171**	**23,841**	**124,534**
Consumer Goods & Service	**17,314**	**55,586**	**156**	**35,038**	**108,094**
Materials & Real Estate	**16,789**	**67,011**	**2,213**	**14,431**	**100,444**
Financial & Logistics	**20,270**	**83,501**	**686**	**20,792**	**125,249**
Others	**79,390**	**296,446**	**97,120**	**11,874**	**484,830**
	238,213	**1,178,006**	**151,156**	**597,461**	**2,164,836**
Less: Allowance for doubtful receivables	**(1,537)**	**(6,444)**	**(870)**	**(49,957)**	**(58,808)**
Total	**¥ 236,676**	**¥1,171,562**	**¥ 150,286**	**¥ 547,504**	**¥2,106,028**

As of March 31, 2003:	Millions of Yen				
	Notes and loans receivable	Accounts receivable	Receivables for associated companies	Long-term receivables	Total
Metal Products	¥ 42,335	¥ 137,847	¥ 3,982	¥ 13,878	¥ 198,042
Transportation & Construction Systems	23,505	134,427	19,813	243,206	420,951
Machinery & Electric	17,605	88,061	1,650	250,603	357,919
Media, Electronics & Network	2,385	73,561	1,827	3,204	80,977
Chemical	19,525	88,322	3,206	8,690	119,743
Mineral Resources & Energy	11,692	88,108	323	23,379	123,502
Consumer Goods & Service	18,763	55,972	465	36,556	111,756
Materials & Real Estate	23,358	54,188	2,239	14,485	94,270
Financial & Logistics	15,397	46,592	80	34,803	96,872
Others	96,172	328,736	104,744	37,245	566,897
	270,737	1,095,814	138,329	666,049	2,170,929
Less: Allowance for doubtful receivables	(1,948)	(6,805)	(1,009)	(76,185)	(85,947)
Total	¥ 268,789	¥1,089,009	¥ 137,320	¥ 589,864	¥2,084,982

As of March 31, 2004:	Millions of U.S. Dollars				
	Notes and loans receivable	Accounts receivable	Receivables for associated companies	Long-term receivables	Total
Metal Products	**$ 470**	**$ 1,493**	**$ 92**	**$ 125**	**$ 2,180**
Transportation & Construction Systems	**116**	**1,512**	**243**	**2,146**	**4,017**
Machinery & Electric	**140**	**757**	**69**	**2,127**	**3,093**
Media, Electronics & Network	**16**	**991**	**58**	**302**	**1,367**
Chemical	**186**	**861**	**17**	**27**	**1,091**
Mineral Resources & Energy	**76**	**881**	**11**	**229**	**1,197**
Consumer Goods & Service	**166**	**534**	**2**	**337**	**1,039**
Materials & Real Estate	**162**	**644**	**21**	**139**	**966**
Financial & Logistics	**195**	**803**	**6**	**200**	**1,204**
Others	**763**	**2,851**	**934**	**113**	**4,661**
	2,290	**11,327**	**1,453**	**5,745**	**20,815**
Less: Allowance for doubtful receivables	**(15)**	**(62)**	**(8)**	**(480)**	**(565)**
Total	**$ 2,275**	**$ 11,265**	**$ 1,445**	**$ 5,265**	**$ 20,250**

The following analysis of activity in the allowance for credit losses for the years ended March 31, 2004, 2003 and 2002 encompasses allowance for accounts receivable, notes receivable and long-term receivables.

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Balance, beginning of year	**¥ 85,947**	¥ 93,805	¥ 107,557	**$ 826**
Provision for (reversal of) allowance for doubtful receivables	**8,019**	5,588	(12,588)	**77**
Charge-off	**(34,896)**	(12,991)	(1,941)	**(336)**
Foreign currency translation adjustments	**(262)**	(455)	777	**(2)**
Balance, end of year	**58,808**	85,947	93,805	**565**
Less: Current portion	**(8,851)**	(9,762)	(10,683)	**(85)**
Long-term portion	**¥ 49,957**	¥ 76,185	¥ 83,122	**$ 480**

During the year ended March 31, 2002, the Company reversed a provision for receivables on a plant construction project in Indonesia, which had been suspended due to the sudden unstable social and economic condition of that country, because it was scheduled to resume in the year ended March 31, 2002. The outstanding receivables associated with this project were collected in full in early fiscal 2003. Provision for (reversal of) allowance for doubtful receivables included the reversal of ¥16,275 million related to the project, net of new provisions of ¥3,687 million for the year ended March 31, 2002. As of March 31, 2004 and 2003, the total gross amount of long-term receivables considered impaired was ¥74,052 million ($712 million) and ¥98,224 million, respectively, and the related valuation allowance provided as at each year-end was ¥47,848 million ($460 million) and ¥75,526 million, respectively. The amount of long-term receivables considered impaired, for which no allowance for doubtful receivable was provided, was ¥1,149 million ($11 million) and ¥4,949 million as of March 31, 2004 and 2003, respectively.

The average investment in impaired receivables for the years ended March 31, 2004 and 2003 was ¥89,480 million ($860 million) and ¥106,467 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, 2004, 2003 and 2002 was not material.

7. INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES

Associated companies operate principally in the manufacturing and service industries and participate substantially in the Companies' revenue generating transactions as either purchasers or suppliers.

Investments in and advances to associated companies as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Investments in comon stock	**¥ 267,712**	¥ 243,825	**$ 2,574**
Advances	**116,268**	131,918	**1,118**
Total	**¥ 383,980**	¥ 375,743	**$ 3,692**

Investment in common stock in the above include goodwill amounting to ¥56,274 million ($541 million) and ¥45,711 million as of March 31, 2004 and 2003, respectively. The number of associated companies were 217 and 187 and weighted average ownership percentages for those associated companies were approximately 35% as of March 31, 2004 and 2003, respectively. Investments in common stock of certain associated companies as of March 31, 2004 and 2003 included marketable securities of public associated companies with carrying amounts of ¥42,055 million ($404 million) and ¥36,258 million, respectively, with corresponding aggregate quoted market values of ¥70,685 million ($680 million) and ¥30,699 million, respectively.

Summarized combined financial information of associated companies accounted for by the equity method as of March 31, 2004 and 2003 and for the years ended March 31, 2004, 2003 and 2002 is presented below:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Current assets	**¥1,155,561**	¥ 929,799	**$ 11,111**
Property and equipment, net	**787,081**	870,537	**7,568**
Other assets	**1,060,053**	969,792	**10,193**
Total assets	**¥3,002,695**	¥2,770,128	**$ 28,872**
Current liabilities	**¥1,500,908**	¥1,565,235	**$ 14,432**
Non-current liabilities	**866,395**	674,848	**8,331**
Shareholders' equity	**635,392**	530,045	**6,109**
Total liabilities and shareholders' equity	**¥3,002,695**	¥2,770,128	**$ 28,872**

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Gross profit	**¥ 364,467**	¥ 308,955	¥ 227,578	**$ 3,504**
Net income (loss)	**¥ 58,344**	¥ 24,226	¥ (1,255)	**$ 561**

The three major associated companies accounted for by the equity method which are contained in the above summarized combined financial information are Sumisho Lease Co., Ltd. (approximately 36% owned), Jupiter Telecommunication Co., Ltd. (approximately 32% owned), and Nusa Tenggara Partnership V.O.F. (approximately 44% owned). The following summarized financial information for these three associated companies has been presented due to the relative significance of these entities to the Company's operations.

Sumisho Lease Co., Ltd.

Sumisho Lease Co., Ltd.'s summarized financial information as of March 31, 2004 and 2003, and for the years ended March 31, 2004, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Current assets	**¥ 393,000**	¥ 300,127	**$ 3,779**
Property and equipment, net	**40,295**	53,141	**387**
Other assets	**741,370**	651,883	**7,129**
Total assets	**¥1,174,665**	¥1,005,151	**$ 11,295**
Current liabilities	**¥ 869,493**	¥ 720,797	**$ 8,361**
Non-current liabilities	**187,511**	184,813	**1,803**
Shareholders' equity	**117,661**	99,541	**1,131**
Total liabilities and shareholders' equity	**¥1,174,665**	¥1,005,151	**$ 11,295**

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Revenue	**¥ 136,397**	¥ 118,265	¥ 112,646	**$ 1,312**
Net income	**¥ 10,425**	¥ 8,346	¥ 8,796	**$ 100**

Sumisho Lease Co., Ltd. engages in a various range of financial services, including leasing and leasing-related financing services. Sumisho Lease Co., Ltd. is listed on the first sections of the Tokyo Stock Exchange and Osaka Stock Exchange.

Jupiter Telecommunication Co., Ltd.

Jupiter Telecommunication Co., Ltd. ("Jupiter")'s summarized financial information as of December 31, 2003 and 2002, and for the years ended December 31, 2003, 2002 and 2001:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Current assets	**¥ 19,063**	¥ 19,112	**$ 183**
Property and equipment, net	**244,227**	240,536	**2,348**
Other assets	**158,587**	155,113	**1,525**
Total assets	**¥ 421,877**	¥ 414,761	**$ 4,056**
Current liabilities	**¥ 32,784**	¥ 31,986	**$ 315**
Non-current liabilities	**292,324**	323,041	**2,811**
Shareholders' equity	**96,769**	59,734	**930**
Total liabilities and shareholders' equity	**¥ 421,877**	¥ 414,761	**$ 4,056**

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Revenue	**¥ 143,159**	¥ 116,631	¥ 76,561	**$ 1,377**
Net income (loss)	**¥ 5,351**	¥ (7,543)	¥ (26,964)	**$ 51**

Jupiter is a broadband provider of integrated entertainment, information and communication services in Japan. Jupiter also offers telephony services over its network. As of March 31, 2004, the Company held an approximately 32% interest in Jupiter; Liberty Media Corporation ("Liberty Media") held an approximately 45% interest; and Microsoft Corporation ("Microsoft") held an approximately 19% interest. Under certain stockholder agreements, Liberty Media and the Company have agreed not to transfer the shares to a third party until the earlier of February 12, 2008 or an initial public offering of Jupiter stock. In addition, the Company, Liberty Media and Microsoft have each granted to the other a right of first refusal with respect to the Companies' respective interests in Jupiter until an initial public offering of Jupiter stock.

