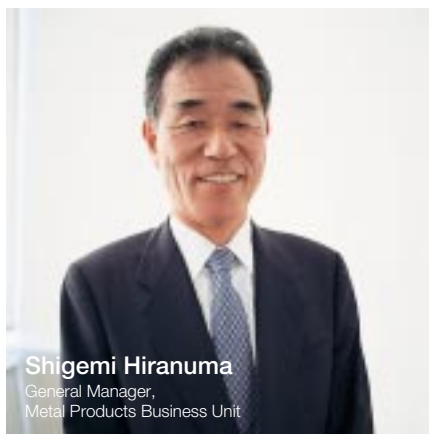




Overview of Operations

Metal Products Business Unit



Innovative Services with a Strong Customer Orientation

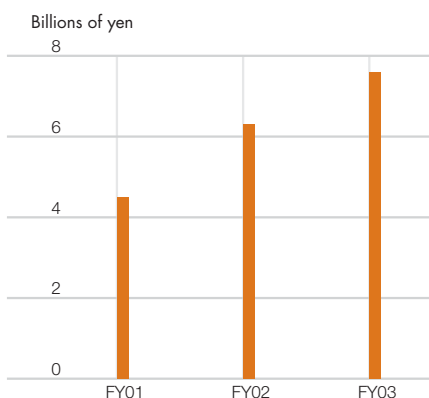
We handle various metal products, including (1) steel bars and sections for construction use; (2) steel sheets, steel plates, wire, and specialty steel for automobiles, home electrical appliances, and shipbuilding; (3) Oil Country Tubular Goods (OCTG) and line pipes for oil and natural gas; and (4) aluminum 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.

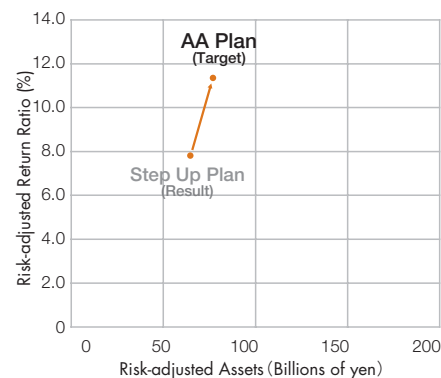
Performance Highlights

	FY01	FY02	(Billions of yen) 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

- 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.



Line pipes installation site in Azerbaijan

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

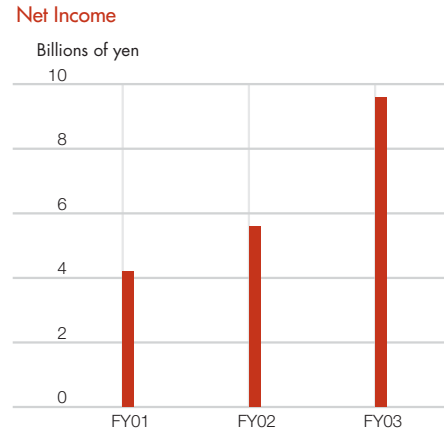
In fiscal year 2003, we generated gross profit of ¥42.0 billion, up 12.9% from the previous year's result. Net income rose 20.6%, to ¥7.6 billion. The solid improvement in earnings reflected higher revenues from steel service center operations in Asia and from steel product businesses acquired through 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.



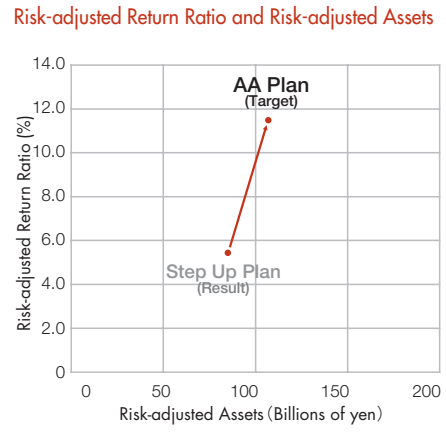
Shuji Hirose
General Manager,
Transportation & Construction Systems Business Unit

Transportation & Construction Systems Business Unit



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)		



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

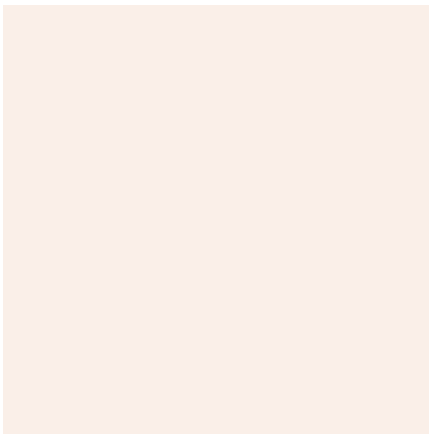
—Enhancing Value Chains and Improving the Asset Portfolio

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.

