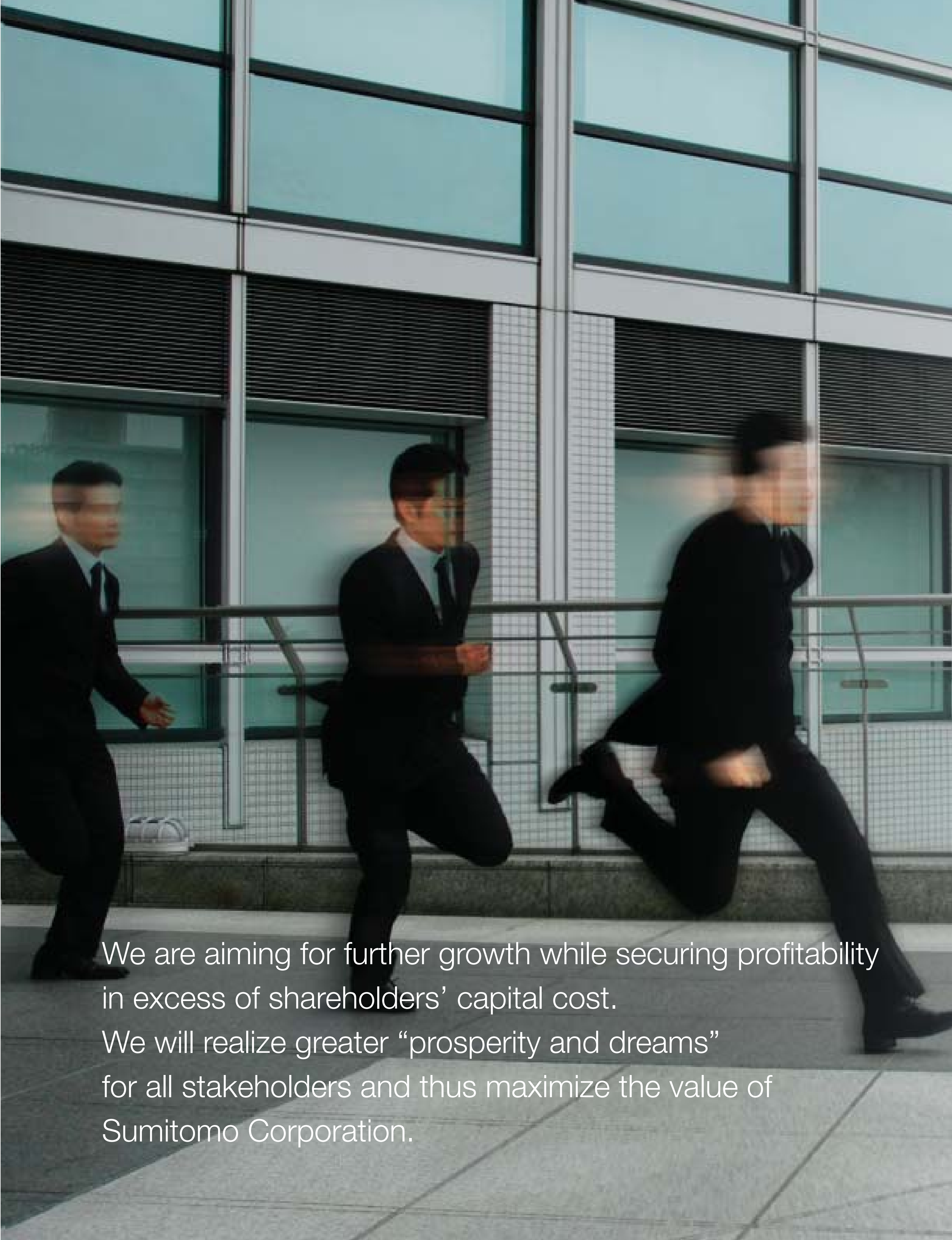
Sumitomo Corporation

ANNUAL REPORT 2005

for the year ended March 31, 2005

Achievement & Growth



We are aiming for further growth while securing profitability
in excess of shareholders' capital cost.
We will realize greater "prosperity and dreams"
for all stakeholders and thus maximize the value of
Sumitomo Corporation.

Contents

Cautionary Statement Concerning Forward-Looking Statements

This report includes forward-looking statements relating to our future plans, targets, objectives, expectations and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainties and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The management targets included in this report are not projections, and do not represent management’s current estimates of future performance. Rather, they represent targets that management strive to achieve through the successful implementation of the Company’s business strategies. The company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets.