Nusa Tenggara Partnership V.O.F.

Nusa Tenggara Partnership V.O.F. ("NTP")'s summarized financial information as of December 31, 2003 and 2002, and for the years ended December 31, 2003, 2002 and 2001:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Current assets	¥ **34,813**	¥ 37,542	$ **335**
Property and equipment, net	**200,584**	222,501	**1,929**
Other assets	**27,982**	32,807	**269**
Total assets	¥ **263,379**	¥ 292,850	$ **2,533**
Current liabilities	¥ **59,033**	¥ 54,606	$ **568**
Non-current liabilities	**88,889**	120,691	**855**
Shareholders' equity	**115,457**	117,553	**1,110**
Total liabilities and shareholders' equity	¥ **263,379**	¥ 292,850	$ **2,533**

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Revenue	¥ **49,147**	¥ 44,900	¥ 42,211	$ **473**
Net income (loss)	¥ **11,665**	¥ 4,429	¥ (1,367)	$ **112**

NTP is a general partnership organized under the laws of the Netherlands. NTP is 43.75%-owned by Nusa Tenggara Mining Corporation, a 74.3%-owned subsidiary of the Company in Japan, and 56.25%-owned by Newmont Indonesia Limited, a subsidiary of Newmont Mining Corporation ("Newmont"), both Delaware, U.S.A. corporations. Both the Company and Newmont have significant participating rights in the NTP business and unanimous approval is needed for various NTP decisions.

NTP holds an 80% interest in P.T. Newmont Nusa Tenggara ("PTNNT"), an Indonesian corporation that holds the Contract of Work issued by the Indonesian government, granting PTNNT sole rights to develop the Batu Hijau copper and gold mine located in Sumbawa, Nusa Tenggara Barat, Indonesia.

The Companies engage in various agency transactions with associated companies involving sales by third parties to associated companies and sales by associated companies to third parties. Net fees earned on these transactions are not material. Transactions with associated companies are summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Management and secondment fee, received	¥ **3,851**	¥ 3,175	¥ 2,372	$ **37**
Interest income	**3,487**	2,289	1,852	**34**
Interest expense	**699**	904	1,018	**7**

8. PROPERTY AND EQUIPMENT

Property and equipment, including property and equipment under capitalized operating leases (see Note 21) as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Land and land improvements	**¥ 279,605**	¥ 264,598	**$ 2,689**
Buildings, including leasehold improvements	**375,544**	383,716	**3,611**
Machinery and equipment	**466,901**	464,861	**4,489**
Projects in progress	**21,998**	13,618	**212**
Total	**1,144,048**	1,126,793	**11,001**
Less: Accumulated depreciation	**(388,639)**	(365,777)	**(3,737)**
Property and equipment, net	**¥ 755,409**	¥ 761,016	**$ 7,264**

Depreciation expense for the years ended March 31, 2004, 2003 and 2002 was ¥70,988million ($683 million), ¥63,972 million and ¥60,843 million, respectively.

In October 2003, Osaka Hokko Development Co., Ltd., a 100%-owned subsidiary of the Company, sold a part of its office building owned in Osaka and recognized a gain amounting to ¥12 billion ($116 million). The gain is included in "Gain on sale of property and equipment, net" in the accompanying consolidated statements of income.

The Companies assessed the potential impairment of all material long-lived assets. As a result, certain assets including aircraft and real estate were deemed to be impaired because the assets were not expected to recover their entire carrying value through estimated undiscounted future cash flows due to the continuous decline in the market condition for real estate in Japan and the global decline in the market for aircrafts. The losses recognized from the impairment of such assets for the years ended March 31, 2004, 2003 and 2002 were applicable to the following segments:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Transportation & Construction Systems	**¥ 1,659**	¥ —	¥ —	**$ 16**
Materials & Real Estate	**650**	20,371	4,805	**6**
Domestic Regional Business Units and Offices	**627**	—	—	**6**
Corporate and Eliminations	**2,242**	—	—	**22**
Total	**¥ 5,178**	¥ 20,371	¥ 4,805	**$ 50**

These amounts were included in "Impairment losses on long-lived assets" in the accompanying consolidated statements of income. Such impairment losses were calculated based on appraisals for assets or using the best estimates of discounted future cash flows based on realistic assumptions as to continuing operations.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

(a) Intangible Assets

The components of intangible assets subject to amortization as of March 31, 2004 and 2003 are as follows:

	Millions of Yen			Millions of U.S. Dollars		
	2004			**2004**		
	Gross amount	Accumulated amortization	Net carrying value	Gross amount	Accumulated amortization	Net carrying value
Software	**¥ 50,423**	**¥ 22,074**	**¥ 28,349**	**$ 485**	**$ 212**	**$ 273**
Sales licenses and trademarks	**20,463**	**7,631**	**12,832**	**197**	**73**	**124**
Mining rights	**13,325**	**181**	**13,144**	**128**	**2**	**126**
Other	**1,772**	**348**	**1,424**	**17**	**3**	**14**
Total	**¥ 85,983**	**¥ 30,234**	**¥ 55,749**	**$ 827**	**$ 290**	**$ 537**

	Millions of Yen		
	2003		
	Gross amount	Accumulated amortization	Net carrying value
Software	¥ 39,423	¥ 15,217	¥ 24,206
Sales licenses and trademarks	16,881	7,460	9,421
Mining rights	351	88	263
Other	2,315	1,078	1,237
Total	¥ 58,970	¥ 23,843	¥ 35,127

Intangible assets not subject to amortization as of March 31, 2004 and 2003 were ¥28,634 million ($275 million) and ¥28,583 million, respectively, and mainly consisted of leaseholds on land held by the Companies that effectively have indefinite useful lives because of the Companies' rights to renew indefinitely at little or no cost and without material modification of the lease terms and their intent to renew indefinitely. The Companies make periodic lease payments on these leasehold contracts.

The amount of intangible assets subject to amortization acquired during the year ended March 31, 2004 was ¥33,938 million ($326 million), primarily consisting of software of ¥13,820 million ($133 million) and mining rights of ¥13,002 million ($125 million) in Australia and during the year ended March 31, 2003 was ¥16,536 million, primarily consisting of software of ¥10,725 million. The weighted-average amortization periods for software, sales licenses and trademarks, mining rights and other are five years, thirteen years, nineteen years and twenty years, respectively. Aggregate amortization expense for the year ended March 31, 2004, 2003 and 2002 was ¥10,189 million ($98 million), ¥7,845 million and ¥4,781 million, respectively. Estimated amortization expenses for the next five years ending March 31 are: ¥11,958 million ($115 million) in 2005, ¥11,117 million ($107 million) in 2006, ¥9,819 million ($94 million) in 2007, ¥6,740 million ($65 million) in 2008, and ¥4,144 million ($40 million) in 2009, respectively.

(b) Goodwill

The following table shows changes in the carrying amount of goodwill by operating segment for the years ended March 31, 2004 and 2003:

	Millions of Yen				Millions of U.S. Dollars			
	2004				**2004**			
	Balance, beginning of year	Acquisition	Foreign currency translation adjustments and other	Balance, end of year	Balance, beginning of year	Acquisition	Foreign currency translation adjustments and other	Balance, end of year
Transportation & Construction Systems	**¥ 765**	**¥ —**	**¥ 54**	**¥ 819**	**$ 8**	**$ —**	**$ 0**	**$ 8**
Media, Electronics & Network	**—**	**2,885**	**—**	**2,885**	**—**	**28**	**—**	**28**
Overseas Subsidiaries and Branches	**4,304**	**—**	**(840)**	**3,464**	**41**	**—**	**(8)**	**33**
Total	**¥ 5,069**	**¥ 2,885**	**¥ (786)**	**¥ 7,168**	**$ 49**	**$ 28**	**$ (8)**	**$ 69**

	Millions of Yen			
	2003			
	Balance, beginning of year	Acquisition	Foreign currency translation adjustments and other	Balance, end of year
Transportation & Construction Systems	¥ 826	¥ —	¥ (61)	¥ 765
Media, Electronics & Network	—	—	—	—
Overseas Subsidiaries and Branches	4,737	—	(433)	4,304
Total	¥ 5,563	¥ —	¥ (494)	¥ 5,069

The following table presents the impact of SFAS No. 142 on net income and net income per share had the accounting standard been applied effective April 1, 2001:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Net Income:				
Reported net income	¥ **66,621**	¥ 13,874	¥ 47,730	$ **641**
Add back; Goodwill amortization	**—**	—	2,879	**—**
Adjusted net income	¥ **66,621**	¥ 13,874	¥ 50,609	$ **641**
	Yen			U.S. Dollars
Basic Net Income per Share:				
Reported basic net income per share	¥ **62.66**	¥ 13.04	¥ 44.85	$ **0.60**
Add back; Goodwill amortization	**—**	—	2.70	**—**
Adjusted basic net income per share	¥ **62.66**	¥ 13.04	¥ 47.55	$ **0.60**
Diluted Net Income per Share:				
Reported diluted net income per share	¥ **61.31**	¥ 13.00	¥ 43.89	$ **0.59**
Add back; Goodwill amortization	**—**	—	2.63	**—**
Adjusted diluted net income per share	¥ **61.31**	¥ 13.00	¥ 46.52	$ **0.59**

10. SHORT-TERM AND LONG-TERM DEBT

Short-term debt as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen				Millions of U.S. Dollars
	2004		2003		**2004**
		Weighted average interest rate		Weighted average interest rate	
Loans, principally from banks	¥ **206,601**	**2.47%**	¥ 326,197	2.26%	$ **1,987**
Commercial paper	**245,463**	**0.10**	289,643	0.11	**2,360**
	¥ **452,064**		¥ 615,840		$ **4,347**

The interest rates represent weighted average rates in effect as of March 31, 2004 and 2003 though the range of the interest rates varies by borrowing currency.