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.



Automobile showroom in Slovenia 1



Automobile showroom in Slovenia 2

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.

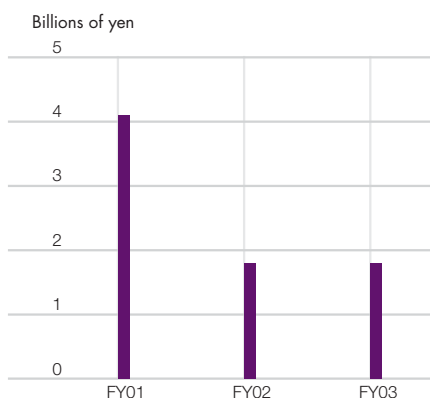
Domestically, we import and sell machinery, equipment, and systems. We are also focusing on new growth fields, including biotechnology through SC BioSciences, which actively imports cutting-edge U.S. technologies and sells related machinery and equipment.



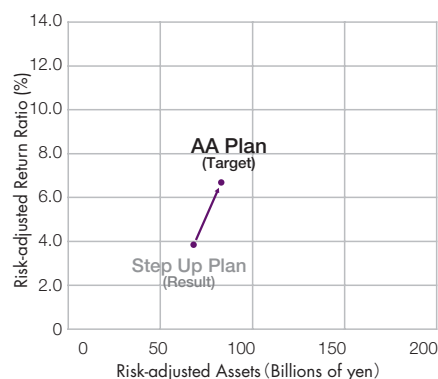
Kosaburo Morinaka
General Manager,
Machinery & Electric Business Unit

Machinery & Electric Business Unit

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Performance Highlights

	FY01	FY02	(Billions of yen) 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 elec-

tricity 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.

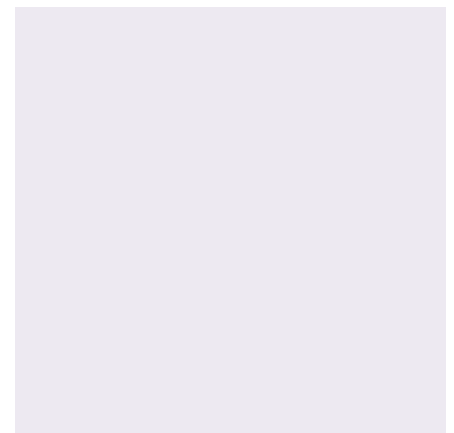
Performance and Outlook

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.



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



Performance Highlights

	FY01	FY02	(Billions of yen) 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)		

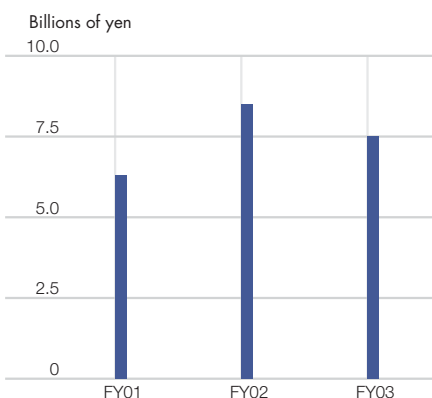
Reinforcing the Earnings Base in Our Three Core Business Areas

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.

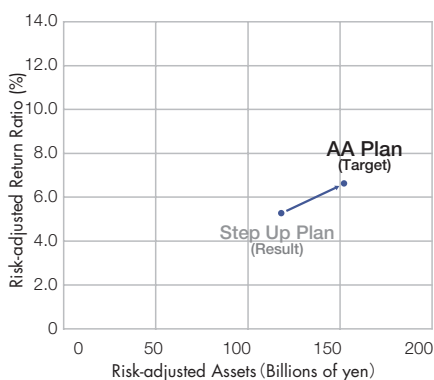
Media, Electronics & Network Business Unit



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.