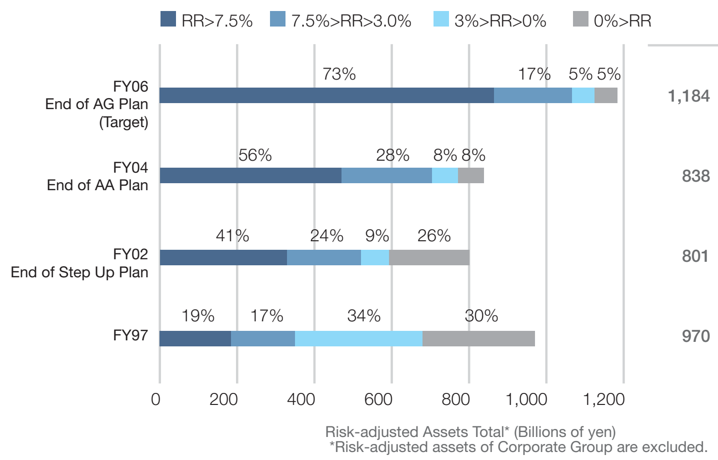
The Company is under no obligation – and expressly disclaims any such obligation – to update or alter its forward-looking statements.

Snapshot: Sumitomo Corporation

Our Strategies

We are striving to create even greater value by utilizing our core competencies and exerting our integrated corporate strength. Expanding further our value chains that stretch upstream and downstream in each of our business fields, and spreading out globally those business models that are profitable, we continue to widen our business base where we can leverage our strength. This does not imply that we are simply expanding our business base. New business plans are strictly examined from perspectives such as profitability, risk, and strategy. In addition, our business portfolio is being reviewed at all times with an eye to monitoring the progress of our growth strategy and the status of each business. These approaches are leading to the expansion of our business base as well as the improvement in the quality of our portfolios.

Risk-adjusted Assets by Risk-adjusted Return Ratio*

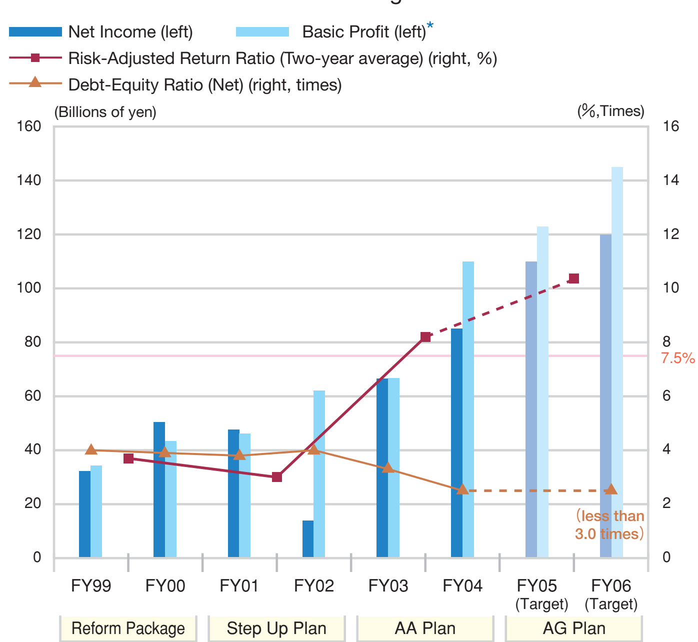


* The risk-adjusted return ratio (RR) is a measure of the profitability of a business against the risks involved in it. It is calculated as a fraction whose numerator is the return on the business as measured by the consolidated net income (after taxes) during an accounting period, and whose denominator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

Our Achievements to Date

Through the Reform Package from fiscal year 1999 and the Step Up Plan from fiscal year 2001, Sumitomo Corporation has succeeded in heightening profitability by selecting and replacing businesses while maintaining its asset scale. In the AA Plan from fiscal year 2003, by actively investing in profitable assets, we attained a risk-adjusted return ratio of 8.2%, exceeding our shareholders' capital cost of 7.5%. Furthermore, while aggressively expanding our assets on the one hand, our financial position improved further as a result of accumulated profits and the issuance of new shares in July 2004. We will continue to maintain financial soundness while carrying forward our growth strategies.