The Companies have available for immediate borrowing, line of credit agreements with syndicates of domestic and foreign banks, totaling $980 million with the foreign banks and ¥350 billion ($3,365 million) with the domestic banks.

Long-term debt as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Weighted average interest rate	**1.46%**	1.67%	
Secured long-term debt:			
Banks and insurance companies, maturing serially through 2019, principally 1.0% to 6.0%	**¥ 102,609**	¥ 73,875	**$ 987**
Bonds due 2004 payable in Indonesian rupee (fixed rate 19.1%)	**3,840**	4,080	**37**
Bonds due 2006 payable in Indonesian rupee (fixed rate 13.4%)	**3,840**	—	**37**
Unsecured long-term debt:			
Banks and insurance companies, maturing serially through 2024, principally 0.1% to 4.8%	**1,785,767**	1,697,292	**17,171**
Convertible bonds due 2004 payable in Japanese yen (fixed rate 1.5%, convertible into common stock at ¥1,237.30 per share)	**—**	35,702	**—**
Bonds due 2004 payable in Japanese yen (fixed rate 1.0%)	**50,086**	50,454	**482**
Bonds due 2013 payable in Japanese yen (fixed and floating rate: fixed rate 1.1% to 1.5%)	**39,734**	41,737	**382**
Bonds due 2005 payable in Euro (fixed rate 5.15%)	**40,888**	41,420	**393**
Various notes and bonds with interest rates from 0.1% to 4.0% maturing from 2004 to 2018	**317,043**	270,153	**3,048**
Capital lease obligation	**44,169**	43,189	**425**
Other	**161,061**	170,219	**1,548**
	2,549,037	2,428,121	**24,510**
Less: Current portion	**(330,622)**	(382,164)	**(3,179)**
	¥2,218,415	¥2,045,957	**$ 21,331**

As of March 31, 2003, common stock reserved for conversion of convertible bonds was 28,854,764 shares. These bonds were redeemed in full on March 31, 2004 with no conversions.

Annual maturities of long-term debt as of March 31, 2004 are as follows:

Years ending March 31,	Millions of Yen	Millions of U.S. Dollars
2005	**¥ 330,622**	**$ 3,179**
2006	**414,056**	**3,982**
2007	**402,946**	**3,874**
2008	**354,875**	**3,412**
2009	**262,940**	**2,528**
2010 and thereafter	**783,598**	**7,535**
Total	**¥2,549,037**	**$ 24,510**

Most of short-term and long-term loans from banks contain certain covenants. 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. Several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Default provisions of certain agreements grant certain rights of possession to the banks. The borrower may be required to make early repayments of outstanding amounts under some agreements, principally with government owned financial institutions, if the lender concludes that the borrower is able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and makes such prepayment request. The Companies have not been asked to make any such prepayment during the years ended March 31, 2004, 2003 and 2002 and currently do not anticipate any prepayment request.

The Companies have been in compliance with all of the short-term borrowing and long-term debt obligation covenants for the years ended March 31, 2004, 2003 and 2002.

Pledged assets

The following table summarizes the book value of assets pledged as collateral for short-term and long-term debt of the Companies as of March 31, 2004:

	Millions of Yen	Millions of U.S. Dollars
Marketable securities and other investments	¥ 61,182	$ 588
Trade receivables and long-term receivables	83,022	798
Property and equipment, less related accumulated depreciation	136,425	1,312
	¥ 280,629	$ 2,698

Such collateral secured the following obligations:

	Millions of Yen	Millions of U.S. Dollars
Short-term debt	¥ 8,294	$ 80
Long-term debt, including current maturities of long-term debt	173,472	1,668
	¥ 181,766	$ 1,748

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.

11. INCOME TAXES

The Company is subject to a national corporate tax of 30%, an inhabitant tax of 6.21% and a deductible business tax of 10.08%, which in the aggregate resulted in a statutory income tax rate of approximately 42% for the years ended March 31, 2004, 2003 and 2002. On March 24, 2003, the Japanese Diet approved the Amendments to Local Tax Law, which reduce statutory business income tax rates from 9.6% to 7.2%. Accordingly, the excessive business tax rate applied to the Company was also lowered from 10.08% to 7.56%. Consequently, the statutory income tax rate will be approximately 41%, effective for fiscal years beginning on or after April 1, 2004. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Income before income taxes and minority interests in earnings of subsidiaries for the years ended March 31, 2004, 2003 and 2002 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Domestic	¥ 75,948	¥ (5,874)	¥ 60,182	$ 731
Foreign	33,087	34,475	23,035	318
Total	¥ 109,035	¥ 28,601	¥ 83,217	$ 1,049

Income tax provision (benefit) for the years ended March 31, 2004, 2003 and 2002 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Current:				
Domestic	¥ **15,697**	¥ 18,650	¥ 16,307	$ **151**
Foreign	**9,047**	9,730	9,839	**87**
Deferred:				
Domestic	**11,184**	(19,435)	6,864	**108**
Foreign	**(231)**	(571)	(2,750)	**(2)**
Total	¥ **35,697**	¥ 8,374	¥ 30,260	$ **344**

The reconciliation between taxes calculated at the statutory income tax rate in Japan and the Companies' effective income tax provision for the years ended March 31, 2004, 2003 and 2002 is summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Income before income taxes and minority interests in earnings of subsidiaries	¥ **109,035**	¥ 28,601	¥ 83,217	$ **1,049**
Tax provision computed at statutory income tax rate	¥ **45,795**	¥ 12,012	¥ 34,951	$ **440**
Increases (decreases) in tax due to:				
Expenses not deductible for tax purposes	**2,014**	2,368	2,258	**19**
Tax effect on undistributed earnings of associated companies and corporate joint ventures	**(2,037)**	(870)	(2,216)	**(19)**
Changes in valuation allowance	**(6,083)**	(1,241)	549	**(58)**
Difference in statutory tax rate of foreign subsidiaries	**(4,978)**	(5,377)	(4,105)	**(48)**
Effect of change in enacted tax rate	**(132)**	1,447	—	**(1)**
Other—net	**1,118**	35	(1,177)	**11**
Total effective tax provision	¥ **35,697**	¥ 8,374	¥ 30,260	$ **344**

Total income taxes recognized for the years ended March 31, 2004, 2003 and 2002 are allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Income before income taxes and minority interests in earnings of subsidiaries	¥ **35,697**	¥ 8,374	¥ 30,260	$ **344**
Shareholders' equity:				
Foreign currency translation adjustments	**3,854**	(709)	3,747	**37**
Net unrealized holding gains (losses) on securities available-for-sale	**54,899**	(19,794)	(23,717)	**528**
Net unrealized gains (losses) on derivatives	**257**	85	(682)	**2**
Total income taxes	¥ **94,707**	¥ (12,044)	¥ 9,608	$ **911**

The tax effects of temporary difference that give rise to significant components of deferred tax assets and liabilities as of March 31, 2004 and 2003 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Assets:			
Net operating loss carry forwards	**¥ 85,290**	¥ 53,824	**$ 820**
Investment securities	**14,202**	36,126	**136**
Inventories, and property and equipment	**32,543**	42,755	**313**
Allowance for doubtful receivables	**14,634**	21,451	**141**
Accrued pension and retirement benefits	**7,568**	6,061	**73**
Accrual and other	**13,005**	15,845	**125**
Gross deferred tax assets	**167,242**	176,062	**1,608**
Less: Valuation allowance	**(10,641)**	(13,983)	**(102)**
Deferred tax assets, less valuation allowance	**156,601**	162,079	**1,506**
Liabilities:			
Investment in marketable securities	**53,579**	1,400	**515**
Deferred gain on sales of property for tax purposes	**41,518**	41,860	**399**
Deferred gain on securities contributed to the Trust	**23,119**	21,313	**222**
Undistributed earnings of subsidiaries and associated companies	**17,024**	13,437	**164**
Installment sales	**1,834**	2,730	**18**
Other	**11,358**	9,969	**109**
Gross deferred tax liabilities	**148,432**	90,709	**1,427**
Net deferred tax assets	**¥ 8,169**	¥ 71,370	**$ 79**

Deferred income taxes at March 31, 2004 and 2003 are reflected in the consolidated balance sheets as follows:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Assets:			
Deferred income taxes	**¥ 37,613**	¥ 29,273	**$ 362**
Deferred income taxes, non-current	**9,369**	46,308	**90**
Liabilities:			
Other current liabilities	**(16)**	(297)	**(0)**
Deferred income taxes, non-current	**(38,797)**	(3,914)	**(373)**
Net deferred tax assets	**¥ 8,169**	¥ 71,370	**$ 79**

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2004. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The net change in the total valuation allowance for the years ended March 31, 2004 and 2003 was a decrease of ¥3,342 million ($32 million) and a decrease of ¥1,240 million, respectively.