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.

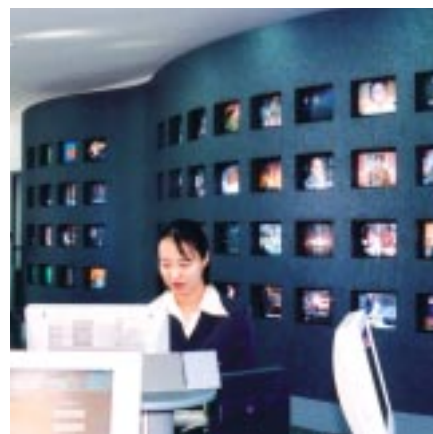
Electronics

- 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.

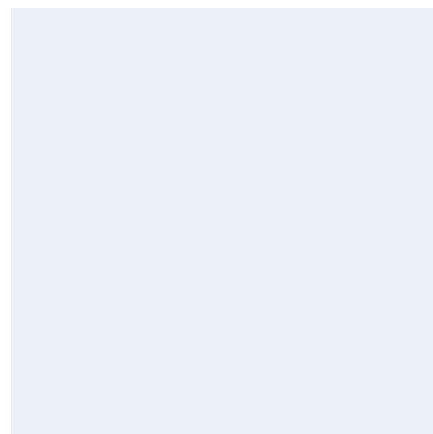
Under the AA Plan, we intend to increase risk-adjusted assets by ¥34.0 billion, to ¥152.0 billion. Media- and network-related assets will represent the bulk of this increase. Our target average risk-adjusted return ratio for the two-year period covered by the Plan is 6.6%.



J-COM Broadband Tokyo



The EMS network of Sumitronics Group

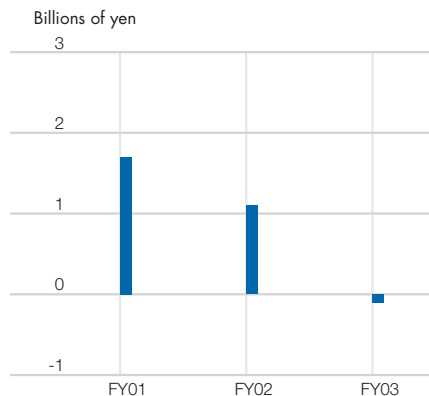


Performance Highlights

	FY01	FY02	(Billions of yen) 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

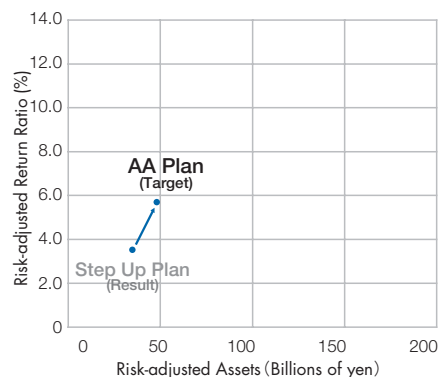
	Step Up Plan (Results) (FY01-FY02)	AA Plan (Targets) (FY03-FY04)
Risk-adjusted Assets (at end of FY02 and FY04)	35.0	48.0
Risk-adjusted Return Ratio (two-year average)		

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

- 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.



Pet supplies lineup of The Hartz Mountain

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

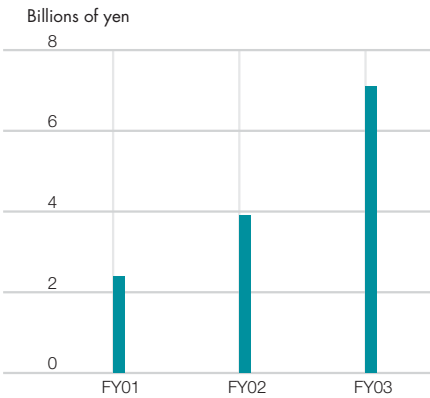
The Business Unit’s gross profit amounted to ¥22.8 billion, a 3.4% decrease year on year. While we recorded favorable results in our electronics material chemicals and package delivery businesses, profits decreased due to Cantex’s unstable performance. In addition, our withdrawal from PVC manufacturing 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%.