FY1999-FY2006 Performance and Targets

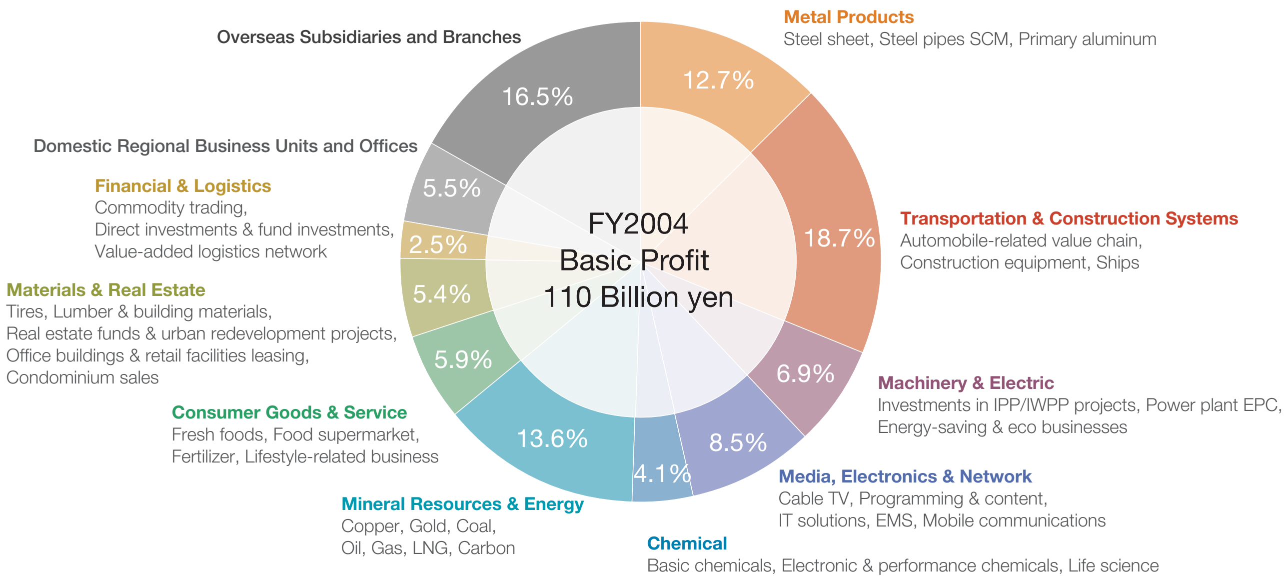


* Basic Profit = (Gross profit - Selling, general and adminstrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate) + Equity in earnings of associated companies, net (Tax rate was 42% for the years through fiscal year 2003, and 41% for fiscal year 2004 and after)

Our Business Structure

We operate in diverse business fields and regions through nine Business Units as well as domestic and overseas regional segments. For each segment, we select and cultivate core businesses. The strength of our business portfolio lies in the establishment of a well-balanced earnings base. Through the various pillars of profit, we are able to maintain stable earnings even under a fluctuating business environment.

Basic Profit and Strategic Fields, by Segment



* Corporate and Eliminations (-0.5%) is not shown in this graph.

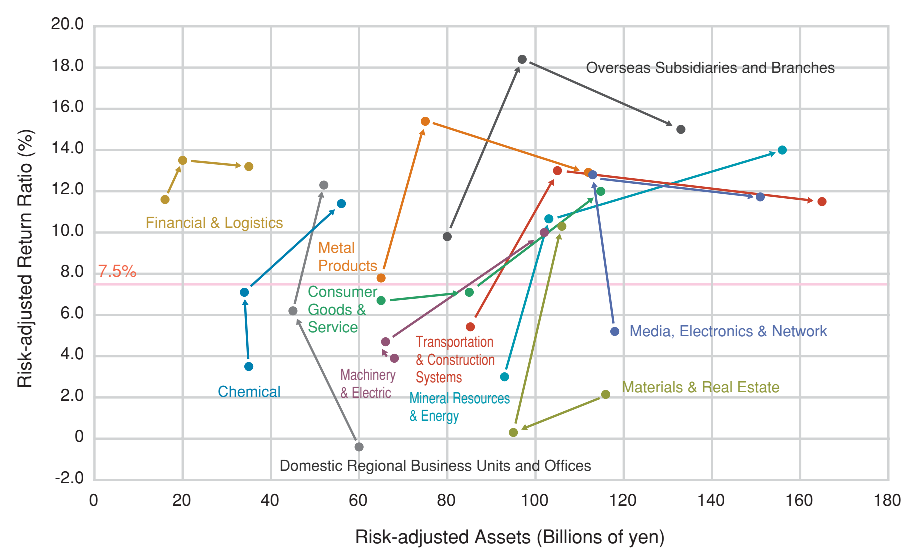
Our Current Target

In securing profitability that covers shareholders' capital cost, our current challenge is the expansion of our business base to create greater value. From fiscal year 2005, through the implementation of our new medium-term management plan, the AG Plan, we will continue to review our business portfolio and aim to achieve a risk-adjusted return ratio of over 7.5% in all Business Units. For those that are already achieving high profitability, we will accelerate the expansion of our business base in anticipation of further future growth. Under the AG Plan, we are planning to increase risk-adjusted assets by ¥340 billion in two years, and expecting a two-year average risk-adjusted return ratio of 10.2%.

