

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



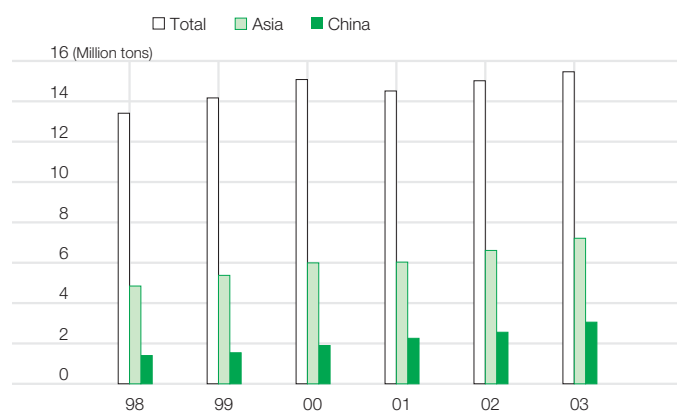
Batu Hijau mining site

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.

Global Copper Consumption



Business Overview, Our Strategies and Strengths

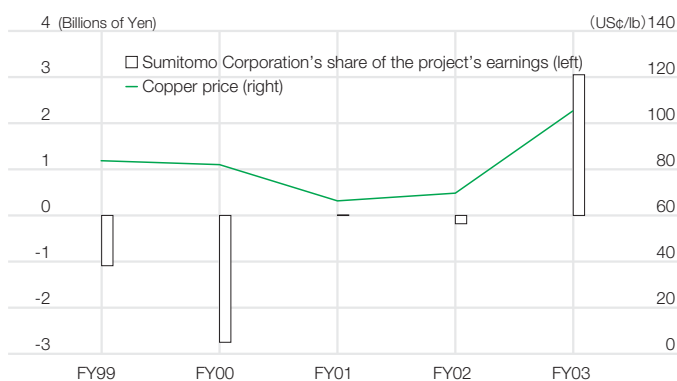
1. Business Overview

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.

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

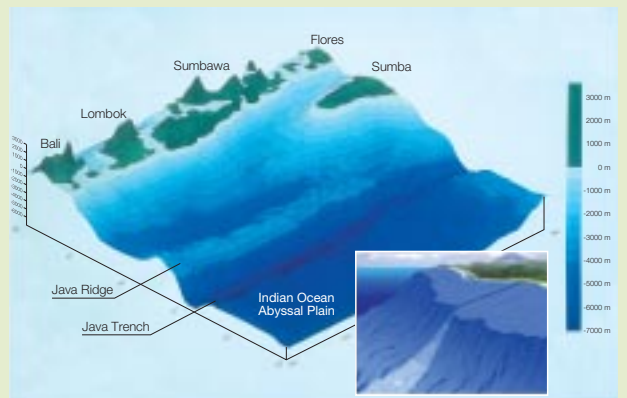
The Batu Hijau Project's contributions to local communities are not limited to direct benefits such as the payment of royalties to the Indonesian government, and the creation of employment opportunities. The Project is also working to develop industry in the surrounding areas, and to construct social 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

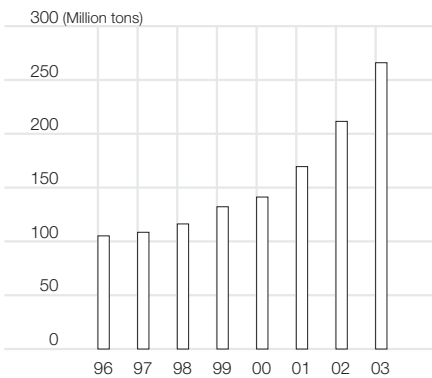
Our dominance in the steel service center business is based on three factors. First, as our customers have expanded offshore, we have built a network of steel service centers close to their production bases, thereby allowing us to accurately and promptly respond to their needs. Second, we continue to 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 (dealer-ship) 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.

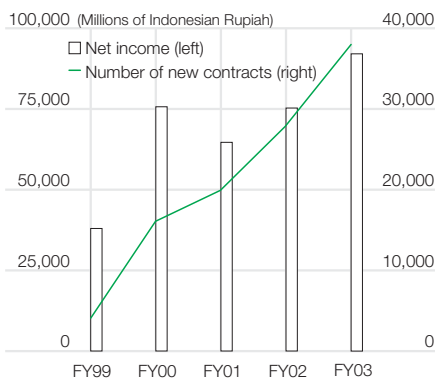
2. Our Strategies and Strengths

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

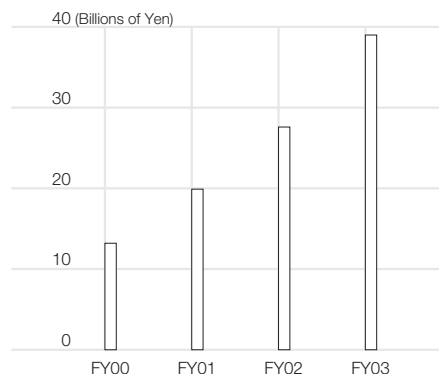
Presently, the SHOP CHANNEL can be viewed by 17 million households, or about one-third of all households in Japan. This already constitutes a sizable business base, but with a view to further growth JSC is implementing the following three strategies:

- 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.

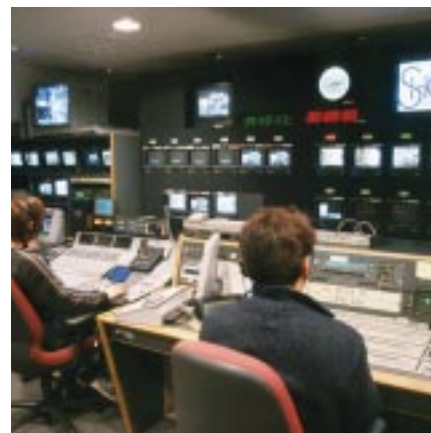
Performance and Outlook

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