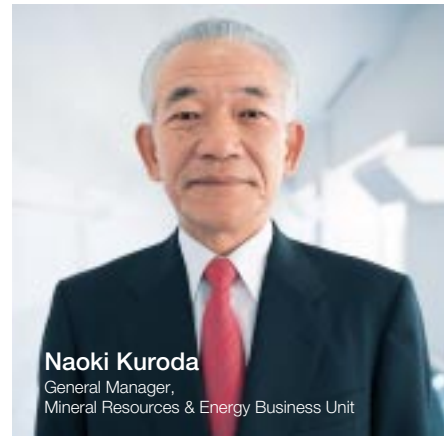
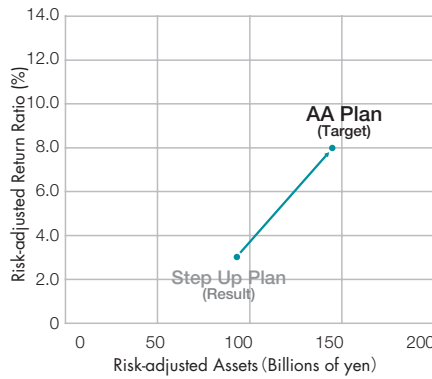


Sulfuric acid sales network of Interacid Trading

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



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)		

Mineral Resources & Energy Business Unit

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.



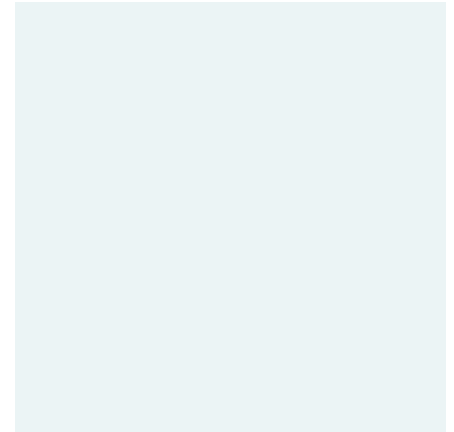
Newlands Coal Mine in Queensland, Australia

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

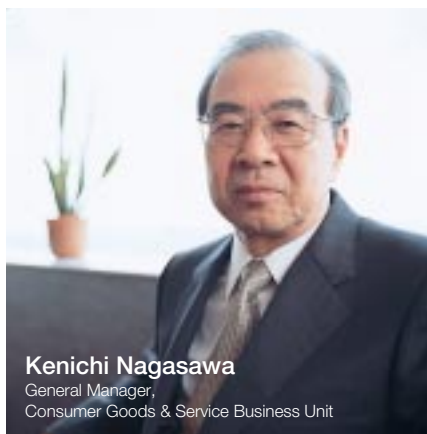
	FY01	FY02	(Billions of yen) FY03
Gross Profit	81.9	86.0	90.4
Net Income	5.1	5.3	5.8
Total Assets	277.4	271.5	304.6

	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)		

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.

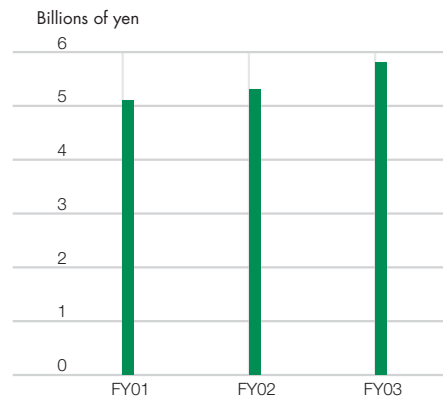
Consumer Goods & Service Business Unit



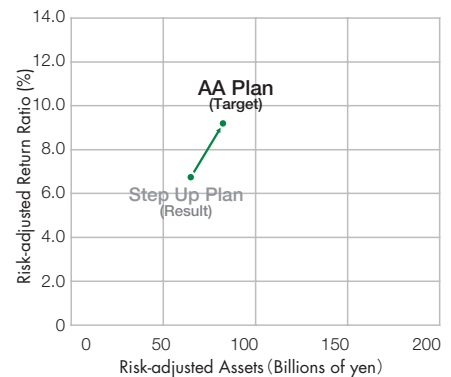
zation in the industry. Nevertheless, we regard these changes as positive opportunities to increase earnings in each of our business lines through two strategic approaches. First, we are taking a proactive stance toward M&A and other strategic investments with the aim of strengthening our earnings base 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.