AG Plan Targets

- Risk-adjusted return ratio:
  Over 7.5% (each year)
- Net income:
  230 billion yen (two-year total)
  FY2005 110 billion yen
  FY2006 120 billion yen

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



* The starting points and the middle points of the arrows indicate results of the Step Up Plan and AA Plan respectively, while the ending points of the arrow indicate targets for the AG Plan. Risk-adjusted assets are as of the end of each plan, and risk-adjusted return ratios are two-year averages for each plan.

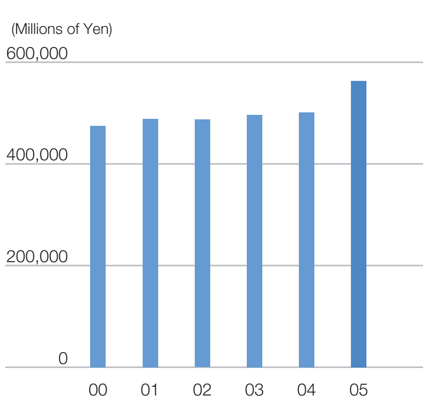
Financial Highlights

For the years ended March 31

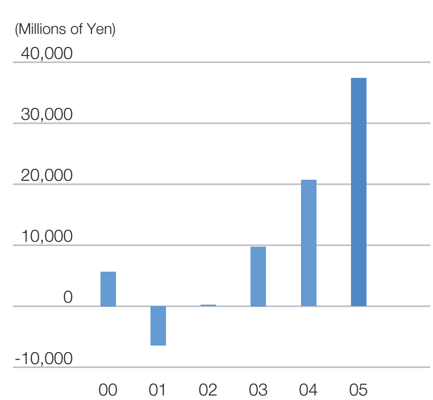
	2005	2004	2003	2002	2001	2000
	Millions of Yen					
Results of Operations:						
Gross Profit	¥ 563,130	¥ 501,332	¥ 496,449	¥ 487,274	¥ 488,400	¥ 474,674
Net Financial Income	(2,259)	560	367	(7,099)	(12,031)	(16,424)
Interest Expense, net	(8,645)	(6,374)	(6,006)	(13,752)	(18,010)	(22,070)
Dividends	6,386	6,934	6,373	6,653	5,979	5,646
Equity in Earnings of Associated Companies, net	37,387	20,693	9,768	209	(6,452)	5,652
Net Income	85,073	66,621	13,874	47,730	50,481	32,304
Financial Position at Year End:						
Total Assets	5,533,127	5,012,465	4,856,157	4,860,155	4,954,082	4,904,644
Shareholders' Equity	934,891	730,848	618,712	657,967	626,960	629,810
Interest-Bearing Liabilities (net)	2,376,014	2,377,607	2,502,835	2,528,794	2,447,663	2,503,827
Cash Flows:						
Net Cash Provided by (Used in) Operating Activities	(20,831)	61,754	67,038	72,726	85,748	110,560
Net Cash Provided by (Used in) Investing Activities	(55,833)	57,929	(59,878)	(78,823)	(62,823)	159,598
Free Cash Flow	(76,664)	119,683	7,160	(6,097)	22,925	270,158
Net Cash (Used in) Provided by Financing Activities	115,825	(23,582)	43,011	26,651	14,017	(349,789)

Notes: 1. The Company and its subsidiaries restated prior year consolidated financial statements with respect to the accounting of deferred taxes related to investments in affiliates. Consolidated statements of income and consolidated statements of cash flows for the years ended March 31, 2001 and 2000, and consolidated balance sheets as of March 31, 2002, 2001, and 2000 are not audited.