The valuation allowance primarily relates to valuation allowance for deferred tax assets associated with net operating loss carryforwards incurred by certain foreign subsidiaries. The Company has performed an analysis for each of these subsidiaries to assess their ability to realize such deferred tax assets. Considering scheduled reversal of deferred tax liabilities, projections for future taxable income, historical performance, tax planning strategies, market conditions and other factors, as appropriate, management believes it is more likely than not that these subsidiaries will realize their respective deferred tax assets (principally net operating loss carry forwards) net of existing valuation allowance, at March 31, 2004.

During the year ended March 31, 2004, the Company reversed a valuation allowance for deferred tax assets, amounting to ¥4,481 million ($43 million), related to tax loss carryforwards of Nusa Tenggara Mining Corporation ("NTMC"), a 74.3%-owned subsidiary of the Company, and deferred tax assets relating to NTMC's share of accumulated losses of the Butu Hijau project through its investment in the Nusa Tenggara Partnership (see Note 7). This reversal was based on the Company's projection of PTNNT earnings, which were calculated with reference to copper and gold prices under current market conditions. The Company considers that it is more likely than not that the deferred tax assets will be realized and a valuation allowance is no longer necessary.

As of March 31, 2004 and 2003, the Company has not provided a deferred tax liability on the undistributed earnings of its foreign subsidiaries and foreign corporate joint ventures because the Company does not intend to repatriate those unremitted earnings in the foreseeable future. A deferred tax liability will be recognized when the Company no longer plans to permanently reinvest the undistributed earnings. As of March 31, 2004 and 2003, the amounts of undistributed earnings of such foreign subsidiaries and foreign corporate joint ventures on which a deferred tax liability has not been recognized in the accompanying consolidated financial statements totaled to ¥134,546 million ($1,294 million) and ¥108,801 million, respectively. Calculation of the unrecognized deferred tax liability is not practicable.

As of March 31, 2004, the Companies have aggregate net operating loss carryforwards of ¥214,412 million ($2,062 million), which may be used as a deduction in the determination of taxable income in future periods. If not utilized, such loss carryforwards expire as follows:

Years ending March 31,	Millions of Yen	Millions of U.S. Dollars
2005	¥ 4,258	$ 41
2006	59,774	575
2007	5,437	52
2008	3,088	30
2009	5,202	50
2010 and thereafter	136,653	1,314
Total	¥ 214,412	$ 2,062

12. ACCRUED PENSION AND RETIREMENT BENEFITS

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

Net periodic pension costs of the Company's pension plans for the years ended March 31, 2004, 2003 and 2002 include the following components:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Service cost—benefits earned during the year	¥ 3,722	¥ 3,305	¥ 3,458	$ 36
Interest cost on projected benefit obligation	3,680	4,038	4,003	35
Expected return on plan assets	(2,637)	(2,673)	(2,466)	(25)
Net amortization	8,093	4,648	3,918	78
Net periodic pension cost	¥ 12,858	¥ 9,318	¥ 8,913	$ 124

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

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Change in benefit obligations:			
Projected benefit obligations, beginning of year	**¥ 147,475**	¥ 134,909	**$ 1,418**
Service cost	**3,722**	3,305	**36**
Interest cost	**3,680**	4,038	**35**
Actuarial loss	**8,947**	10,486	**87**
Benefits paid	**(5,472)**	(5,263)	**(53)**
Projected benefit obligations, end of year	**158,352**	147,475	**1,523**
Change in plan assets:			
Fair value of plan assets, beginning of year	**144,719**	137,980	**1,392**
Actual return on plan assets	**30,642**	(34,088)	**295**
Employer contribution	**9,505**	46,107	**91**
Benefits paid from plan assets	**(5,461)**	(5,280)	**(53)**
Divestitures*	**(17,000)**	—	**(163)**
Fair value of plan assets, end of year	**162,405**	144,719	**1,562**
Funded status	**4,053**	(2,756)	**39**
Unrecognized actuarial loss	**84,709**	111,861	**814**
Prepaid cost for retirement benefits	**¥ 88,762**	¥ 109,105	**$ 853**

*Divestitures represent return of the excess of plan asset over projected benefit obligation according to the Plans' policy.

The measurement dates used to determine the benefit obligations are March 31 of each year.

Because fair value of plan assets exceeded the accumulated benefit obligations as of March 31, 2004 and 2003, an additional minimum liability for retirement benefits in accumulated other comprehensive income (loss) was not recognized. Prepaid cost for retirement benefits as of March 31, 2004 and 2003 is included in "Prepaid expenses, non-current" in the accompanying consolidated balance sheets.

The Company contributed certain marketable equity securities as described in Note 5 to an employee retirement benefit trust (the "Trust") in the years ended March 31, 2004, 2003 and 2002. Those securities and cash held in this trust are qualified plan assets under SFAS No. 87, "Employers' Accounting for Pensions."

The Company's funding policy is based on a number of factors including the tax deductibility of contributions, the Plans' funded status, actuarial calculations and other considerations. 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. Also, the Company may contribute certain marketable equity securities, or cash to an employee retirement benefit trust in order to maintain a sufficient level of funding at the end of fiscal year.

The asset allocations are as follows:

	2004	2003
	Actual allocation	Actual allocation
Equity securities	**66%**	50%
Debt securities	**30%**	29%
Cash	**4%**	21%
Total	**100%**	100%

The Company sets investment policies, strategies and target allocation for the Plans and oversees the investment allocation process, which includes selecting investment managers, commissioning periodic asset-liability studies, setting long-term strategic targets and monitoring asset allocations. The target allocations are guidelines, not limitations, and occasionally the Company will approve allocations above or below a target allocation. As of March 31, 2004 and 2003, the actual allocations are almost the same level as the target allocations.

Assumptions used for the year ended March 31, 2004, 2003 and 2002 in determining costs for the Plans and the funded status information shown above are principally as follows:

Weighted average assumptions used to determine the net periodic benefit cost for the Plans

	2004	2003	2002
Discount rate	**2.5%**	3.0%	3.0%
Expected long-term rate of return on plan assets	**3.0%**	3.0%	3.0%
Rate of expectable salary increase	**3.0%**	3.0%	3.2%

Weighted average assumptions used to determine the benefit obligations

	2004	2003
Discount rate	**2.0%**	2.5%
Rate of expectable salary increase	**3.0%**	3.0%

The Company's expected long-term rate of return on plan assets assumption is derived from a detailed study, which includes a review of the asset allocation strategy, anticipated future long-term performance of individual asset classes, risks and correlations for each of the asset classes that comprise the funds' asset mix.

The accumulated benefit obligations for the defined benefit plans are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	2004
Accumulated benefit obligations, end of year	**¥ 153,274**	¥ 142,775	**$ 1,474**

The employer's contribution expected to be paid to the Plans during the year ending March 31, 2005 is ¥10,749 million ($103 million).

Most of the subsidiaries have unfunded retirement benefit 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 retirement benefits based on compensation at the time of retirement, years of service and other factors. As of March 31, 2004 and 2003, the benefit obligation of subsidiaries under these plans were ¥32,653 million ($314 million) at the discount rate of mainly 2.5% and at the expectable salary increase rate of mainly 1.5% and ¥30,977 million at the discount rate of mainly 2.5% and at the expectable salary increase rate of mainly 2.0% respectively, which were approximately equal to the aggregated fair value of plan assets and accrued pension and retirement benefitials.

The total amounts charged to income by subsidiaries for the years ended March 31, 2004, 2003 and 2002 were ¥4,932 million ($47 million), ¥3,746 million and ¥3,859 million, respectively.

In addition to unfunded retirement benefit plans or funded pension plans, certain domestic subsidiaries and associated companies also participate in a multiemployer defined benefit pension plan, recognizing as net pension cost the required contributions for a period and recognizing as a liability any contributions due and unpaid. The total amount of contributions to the plan during the years ended March 31, 2004, 2003 and 2002 were ¥1,431 million ($14 million), ¥1,589 million and ¥1,632 million, respectively.

13. 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 proceeds 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.

(b) Appropriated for Legal Reserve

The Code 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. The 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 principles generally accepted in Japan. The U.S. GAAP adjustments included in the accompanying consolidated financial statements but not recorded in the general accounting records, as explained under "Summary of Significant Accounting Policies" in Note 3, 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 ¥148,392 million ($1,427 million) and ¥135,972 million, shown by the Company's accounting records as of March 31, 2004 and 2003, respectively, exclusive of the amount previously appropriated for legal reserve, were not restricted by the limitations under the Code.

The Code permits transfers, upon shareholder approval, of a portion of unappropriated retained earnings available for dividends to common stock 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 and comprehensive income when approved.

The Board of Directors intends to recommend to the shareholders, at the general meeting to be held on June 22, 2004, the declaration of a cash dividend to shareholders of record as of March 31, 2004 of ¥4 ($0.04) per share for a total of ¥4,255 million ($41 million).

(d) Stock Option Plan

The Company has stock option plans for directors, executive officers of the Company, and corporate officers under the Company's qualification system. Under the plans, each stock option granted entitles the recipient to acquire 1,000 shares of common stock at an exercise price equal to the greater of (i) 105% of the average closing market price of the Company's common stock on the Tokyo Stock Exchange for the calendar month before the grant date, or (ii) the closing market price of the Company's common stock on the Tokyo Stock Exchange on the grant date.

The options granted vested 100% at grant date. The options granted are exercisable starting April 1 of the fiscal year after the fiscal year in which they are granted. They are exercisable for four years and three months from that date. The Company recognized no compensation expense related to the fixed price stock option plans for each of the years in the three-year period ended March 31, 2004, because no options were granted at a price below the market price on grant date.