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



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 reorgani-



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.

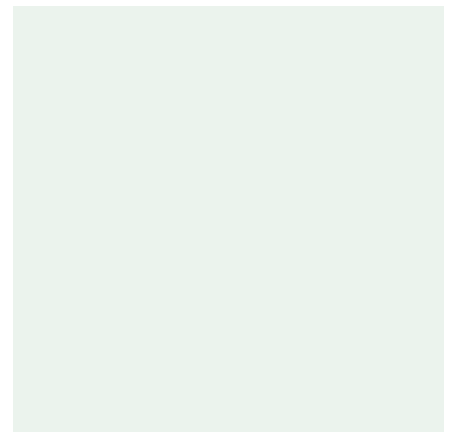
Strategies for Fiscal Year 2004 and Beyond

- 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

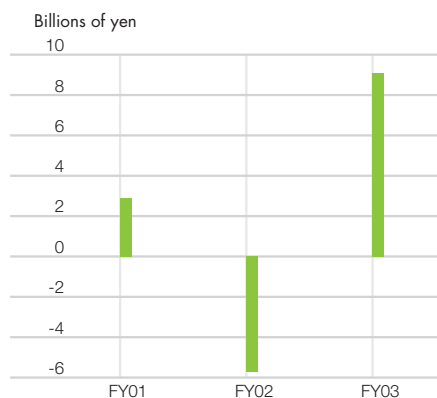
We are engaged primarily in two business areas: (1) materials and supplies, comprising such items as lumber, building materials, tires, cement, pulp and paper, and woodchips; and (2) construction and real estate, encompassing planning, development, rental, sales, and property management.

In materials and supplies, we have strong positions in lumber and building materials, centered on Sumisho & Mitsubussan 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.



Net Income



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

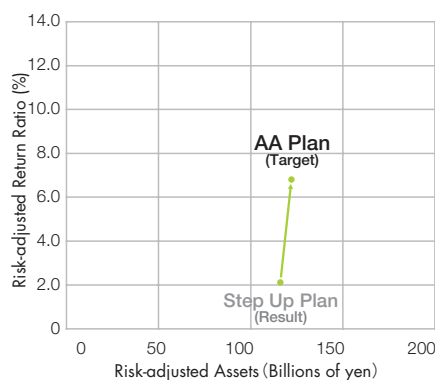
—Broadening Business Base in Materials and Boosting Earnings in Real Estate

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 & Mitsubussan 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.

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.

Materials & Real Estate Business Unit

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 RENGU 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.

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.



High-rise condominium in Shirogane, Tokyo

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%.



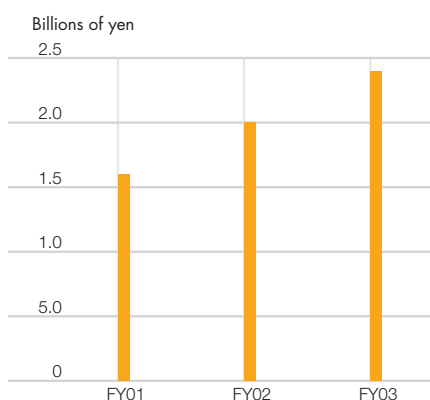
Reforestation project in Chile for woodchips source

Performance Highlights

	FY01	FY02	(Billions of yen) 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)			



Net Income



Business Environment and Basic Strategies

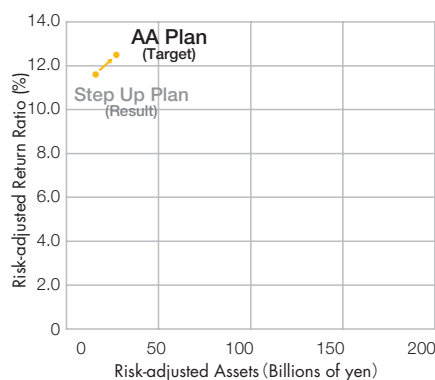
— Seizing Opportunities Arising from Ongoing Changes in the Business Environment and Meeting Customer Needs in Risk Minimization and Logistics

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.