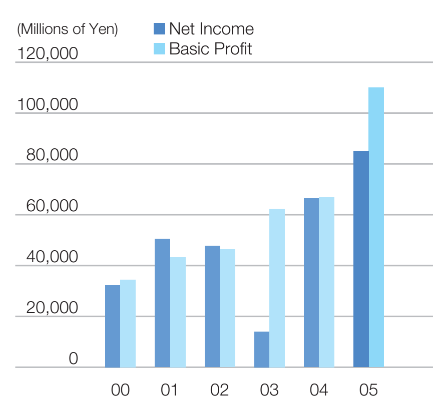
Gross Profit



Equity in Earnings of Associated Companies, net



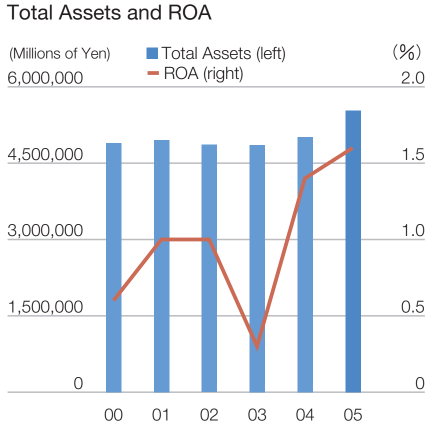
Net Income and Basic Profit



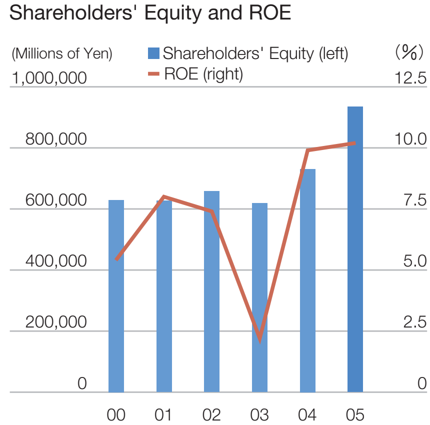
	2005	2004	2003	2002	2001	2000
			Yen			
Amounts per Share:						
Net Income: Basic	¥ 72.83	¥ 62.66	¥ 13.04	¥ 44.85	¥ 47.43	¥ 30.35
Diluted	72.82	61.31	13.00	43.89	46.38	29.80
Shareholders' Equity	776.61	686.99	581.75	618.28	589.09	591.69
Cash Dividends Declared for the Year	11.00	8.00	8.00	8.00	8.00	8.00
			%, Times			
Ratios:						
Shareholders' Equity Ratio (%)	16.9	14.6	12.7	13.5	12.7	12.8
ROE (%)	10.2	9.9	2.2	7.4	8.0	5.4
ROA (%)	1.6	1.4	0.3	1.0	1.0	0.6
Debt-Equity Ratio (net) (times)	2.5	3.3	4.0	3.8	3.9	4.0
			Millions of Yen			
For Reference:						
Total Trading Transactions	¥ 9,898,598	¥ 9,197,882	¥ 9,229,576	¥ 9,645,379	¥10,080,062	¥10,656,046
Basic Profit	109,970	66,820	62,248	46,224	43,307	34,398

2. Cash dividends per share represents the cash dividends declared applicable to each respective year, including dividends paid after the year end.
3. Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Companies act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under accounting principles generally accepted in the United States of America ("U.S. GAAP").
4. Basic Profit = (Gross profit - Selling, general and adminstrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate)
+ Equity in earnings of associated companies, net
(Tax rate was 42% for the years through fiscal year ended March 31, 2004 and 41% for fiscal year ended March 31, 2005)

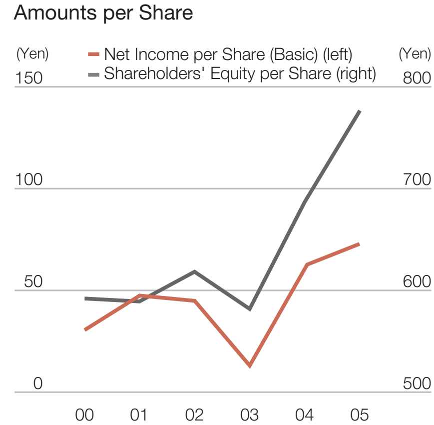
Total Assets and ROA



Shareholders' Equity and ROE



Amounts per Share



To Our Stakeholders

President and CEO Motoyuki Oka

Fiscal year 2004 was an epoch-making year for Sumitomo Corporation, in terms of achieving a risk-adjusted return ratio* of 7.5%—a target since fiscal year 1999. With the results of reforms implemented to date, we are now at the stage of creating corporate value in excess of shareholders' capital cost.

To generate greater value as we move into the future, our task now is to broaden our business base while securing profitability in excess of shareholders' capital cost.

By further expanding our businesses, we will realize greater "prosperity and dreams" for all stakeholders, including shareholders, business partners, employees, and society in general—and thus maximize the value of Sumitomo Corporation.

Fiscal Year 2004 in Review

Second Successive Year of Record-High Profits

In fiscal year 2004, ended March 2005, the Sumitomo Corporation Group reported consolidated net income of ¥85.1 billion, up 28% from the previous year and a record-high level for the second consecutive year. Basic profit,** a measure used to assess earning power, jumped 65%, to ¥110.0 billion. All Business Units posted higher basic profit, each steadily reinforcing its existing earnings base and securing new earnings base through acquisitions and other means, while also taking advantage of global economic growth.