On June 20, 2003, the shareholders authorized the issue of new stock options up to 173,000 shares of common stock before the next shareholders meeting. Options for 167,000 shares were granted under this authorization. The Board intends to propose to the shareholders at the general meeting to be held on June 22, 2004, the authorization of an additional issue of new stock options for up to 184,000 shares of common stock.

The following table summarizes information about stock option activity for the years ended March 31, 2004, 2003 and 2002:

	2004			2003		2002	
	Number of shares	Weighted average exercise price	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		Yen		Yen
Outstanding, beginning of year	**391,000**	**¥ 890**	**$ 9**	301,000	¥ 1,003	155,000	¥ 1,171
Granted	**167,000**	**632**	**6**	159,000	729	166,000	858
Exercised	**—**	**—**	**—**	—	—	—	—
Cancelled or expired	**71,000**	**910**	**9**	69,000	1,012	20,000	1,108
Outstanding, end of year	**487,000**	**798**	**8**	391,000	890	301,000	1,003
Options exercisable, end of year	**320,000**	**¥ 885**	**$ 9**	232,000	¥ 1,000	139,000	¥ 1,171

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2004:

	Outstanding				Exercisable		
Exercisable price range	Number of shares	Weighted average exercise price	Weighted average exercise price	Weighted average remaining life	Number of shares	Weighted average exercise price	Weighted average exercise price
Yen		Yen	U.S. Dollars			Yen	U.S. Dollars
¥ 601 — 800	301,000	¥ 675	$ 6	3.80	134,000	¥ 729	$ 7
801 — 1,000	103,000	858	8	2.25	103,000	858	8
1,001 — 1,200	83,000	1,171	11	1.25	83,000	1,171	11
	487,000	¥ 798	$ 8	3.04	320,000	¥ 885	$ 9

14. OTHER COMPREHENSIVE INCOME (LOSS)

Changes in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2004, 2003 and 2002 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2004	2003	2002	**2004**
Foreign currency translation adjustments:				
Balance, beginning of year	¥ (54,797)	¥ (40,885)	¥ (68,547)	$ (527)
Adjustment for the year	(26,099)	(13,912)	27,662	(251)
Balance, end of year	¥ (80,896)	¥ (54,797)	¥ (40,885)	$ (778)
Net unrealized holding gains (losses) on securities available for sale:				
Balance, beginning of year	¥ (9,377)	¥ 21,076	¥ 55,843	$ (90)
Adjustment for the year	79,485	(30,453)	(34,767)	764
Balance, end of year	¥ 70,108	¥ (9,377)	¥ 21,076	$ 674
Net unrealized gains (losses) on derivatives:				
Balance, beginning of year	¥ (819)	¥ (941)	¥ —	$ (8)
Cumulative effect of accounting change	—	—	(1,475)	—
Adjustment for the year	370	122	534	4
Balance, end of year	¥ (449)	¥ (819)	¥ (941)	$ (4)
Total accumulated other comprehensive income (loss):				
Balance, beginning of year	¥ (64,993)	¥ (20,750)	¥ (12,704)	$ (625)
Adjustment for the year	53,756	(44,243)	(8,046)	517
Balance, end of year	¥ (11,237)	¥ (64,993)	¥ (20,750)	$ (108)

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

2004:	Millions of Yen		
	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	**¥ (22,062)**	**¥ (3,854)**	**¥ (25,916)**
Reclassification adjustment for losses included in net income	**(183)**	**—**	**(183)**
Adjustment for the year	**(22,245)**	**(3,854)**	**(26,099)**
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains arising during the year	**174,138**	**(71,131)**	**103,007**
Reclassification adjustment for gains included in net income	**(39,754)**	**16,232**	**(23,522)**
Adjustment for the year	**134,384**	**(54,899)**	**79,485**
Net unrealized gains on derivatives:			
Unrealized gains arising during the year	**162**	**(66)**	**96**
Reclassification adjustment for losses included in net income	**465**	**(191)**	**274**
Adjustment for the year	**627**	**(257)**	**370**
Other comprehensive income	**¥ 112,766**	**¥ (59,010)**	**¥ 53,756**

2003:	Millions of Yen		
	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	¥ (17,370)	¥ 709	¥ (16,661)
Reclassification adjustment for losses included in net income	2,749	—	2,749
Adjustment for the year	(14,621)	709	(13,912)
Net unrealized holding losses on securities available for sale:			
Unrealized holding losses arising during the year	(92,777)	36,946	(55,831)
Reclassification adjustment for losses included in net income	42,530	(17,152)	25,378
Adjustment for the year	(50,247)	19,794	(30,453)
Net unrealized losses on derivatives:			
Unrealized losses arising during the year	(335)	137	(198)
Reclassification adjustment for losses included in net income	542	(222)	320
Adjustment for the year	207	(85)	122
Other comprehensive loss	¥ (64,661)	¥ 20,418	¥ (44,243)

2002:	Millions of Yen		
	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	¥ (3,747)	¥ 24,992
Reclassification adjustment for losses included in net income	2,670	—	2,670
Adjustment for the year	31,409	(3,747)	27,662
Net unrealized holding losses on securities available for sale:			
Unrealized holding losses arising during the year	(75,098)	30,660	(44,438)
Reclassification adjustment for losses included in net income	16,614	(6,943)	9,671
Adjustment for the year	(58,484)	23,717	(34,767)
Net unrealized losses on derivatives:			
Cumulative effect of accounting change	(2,542)	1,067	(1,475)
Reclassification adjustment for losses included in net income	919	(385)	534
Adjustment for the year	(1,623)	682	(941)
Other comprehensive loss	¥ (28,698)	¥ 20,652	¥ (8,046)

2004:	Millions of U.S. Dollars		
	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	**$ (212)**	**$ (37)**	**$ (249)**
Reclassification adjustment for losses included in net income	**(2)**	**—**	**(2)**
Adjustment for the year	**(214)**	**(37)**	**(251)**
Net unrealized holding gains on securities available for sale:			
Unrealized holding gains arising during the year	**1,674**	**(684)**	**990**
Reclassification adjustment for gains included in net income	**(382)**	**156**	**(226)**
Adjustment for the year	**1,292**	**(528)**	**764**
Net unrealized gains on derivatives:			
Unrealized gains arising during the year	**2**	**(1)**	**1**
Reclassification adjustment for losses included in net income	**4**	**(1)**	**3**
Adjustment for the year	**6**	**(2)**	**4**
Other comprehensive income	**$ 1,084**	**$ (567)**	**$ 517**

15. DERIVATIVES AND HEDGING ACTIVITIES

Risk management policy

The Companies operate internationally, exposing them to the risk of changes in foreign exchange rates, interest rates and commodity prices. Derivative financial instruments are comprised principally of foreign exchange contracts, interest rate swaps and commodity future contracts utilized by the Company and certain of its subsidiaries to reduce these risks. The Companies assess foreign currency exchange rate risk, interest rate risk and commodity price risk by continually monitoring changes in these exposures and by evaluating hedging opportunities. The Companies hold or issue commodity derivatives for trading purposes. The Companies are also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions and contracts are diversified across a number of major financial institutions.

Foreign currency exchange rate risk management

The Companies operate internationally and are exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which the Companies operate. The Companies' strategy to manage foreign currency risks is to net foreign currency exposures on recognized assets, liabilities and unrecognized firm commitments by taking advantage of natural offsets, and purchase foreign exchange forward contracts and other contracts to preserve the economic value of cash flows in non-functional currencies.

Interest rate risk management

The Companies' exposure to the market risk of changes in interest rates relate primarily to its debt obligations. The fixed-rate debt obligations expose the Companies to variability in their fair values due to changes in interest rates. To manage the variability in fair values caused by interest rate changes, the Companies enter into interest rate swaps when it is determined to be appropriate based on market conditions. The interest rate swaps change the fixed-rate debt obligations to variable-rate debt obligations by entering into receive-fixed, pay-variable interest rate swaps. The hedging relationship between the interest rate swaps and its hedged debt obligations is highly effective in achieving offsetting changes in fair values resulting from interest rate risk.

Commodity price risk management

The Companies are exposed to price fluctuations of commodities used in their trading and other operating activities. To hedge the variability in commodity prices, the Companies enter into commodity futures, forwards and swaps contracts. These contracts relate principally to precious metals, nonferrous metals, crude oil and agricultural products.

Fair-value hedges

Fair-value hedges are hedges that eliminate the risk of changes in the fair values of assets and liabilities. The Companies use interest rate swaps to hedge the change of fair value on fixed-rate borrowings used to fund assets earning interest at variable rates. Changes in the fair value of derivatives designated as fair-value hedges are recorded in earnings and are offset by corresponding changes in the fair value of the hedged item to the extent of the hedge effectiveness.

Cash-flow hedges

Cash-flow hedges are hedges that use derivatives to offset the variability of expected future cash flows. The Companies use interest rate swaps to hedge the variability of cash flows related to floating-rate borrowings. The Companies record changes in the fair value of the interest rate swaps in other comprehensive income (loss) as a separate component of shareholders' equity. Such amounts are released to earnings contemporaneously when the hedged item affects earnings. For the year ended March 31, 2004, net derivative losses of ¥274 million ($2 million), net of related income tax benefit of ¥191 million ($2 million), were reclassified into earnings. For the year ended March 31, 2003, net derivative losses of ¥320 million, net of related income tax benefit of ¥222 million, were likewise reclassified. At March 31, 2004, the amount that was expected to be reclassified into earnings, net of the related tax benefit, within the next fiscal year was ¥173 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 remeasured with the changes in fair-value attributable to the hedged risk reported currently in earnings. The Companies use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting.