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.

Financial & Logistics Business Unit

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.

Strategies for Fiscal Year 2004 and Beyond

Financial Services

- To reinforce our energy derivatives business, we will increasingly focus on greenhouse 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.

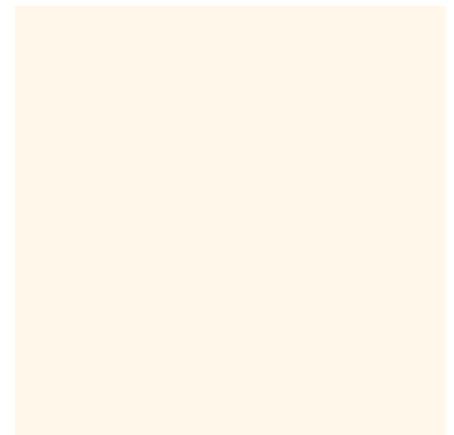
Performance and Outlook

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.



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



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.

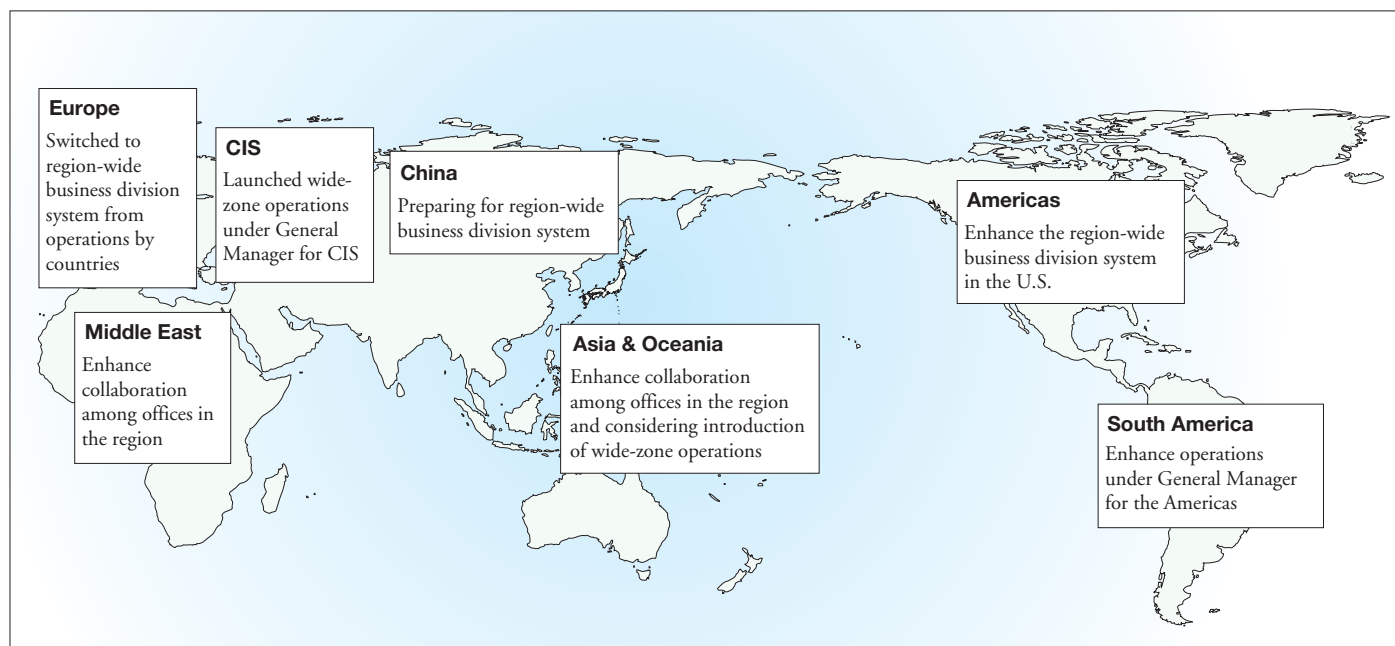
Integrating Our Product and Regional Strategies

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