Steady Growth in Each Segment's Earnings Base

Let's take a look at some businesses that contributed significantly to results in each segment. These include steel service center operations, centering on Asia (Metal Products), automobile businesses in Japan and elsewhere in Asia (Transportation & Construction Systems), and power plant EPC business (Machinery & Electric). Other solid performers were our media business (Media, Electronics & Network), copper and gold mining project and coal business (Mineral Resources & Energy), food supermarket operations, including Summit, Inc. (Consumer Goods & Service), and condominium sales (Materials & Real Estate). Overseas, our metals and chemicals trading business performed well, mainly in the United

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

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

States. In addition, acquisitions made during the fiscal year—such as The Hartz Mountain Corporation, a pet care business—made a swift contribution to our results.

Stronger Financial Position

Total assets at fiscal year-end were ¥520.7 billion higher than a year earlier. This stemmed from a rise in operating assets resulting from increased trading transactions, as well as strategic investments. Total shareholders' equity grew ¥204.0 billion, due to increased earnings and the issuance of new shares in July 2004, raising the shareholders' equity ratio to 16.9%, up 2.3 percentage points from previous year-end. Total interest-bearing liabilities (net) remained mostly unchanged (edging down ¥1.6 billion), and the debt-equity ratio (net) declined to 2.5 times, from 3.3 times a year earlier. In summary, therefore, we further reinforced our financial position. Moreover, the substantial increase in net income exceeded the rise in shareholders' equity stemming from the share issue and retained earnings, improving return on equity (ROE) by 0.3 percentage point, to 10.2%.

> Not only the favorable external environment, but also resolute actions to broaden our earnings base, represented the driving force behind our record-high profits.

Progress and Results of Management Plans

Improved Profitability and Broader Earnings Base

In fiscal year 1999, when it commenced its management reforms, Sumitomo Corporation had a number of unprofitable businesses and financial performance was ailing, after facing difficult conditions stemming from the Asian currency crisis and instability in the domestic financial system. Our first challenge, therefore, was to improve profitability. We set a risk-adjusted return ratio target of 7.5% to cover shareholders' capital cost, regarding this target as a necessary requirement for a "leading global company." We began by comprehensively cutting unprofitable businesses and replacing our assets to improve our corporate strength amid a depressed domestic economy and deflationary factors. Under the AA ("Approach for Achievement") Plan, covering fiscal years 2003 and 2004, we switched to an offense-oriented approach and focused on increasing profitable assets, with a view to further boosting profitability while strengthening our business base.

Achievement of Risk-Adjusted Return Ratio Target

Our reforms did not always proceed smoothly. In the first four years, in particular, business conditions were tough for Japanese companies, who faced major obstacles. When our Reform Package began in fiscal year 1999, our risk-adjusted return ratio was 3.7%. However, under the Step Up Plan, which started in fiscal year 2001, the ratio at one time fell to 3.0%, due to a drastic stock market decline and depressed real estate prices. Despite the challenges, we steadily enhanced the quality of our portfolio, and under the AA Plan, which began in fiscal year 2003, we achieved a risk-adjusted return ratio of 8.2%—exceeding our 7.5% target with the fair wind of a turnaround in operating environment.

By consistently pursuing reforms despite the challenging operating environment, we achieved profitability in excess of shareholders' capital cost.

Broader Earnings Base and Stronger Corporate Strength—Growth through Both Offensive and Defensive Strategies

Our record shows that our growth has been well balanced between expansion of our earnings base and reinforcement of our corporate strength. Between fiscal year 1999 and fiscal year 2004, total assets grew from ¥4,904.6 billion to ¥5,533.1 billion, a 13% increase. During the same period, total shareholders' equity increased from ¥629.8 billion to ¥934.9 billion, a 1.5-fold rise, and net income surged 2.6-fold, raising ROE from 5.4% to 10.5%—almost double. Meanwhile, we reduced net interest-bearing liabilities, from ¥2,503.8 billion to ¥2,376.0 billion, improving our debt-equity ratio (net) from 4.0 times to 2.5 times. In addition to the net income increase, we raised approximately ¥100 billion by issuing new shares in July 2004. As a result, our financial position has been fortified. Thus, we have built a solid foundation for further increasing profitable assets and expediting growth strategies.

Progressive Improvements in Management Quality

The results of our management reforms are not limited to improvements in quantitative areas. Back in 1999, we introduced the risk-adjusted return concept, an innovative indicator for companies at the time, and sought to enhance our own management. To ensure stability, we embraced a management policy of balancing company-wide risks and buffers. According to risk-adjusted return measurements, we then efficiently allocated management resources and introduced business portfolio management based on "Plan, Do, and See" cycles. While steadily improving our financial performance by broadening our earnings base, we strove to reinforce our corporate strength and successfully built a framework allowing sustained growth into the future. These achievements represent the progress of our reforms implemented to date.