The Companies use foreign exchange forward contracts to economically hedge the fluctuations of foreign exchange rates on foreign currency assets, liabilities and unrecognized firm commitments. The Companies also enter into commodity forwards, futures and swap contracts to economically hedge their inventories and unrecognized firm commitments against market price fluctuations. Certain commodity derivatives are entered into for trading purposes in extent of an approval of the management. These derivatives do not qualify for hedge accounting and any changes in their fair value are recognized to earnings.

Earnings effects of derivatives

For the years ended March 31, 2004 and 2003, the amount of hedge ineffectiveness recognized on fair-value hedges was losses of ¥2 million ($0 million) and gains of ¥6 million, respectively. There was no gains or losses excluded from the assessment of hedge effectiveness for the years ended March 31, 2004 and 2003.

In the context of hedging relationships, "Effectiveness" refers to the degree to achieving offsetting changes in fair value or offsetting the variability in cash flows attributable to the risk being hedged.

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

16. 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 the Companies' financial instruments, and, therefore, fair values for such financial instruments are estimated using discounted cash flow analysis or other valuation techniques as deemed appropriate.

Cash, Cash Equivalents, Short-Term Investments, Accounts Receivable, Accounts Payable and Note Payable

The carrying amount approximates fair value of these instruments because of their short-term maturities.

Marketable Securities and Other Investments

The fair value of marketable securities was estimated using quoted market prices. Other investments include investments in common stock of non-traded and unaffiliated companies such as customers and suppliers, and investments in non-listed preferred stock of certain financial institutions. It is not practicable to estimate the fair value of investments in unlisted common stock because of the lack of a market price and difficulty in estimating fair value without incurring excessive cost (see Note 5).

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.

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.

Guarantee of Third Party Debt

As a result of the adoption of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", the fair values of financial guarantees are estimated based on the premiums received or receivables by guarantors in an arm's length transactions with unrelated parties.

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.

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, 2004 and 2003 were as follows:

As of March 31, 2004:	Millions of Yen			Millions of U.S. Dollars		
	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	¥ —	¥ 693,513	¥ 701,183	$ —	$ 6,668	$ 6,742
Financial Liabilities:						
Long-term debt, including current maturities	—	2,549,037	2,561,723	—	24,510	24,632
Derivative Financial Instruments (Assets):						
Interest rate swap	757,677	30,597	30,597	7,285	294	294
Currency swap agreements, and currency option	101,824	6,259	6,259	979	60	60
Foreign exchange forward contracts	208,210	4,604	4,604	2,002	44	44
Derivative Financial Instruments (Liabilities):						
Interest rate swap	168,639	(2,454)	(2,454)	1,622	(24)	(24)
Currency swap agreements, and currency option	17,818	(1,405)	(1,405)	171	(14)	(14)
Foreign exchange forward contracts	223,527	(9,031)	(9,031)	2,149	(87)	(87)

As of March 31, 2003:	Millions of Yen		
	Notional amount	Carrying amount	Fair value
Financial Assets:			
Non-current trade receivables and advances to associated companies, less allowance for doubtful receivables	¥ —	¥ 744,396	¥ 757,311
Financial Liabilities:			
Long-term debt, including current maturities	—	2,428,121	2,445,573
Derivative Financial Instruments (Assets):			
Interest rate swap	903,864	49,720	49,720
Currency swap agreements, and currency option	75,243	2,773	2,773
Foreign exchange forward contracts	239,804	5,597	5,597
Derivative Financial Instruments (Liabilities):			
Interest rate swap	7,472	(884)	(884)
Currency swap agreements, and currency option	31,127	(2,839)	(2,839)
Foreign exchange forward contracts	165,069	(1,582)	(1,582)

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 credit 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. Credit risk is managed through the credit line approved by management and by monitoring the counterparties periodically. The Companies require collateral to the extent considered necessary. There was no major customer, which has more than 10% of the sales transactions with the Companies for the years ended March 31, 2004, 2003 and 2002.

17. NET INCOME PER SHARE

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the years ended March 31, 2004, 2003 and 2002 is as follows:

	Millions of Yen			Millions of U.S. Dollars
Income (Numerator)	**2004**	2003	2002	**2004**
Net income–basic	¥ **66,621**	¥ 13,874	¥ 47,730	$ **641**
Effect of dilutive securities:				
1.6% Japanese yen convertible debentures, due 2002	—	—	38	—
1.5% Japanese yen convertible debentures, due 2004	**331**	331	325	**3**
Net income–diluted	¥ **66,952**	¥ 14,205	¥ 48,093	$ **644**

	Number of shares		
Shares (Denominator)	**2004**	2003	2002
Weighted-average shares–basic	**1,063,190,319**	1,063,908,266	1,064,206,644
Dilutive effect of:			
Stock options	**9,287**	—	—
1.6% Japanese yen convertible debentures, due 2002	—	—	2,825,490
1.5% Japanese yen convertible debentures, due 2004	**28,854,764**	28,854,764	28,854,764
Weighted-average shares –diluted	**1,092,054,370**	1,092,763,030	1,095,886,898

	Yen			U.S. Dollars
	2004	2003	2002	**2004**
Net income per share:				
Basic	**¥ 62.66**	¥ 13.04	¥ 44.85	**$ 0.60**
Diluted	**61.31**	13.00	43.89	**0.59**

18. SEGMENT INFORMATION

The Companies conduct business through the nine industry-based business segments as described in Note 1 and two sets of regional operations; domestic and overseas described as follows.

Domestic Regional Business Units and Offices—Domestic Regional Business Units and Offices segment conducts domestic regional operations in three regional business units, focused in the Kansai, Chubu and Kyushu-Okinawa regions, and two other regional offices. This region-focused operation conducts business activities in all industry sectors based on their specialized knowledge of the region. The region-focused operation also works together on certain projects with the industry-based business segments in order to develop products and services that are more focused on that particular region.

Overseas Subsidiaries and Branches—The Overseas Subsidiaries and Branches Units segment includes subsidiaries, branches located throughout the world and representative offices in China, with the largest operations in the United States, United Kingdom, and China. This region-focused operation conducts business activities in all industry sectors based on their specialized knowledge of the region. The region-focused operation also works together on certain projects with the industry-based business segments in order to develop products and services that are more focused on that particular region.

Each business segment operates with a degree of autonomy in pursuing strategic goals, managing operations and ensuring accountability. Each business segment also has its own planning and administration department and separate financial reporting. The reportable segments are organized based on the nature of products and services provided and on certain specific domestic and overseas region that oversee the business activities of all business in those regions. Segment financial information is evaluated regularly by the chief operating decision maker in order to assess performance and determine the allocation of resources.

For the fiscal year ended March 31, 2004, the real estate related business previously included in the Domestic Regional Business Units and Offices segment has been transferred to the Materials & Real Estate Business Unit segment due to the Companies' reorganization. Accordingly, revenues, gross profit, net income, segment assets, depreciation and amortization, capital expenditures, and total trading transactions for the years ended March 31, 2003 and 2002 have been restated to conform to the presentation for the fiscal year ended March 31, 2004.

Information by operating segment for the years ended March 31, 2004, 2003 and 2002 are summarized as follows:

Operating Segments:

2004:	Millions of Yen						
Segment	Revenues	Gross profit	Net income	Segment assets	Depreciation and amortization	Capital expenditures	Total trading transactions*
Metal Products	**¥ 203,274**	**¥ 41,965**	**¥ 7,600**	**¥ 390,391**	**¥ 1,781**	**¥ 3,063**	**¥ 976,822**
Transportation & Construction Systems	**557,760**	**98,586**	**9,555**	**792,960**	**28,960**	**85,617**	**1,535,512**
Machinery & Electric	**78,681**	**28,235**	**1,789**	**435,727**	**2,239**	**7,998**	**1,329,198**
Media, Electronics & Network	**82,287**	**40,758**	**7,473**	**374,952**	**1,987**	**5,795**	**418,226**
Chemical	**42,485**	**22,791**	**(140)**	**174,866**	**2,288**	**1,561**	**429,918**
Mineral Resources & Energy	**72,070**	**27,126**	**7,127**	**345,682**	**14,381**	**39,807**	**1,420,501**
Consumer Goods & Service	**303,637**	**90,440**	**5,789**	**304,593**	**4,838**	**12,223**	**831,403**
Materials & Real Estate	**87,096**	**47,830**	**9,150**	**615,253**	**12,027**	**6,828**	**366,971**
Financial & Logistics	**76,509**	**15,675**	**2,441**	**193,540**	**620**	**1,796**	**96,626**
Domestic Regional Business Units and Offices	**61,985**	**40,437**	**1,661**	**379,277**	**2,147**	**5,681**	**1,156,594**
Overseas Subsidiaries and Branches	**162,043**	**55,767**	**7,006**	**493,258**	**4,880**	**3,312**	**1,151,742**
Segment Total	**1,727,827**	**509,610**	**59,451**	**4,500,499**	**76,148**	**173,681**	**9,713,513**
Corporate and Eliminations	**(19,231)**	**(8,278)**	**7,170**	**511,966**	**5,029**	**12,425**	**(515,631)**
Consolidated	**¥1,708,596**	**¥ 501,332**	**¥ 66,621**	**¥5,012,465**	**¥ 81,177**	**¥ 186,106**	**¥9,197,882**