Sumitomo Corporation's reforms have brought not only quantitative improvements but also progresses in advancing management quality and forming a framework for sustained future growth.

Overview of New Medium-Term Management Plan: AG Plan

Expand Business Scope While Maintaining Profitability

The AG ("Achievement & Growth") Plan, our new medium-term management plan, covers fiscal years 2005 and 2006. Under the plan, we are targeting net income of ¥230 billion (two-year total). Building on progress made by the previous AA Plan, through which we raised the risk-adjusted return ratio by increasing profitable assets, we will accelerate expansion of our earnings base, aiming for further growth while securing a risk-adjusted return ratio of 7.5%.

Important Steps for Stronger Future Growth

To maintain strong growth in the future, our important task is to broaden our business base. Under the AG Plan, nine Business Units will secure risk-adjusted returns of 7.5% and put their dynamic growth strategies into action. Each Business Unit will proceed with strategic investments and replacement of assets depending on their specific conditions. Once all Business Units and regional operations accomplish their plans, our business base will be broadened and the two-year average risk-adjusted return ratio will have improved to 10.2% as a result.

Accelerate Increasing Risk-Adjusted Assets

Under the AG Plan, we will undertake strategic investments and steadily broaden our earnings base. These actions will center on existing core businesses, where we have already built solid foundations by exerting our integrated corporate strengths, as well as on areas peripheral to our core businesses. Under the previous AA Plan, we increased profitable risk-adjusted assets worth ¥240 billion. At the same time, we actively withdrew or downsized businesses as appropriate, which led to a ¥100 billion decline in risk-adjusted assets. After also taking into account a decrease of ¥50 billion due to a reassessment of risk weighting—such as reflecting improvements in country risks—there was a ¥90 billion net increase in risk-adjusted assets. Moving from the AA Plan to the AG Plan, we have accelerated our growth strategies, targeting a further increase of ¥340 billion in risk-adjusted assets over the next two years.

> Under the AG Plan, we will accelerate increasing assets. This strategy is not limited to the two-year period covered by the plan, but is intended to prepare for medium and long-term sustained growth.

Fully Mobilize Company-wide Support Functions

Each Business Unit and regional operations will seek to invest in profitable risk-adjusted assets according to its own business and geographic strategies. To achieve more dynamic growth, however, we must complement such segment-specific initiatives by broadening our earnings base across segment boundaries. To this end, we have formed new entities, such as the "Company-wide Project Promotion & Support Committee," to support large-scale projects and cross-organizational projects, and the "M&A Promotion Support Team," to support M&A deals for each segment by specialists. These entities, together with the existing "New Technologies Committee," will support the entry of each segment into new fields, regions, and technologies, as well as the increase of investments in core businesses. For these initiatives, we have budgeted "AG Plan Growth Support Package" of ¥5 billion for fiscal year 2005.

Effective Use of Human Resources—Key for Successful Growth Strategies

Successfully investing in new businesses and expanding our earnings base require more than capital alone. Expediting growth depends on competent human resources—our most valuable management resources. We must seize new business opportunities and make investments after identifying and evaluating new projects. We must also manage business risks and cultivate our business to make it grow larger. To this end, we must secure highly competent human resources and foster them for maximum effectiveness. Therefore, we established a "Human Resources Management Committee" in each Business Unit and formulated a long-term human resources plan matching our growth strategies. Adopting company-wide perspectives, the "H.R.D. Committee," chaired by myself, examines from various angles how to foster human resources and provide working environments that motivate all employees to develop their full potential.

Management Structure Conducive to Growth Strategies

Maintaining appropriate control frameworks is clearly becoming more important for stepping up our aggressive management focus. Recognizing that business and risk management are inseparable, we have worked to upgrade our risk management systems and ensure compliance awareness. We also understand that no system is perfect, and for this reason we are making constant reviews and enhancements to further raise the stability of our operations. One noteworthy initiative is that we are in the process of introducing an internal control system based on the COSO* Framework, and we are planning to extend this system across the Group.

* COSO: The Committee of Sponsoring Organizations of the Treadway Commission

> We must ensure proper defense while stepping up offense initiatives.

Maintain Profitability and Stability While Expediting Growth

Over the two-year period covered by the AG Plan, the Sumitomo Corporation Group is targeting net income of ¥230 billion, compared with ¥151.7 billion achieved under AA Plan. Total assets at the end of fiscal year 2006 are expected to exceed ¥6 trillion, up from ¥5.5 trillion at fiscal 2004 year-end. At the same time, we will keep our debt-equity ratio (net) to 3 times or below, thereby maintaining a sound financial position. As for profitability, ROE is expected to be 10% or above. For more information about strategies and specific initiatives of the AG Plan, please refer to the following sections of this report: Special Feature (page 13), Overview of Operations (page 21), and Sumitomo Corporation's Management System (page 45).