2003:	Millions of Yen						
Segment	Revenues	Gross profit	Net income	Segment assets	Depreciation and amortization	Capital expenditures	Total trading transactions*
Metal Products	¥ 157,567	¥ 37,179	¥ 6,341	¥ 344,055	¥ 1,989	¥ 1,573	¥ 920,406
Transportation & Construction Systems	431,282	86,154	5,640	764,872	22,209	49,983	1,370,104
Machinery & Electric	88,293	28,622	1,827	451,214	2,304	6,927	1,431,458
Media, Electronics & Network	81,940	40,870	8,527	339,205	2,120	1,486	372,712
Chemical	42,672	23,556	1,067	186,508	993	367	403,444
Mineral Resources & Energy	80,543	31,626	3,857	309,513	2,235	4,835	1,412,064
Consumer Goods & Service	278,920	86,052	5,293	271,461	4,191	7,583	866,143
Materials & Real Estate	89,087	57,811	(5,729)	602,808	9,695	5,639	493,303
Financial & Logistics	78,776	15,506	1,998	161,539	388	1,163	112,106
Domestic Regional Business Units and Offices	62,103	41,781	2,466	416,567	1,267	1,324	1,292,510
Overseas Subsidiaries and Branches	171,698	59,335	7,127	503,706	2,980	2,668	1,102,333
Segment Total	1,562,881	508,492	38,414	4,351,448	50,371	83,548	9,776,583
Corporate and Eliminations	(24,553)	(12,043)	(24,540)	504,709	21,446	24,361	(547,007)
Consolidated	¥1,538,328	¥ 496,449	¥ 13,874	¥4,856,157	¥ 71,817	¥ 107,909	¥9,229,576

2002:	Millions of Yen						
Segment	Revenues	Gross profit	Net income	Segment assets	Depreciation and amortization	Capital expenditures	Total trading transactions*
Metal Products	¥ 133,632	¥ 36,602	¥ 4,512	¥ 314,112	¥ 1,774	¥ 2,564	¥ 915,232
Transportation & Construction Systems	371,201	78,427	4,195	740,459	23,391	56,797	1,262,443
Machinery & Electric	39,178	30,639	4,070	421,488	2,363	5,398	1,699,860
Media, Electronics & Network	81,458	41,946	6,255	291,370	1,837	8,404	464,752
Chemical	44,783	25,534	1,689	204,780	1,360	2,608	427,071
Mineral Resources & Energy	77,941	30,059	2,403	266,705	2,407	3,147	1,203,170
Consumer Goods & Service	257,916	81,925	5,060	277,404	862	8,239	907,885
Materials & Real Estate	90,671	54,949	2,899	632,542	7,698	47,702	706,700
Financial & Logistics	78,785	14,546	1,573	154,240	3,775	2,422	105,064
Domestic Regional Business Units and Offices	63,139	40,744	4,177	438,488	1,140	2,208	1,613,407
Overseas Subsidiaries and Branches	167,822	59,090	7,918	477,281	4,019	3,449	1,001,664
Segment Total	1,406,526	494,461	44,751	4,218,869	50,626	142,938	10,307,248
Corporate and Eliminations	(20,643)	(7,187)	2,979	641,286	14,998	6,584	(661,869)
Consolidated	¥1,385,883	¥ 487,274	¥ 47,730	¥4,860,155	¥ 65,624	¥ 149,522	¥9,645,379

2004:	Millions of U.S. Dollars						
Segment	Revenues	Gross profit	Net income	Segment assets	Depreciation and amortization	Capital expenditures	Total trading transactions*
Metal Products	$ 1,955	$ 403	$ 73	$ 3,754	$ 17	$ 29	$ 9,392
Transportation & Construction Systems	5,363	948	92	7,624	278	823	14,765
Machinery & Electric	757	271	17	4,190	22	77	12,781
Media, Electronics & Network	791	392	72	3,605	19	56	4,021
Chemical	408	219	(1)	1,681	22	15	4,134
Mineral Resources & Energy	693	261	69	3,324	138	383	13,659
Consumer Goods & Service	2,920	870	56	2,929	46	117	7,994
Materials & Real Estate	837	460	88	5,916	116	66	3,529
Financial & Logistics	736	151	23	1,861	6	17	929
Domestic Regional Business Units and Offices	596	389	16	3,647	21	55	11,121
Overseas Subsidiaries and Branches	1,558	536	67	4,743	47	32	11,074
Segment Total	16,614	4,900	572	43,274	732	1,670	93,399
Corporate and Eliminations	(185)	(79)	69	4,923	49	119	(4,958)
Consolidated	$ 16,429	$ 4,821	$ 641	$ 48,197	$ 781	$ 1,789	$ 88,441

Certain restatements and reclassifications for the years ended March 31, 2003 and 2002 have been made to conform to the presentation for March 31, 2004.

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

Transfers between segments are made at arm's-length prices.

*Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under U.S. GAAP.

Geographic Information:

2004:	Millions of Yen		Millions of U.S. Dollars	
	Revenues	Long-lived assets	Revenues	Long-lived assets
Japan	¥ 985,172	¥ 741,741	$ 9,473	$ 7,132
Asia	117,667	21,330	1,131	205
North America:				
U.S.	194,218	29,438	1,868	283
Other	81,535	12,457	784	120
Europe	225,121	74,705	2,165	718
Other	104,883	65,878	1,008	634
Total	¥1,708,596	¥ 945,549	$ 16,429	$ 9,092

2003:	Millions of Yen	
	Revenues	Long-lived assets
Japan	¥ 925,556	¥ 759,630
Asia	94,765	20,855
North America:		
U.S.	193,074	37,346
Other	70,735	13,223
Europe	177,336	76,365
Other	76,862	33,036
Total	¥1,538,328	¥ 940,455

2002:	Millions of Yen	
	Revenues	Long-lived assets
Japan	¥ 857,256	¥ 734,975
Asia	58,299	21,342
North America:		
U.S.	187,304	42,025
Other	79,008	12,725
Europe	142,155	70,798
Other	61,861	32,134
Total	¥1,385,883	¥ 913,999

19. FOREIGN EXCHANGE GAINS AND LOSSES

Transaction gains and losses resulting from translating assets and liabilities denominated in a currency other than the functional currency of the reporting entity or from settling such items are included in earnings as they arise. Net foreign currency transaction losses of ¥3,463 million ($33 million), losses of ¥4,477 million, and gains of ¥2,018 million were included in the determination of net income for the years ended March 31, 2004, 2003 and 2002, respectively.

20. INVENTORIES

Major segments that hold inventories are Transportation & Construction Systems, Materials & Real Estate, Overseas Subsidiaries and Branches, and Metal Products. Real estate held for development and resale aggregated ¥67,863 million ($653 million) and ¥62,180 million as of March 31, 2004 and 2003, respectively, mainly in Materials & Real Estate.

21. LEASES

Lessor

The Companies lease vehicles, vessels, service equipment, and others under arrangements which are classified as direct financing leases under SFAS No. 13, "Accounting for Leases."

Net investments in direct financing leases at March 31, 2004 and 2003, included in "Receivables—trade" and "Long-term receivables" in the accompanying consolidated balance sheets, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2004	2003	**2004**
Gross investments in direct financing leases	**¥ 219,935**	¥ 235,998	**$ 2,115**
Unguaranteed residual value	**2,043**	3,381	**19**
Less: unearned income	**(23,444)**	(30,193)	**(225)**
Net investments	**¥ 198,534**	¥ 209,186	**$ 1,909**

The Companies also lease aircrafts, office buildings and other industrial properties and equipment to third parties under operating leases. The cost and accumulated depreciation of the leased property at March 31, 2004, were ¥245,601million ($2,362 million) and ¥104,965 million ($1,009 million), respectively, and are included in "Property and equipment" (see Note 8).

Future minimum lease payments to be received as of March 31, 2004 are as follows:

	Millions of Yen			Millions of U.S. Dollars		
Year ending March 31,	Direct financing leases	Operating leases	Total	Direct financing leases	Operating leases	Total
2005	¥ 55,586	¥ 47,236	¥ 102,822	$ 534	$ 454	$ 989
2006	47,090	31,172	78,262	453	300	752
2007	34,421	22,011	56,432	331	212	542
2008	23,302	15,253	38,555	224	147	371
2009	15,260	8,574	23,834	147	82	229
2010 and thereafter	44,276	13,519	57,795	426	130	556
Total	¥ 219,935	¥ 137,765	¥ 357,700	$ 2,115	$ 1,325	$ 3,439

Lessee

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, 2004, 2003 and 2002 was ¥25,411 million ($244 million), ¥24,317 million and ¥24,757 million, respectively. Certain lease contracts for equipment are classified as capital leases in conformity with SFAS No. 13 and are capitalized on the accompanying consolidated balance sheets and included in "Property and equipment" (see Note 8).

As of March 31, 2004, the future minimum lease payments under capital lease and non-cancelable operating leases are as follows:

	Millions of Yen			Millions of U.S. Dollars		
Years ending March 31,	Capital leases	Non-cancelable operating leases	Total	Capital leases	Non-cancelable operating leases	Total
2005	¥ 17,207	¥ 14,492	¥ 31,699	$ 165	$ 139	$ 304
2006	12,156	12,770	24,926	117	123	240
2007	8,068	10,920	18,988	78	105	183
2008	4,773	9,672	14,445	46	93	139
2009	3,556	8,748	12,304	34	84	118
2010 and thereafter	949	51,278	52,227	9	493	502
	46,709	107,880	154,589	449	1,037	1,486
Less: amount representing interest	(2,540)			(24)		
	¥ 44,169			$ 425		

22. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

The Companies customarily enter into long-term purchase commitments for certain items, principally ocean transport vessels and industry materials, either at fixed prices or at basic purchase prices adjustable to market. Such purchase commitments are in most instances matched with counter-party sales contracts. Long-term purchase contracts at fixed prices or at basic purchase prices adjustable to market amounted to ¥349,729 million ($3,363 million) as of March 31, 2004. Scheduled deliveries are at various dates through 2020.

The Companies also had long-term financing commitments of ¥32,260 million ($310 million) as of March 31, 2004 for loans, investments in equity capital and financing on a deferred-payment basis for the cost of equipment to be purchased by customers.

(b) Guarantees

The Companies enter into various guarantee agreements. These agreements arise in transactions related to enhancing the credit standings of associated companies, suppliers, buyers and employees, and residual values on operating leases.

The Companies adopted the provisions of FASB Interpretation No. 45. This Interpretation requires that the Companies recognize the fair value of guarantee and indemnification arrangements issued or modified after December 31, 2002, if these arrangements are within the scope of this Interpretation. The carrying amounts of the liabilities recognized for the Companies' obligations as a guarantor under those guarantees as of March 31, 2004 were insignificant.

The following table provides the undiscounted maximum amount of potential future payments for each major group of guarantees:

As of March 31, 2004:	Millions of Yen	Millions of U.S. Dollars
Discounted trade notes receivable with banks	¥ 50,455	$ 485
Guarantees of indebtedness:		
Associated companies	32,026	308
Third parties	64,177	617
Employees	6,879	66
Residual value guarantees	11,580	112
Total	¥ 165,117	$ 1,588

Discounted Trade Note Receivable with Banks

The Companies are contingently liable for trade notes receivable sold to banks on a discounted basis with recourse to the Companies. These notes arise mainly from export transactions and mature through 2005. If an issuer of a note defaults on its payment, the Companies would be required to pay the banks for any loss. ¥36,783 million ($354 million) of discounted trade notes receivable outstanding as of March 31, 2004 was covered by letters of credit, whereby other banks would be required to pay for any defaults by the issuers of the notes. The Companies provided an allowance for losses of ¥73 million ($1 million) as of March 31, 2004 in "Other current liabilities" in the accompanying consolidated balance sheets for estimated losses on the discounted trade notes receivable.

Guarantees of Indebtedness for Associated Companies

The Companies provide guarantees on certain of their associated companies' borrowings from banks, payables to suppliers and other indebtedness. These guarantees mature through 2021. Certain guarantees were guaranteed by third parties. Such third-party guarantees aggregated ¥1,458 million ($14 million) as of March 31, 2004. The Companies would be obligated to reimburse the banks for losses, if any, a borrower defaults on a guaranteed loan.

Guarantees of Indebtedness for Third Parties

The Companies also provide guarantees of indebtedness for third parties. These guarantees are arranged mainly with suppliers and customers and mature through 2014. The Companies must pay if a guaranteed party defaults on a guaranteed indebtedness. Certain guarantees were guaranteed by third parties. Such third-party guarantees aggregated ¥19,195 million ($185 million) as of March 31, 2004. Certain of these guarantees are collateralized by borrower assets.

Guarantees of Indebtedness for Employees

The Company offers guarantees to banks for housing loans of employees as employee benefit. The maximum maturity of the guarantees is 25 years. The Companies would be obligated to reimburse the bank for losses, if any, if the employee defaults on a guaranteed loan. These guarantees are collateralized by the housing units related to the loans.

Residual Value Guarantees

The Companies also provide residual value guarantees to owners of transportation equipment leased by third parties under operating leases to compensate for the gap between fixed prices and actual disposal proceeds on dates specified in these contracts. These specified dates ranged from years 2012 to 2015 as of March 31, 2004. If the actual disposal amount of the equipment is less than the guaranteed value on the specified date, the Companies will be required to compensate for the shortfall so long as obligations by the lessee under the contract are satisfied. The current estimated future values of such transportation equipment are higher than the guaranteed values, and, accordingly, no allowance has been provided as of March 31, 2004.

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

(c) Litigation

(1) The Copper-Related Litigation

In June 1996, the Company announced that it had incurred significant losses arising from the decade-long unauthorized copper trading by a former employee.

During the year ended March 31, 2004, the following individual lawsuits were resolved; In April 2003, three individual lawsuits pending against the Company in the U.S. and the U.K. were settled jointly on terms favorable to the Company and the respective U.S. and U.K. courts consequently dismissed these claims. As a result of the settlement, the Company recovered legal fees incurred in defending these claims from one of the plaintiffs in these matters. In June 2003, the Company reached a settlement with a plaintiff in one individual lawsuit pending against the Company in Wisconsin and the Company paid $29.5 million. In October 2003, the Company reached a settlement with a plaintiff in one individual lawsuit pending against the Company in Wisconsin and the Company paid $17.5 million.

As of the end of March 2004, the Company has one class action suit pending in Canada and one individual lawsuit pending against it in the U.S. The class action suit purports to represent Canadians and Canadian entities who purchased physical copper. The plaintiff asserts damages for civil conspiracy and conduct that is contrary to the Canadian Competition Act et al, in the amount of CA$40 million and punitive and exemplary damages in the amount of CA$10 million. The class action is now pending in Ontario Superior Court. The individual lawsuit in the U.S. has similar U.S. antitrust law claims, seeking at least about $355 million in damages (before trebling). In November 2003, the Wisconsin federal court granted the motion to dismiss filed by the Company and rendered an order dismissing the case. In March 2004, the plaintiff appealed the case to the Court of Appeals for the Seventh Circuit. The Company expects to prevail as it has valid defense to these actions and intends to vigorously defend itself. However, it is not possible to predict or determine the outcome of such litigation, and accordingly, the Company can provide no assurance that it will prevail. An unfavorable outcome could have a material adverse impact on its consolidated results of operations, liquidity and financial position.

The Company has sued two companies for recovery of losses incurred in connection with the copper incident in the U.K. and Japan. Although in the lawsuit in Japan the Company is seeking approximately ¥27.8 billion in damages, in May 2004 the Tokyo District Court issued a judgment in favor of the defendant, and the Company has appealed to the Tokyo High Court. In the lawsuit in the U.K., the Company is seeking approximately $695 million in damages. The suit is now pending in the High Court of Justice. No gain will be recognized in the consolidated financial statements until the recoverable amount has been determined, the legal process is complete, and a favorable outcome is assured.

Those settlement receipts and payments are stated in “Settlements on copper trading litigation” in the accompanying consolidated statements of income for the years ended March 31, 2004, 2003 and 2002, net of related attorney fees.

(2) Other Litigation

In addition to the situation described in the preceding paragraph (1), the Companies are 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 on result of operations of the Companies.

23. SUBSEQUENT EVENTS

On May 27, 2004, the Company and its U.S. subsidiary entered into an agreement to purchase JWC Hartz Holdings, Inc., the holding company of The Hartz Mountain Corporation, a U.S. pet supplies company, from J. W. Childs Equity Partners II, L.P., for approximately ¥40 billion.

Through this acquisition, the Companies will enter into the U.S. pet supplies business. The Hartz Mountain Corporation produces and sells pet supplies with six manufacturing facilities in the U.S. and Brazil and three distribution centers in North America.

Independent Auditors' Report

KPMG

The Board of Directors and Shareholders
Sumitomo Corporation :

We have audited the accompanying consolidated balance sheets of Sumitomo Corporation and subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2004, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Corporation and subsidiaries as of March 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 of the notes to consolidated financial statements, the Company restated its consolidated financial statements as of March 31, 2003 and for the two years ended March 31, 2003.

The consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the amounts in the accompanying consolidated financial statements translated into United States dollars have been computed on the basis set forth in Note 3 of the notes to consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
April 28, 2004
(Except for the matters discussed in Note 23 of the notes to consolidated financial statements, as to which the date is May 27, 2004)

Corporate Information

(As of March 31, 2004)

Date of Establishment:	December 24, 1919
Consolidated Shareholders' Equity:	¥730.8 billion
Number of Consolidated Subsidiaries:	Overseas 383
	Domestic 192
Associated Companies: (equity method)	Overseas 130
	Domestic 87
	Total 792

Fiscal Year End:	March 31
Headquarters:	1-8-11, Harumi, Chuo-ku, Tokyo 104-8610, Japan
Number of Employees:	Total including Consolidated Subsidiaries 33,799
	Non-Consolidated 4,683

Stock Information

(As of July 1, 2004)

Stock Listings: Tokyo, Osaka, Nagoya, Fukuoka

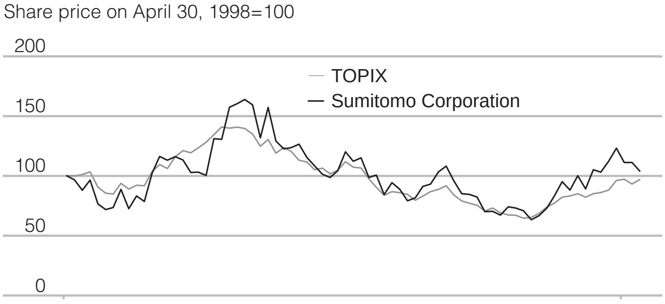
American Depository Receipts

Ratio:	1ADR:1ORD
Exchange:	OTC (Over-the-Counter)
Symbol :	SSUMY
CUSIP Number:	865613103

Depository and Registrar:	CITIBANK, N.A. Depositary Receipts Services 388 Greenwich Street, 14th Floor, New York, NY 10013 USA
Toll Free Number:	1-877-CITI-ADR (248-4237)
Overseas Dial-In:	1-816-843-4281
e-mail:	citibank@em.fcnbd.com
URL:	http://www.citibank.com/adr

Stock Index

Share price on April 30, 1998=100



Stock Price and Trading Volume

		'03/4	5	6	7	8	9	10	11	12	'04/1	2	3	4	5	6
Stock Price (Yen)	High	542	530	585	687	743	751	836	791	799	832	855	958	972	853	889
	Low	445	472	511	551	591	663	667	668	661	766	726	856	842	750	774
Trading Volume		53,902	52,939	88,262	101,120	88,695	61,106	88,235	39,748	84,512	68,456	58,663	98,956	98,600	86,364	105,801

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

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