Corporate Value According to Sumitomo Corporation

Balance of Three Key Elements to Support Sustained Growth

To achieve sustained growth and generate new levels of value, a corporation must pursue a balanced mix of profitability, growth potential, and stability. We are building a business portfolio emphasizing not only profitability and growth potential but also stability. At present, for instance, rising commodities prices are one favorable influence on our financial results. However, business conditions change from time to time, and we cannot grow if we rely on unvarying circumstances. With nine Business Units and regional operations, we are involved in diverse business fields with global economic coverage. By promoting growth strategies that anticipate changes in the operating environment, we will seize broader income opportunities and expand our core businesses. Through this balanced approach to business development, we will be prepared for stable growth.

Maximizing Corporate Value Utilizing Our Core Competence

It is important to recognize that all corporations have core competences, but if they fail to take advantage of those competences, they will be unable to create satisfactory levels of value. Sumitomo Corporation is an integrated trading company with a core competence not found in other industries. Our competence lies in our business foundation (global network, global relations, trust, and intellectual capital) and our functions (risk management, IT solutions, intelligence gathering and analysis, business development, financial services, and logistics solutions). By integrating our business foundation and functions organically and strategically, we will exert our integrated corporate strength and realize higher levels of profitability and growth.

Corporate Value As We See It

We are devoted to meeting the expectations of shareholders by exerting our core competence and thus creating greater levels of value. Through our business activities, as well, we will contribute to our business partners and society in general, which in turn will provide opportunities to our employees for self-development. In these ways, we will fulfill our corporate social responsibility (CSR) and thus "realize prosperity and dreams" for all our stakeholders, in our quest to create even higher levels of corporate value.

I regard the "sum total" of "realized prosperity and dreams of all stakeholders," driven by our "integrated corporate strength," to be our corporate value.

Return to Shareholders

Our responsibility as a corporation is to ensure that value thus created is properly returned to our shareholders. Until fiscal year 2003, our basic policy was to ensure stable dividends. In the latter half of fiscal year 2004, we complemented this policy with the introduction of a dividend reflecting our consolidated financial results. We believe that accelerating growth, while securing risk-adjusted return above shareholders' capital cost, will provide ample returns in the future. Moreover, in consideration of securing funds for growth under the AG Plan, we have set the payout ratio at around 20%. As a result, for fiscal year 2004, we have raised the annual dividend by ¥3, to ¥11 per share. If we achieve our net income target of ¥110 billion in fiscal year 2005, the first year of the AG Plan, we intend a further ¥7 increase in the dividend, to ¥18 per share. Hereafter, we will consider appropriate dividend levels while evaluating progress in expanding our earnings base and external circumstances.

Philosophies and strategies, no matter how excellent, have no meaning unless they are translated into concrete actions at the business level. By bringing strategies to all our business fronts, we, the management and employees, stand united in our quest to maximize corporate value.

In Conclusion

I have outlined the progress of Sumitomo Corporation's reforms and described our strategies for the future. However, there is something more important than management telling their company's corporate philosophies and management strategies. All employees at the front line of business activities must share a common view of these philosophies and strategies and implement them accordingly. A company's management must talk directly with employees to explain management policy, the background and essence of management plans, as well as the importance of risk management and compliance awareness. Then, they must obtain employee's sincere agreement and translate strategies into actions. I regularly stress the importance of direct contact with employees and work hard to ensure that top priority is placed on direct communication. Through these initiatives, we are committed to "realizing prosperity and dreams" for all stakeholders.

We look forward to your continued understanding and support.

Motoyuki Oka
President and CEO

July 2005

Special Feature

Under the AA Plan, which began in fiscal year 2003, we shifted to an aggressive business stance and actively increased profitable assets. As a result, we achieved a risk-adjusted return ratio of 7.5%, our target since 1999, which covers our shareholders' capital cost.

Under the new AG Plan, we will solidify our operating base for future growth by expanding in scale. We will accelerate investing in businesses with growth potential, while securing a risk-adjusted return ratio of at least 7.5%.

Boosting Our Expansion Strategy
—New Medium-Term Management Plan “AG Plan”

1. From AA Plan to AG Plan: Accelerating Growth Momentum

Complementing Improved Profitability with Dynamic Expansion in Scale

Since 1999, we have targeted a risk-adjusted return ratio to cover the shareholders’ capital cost of 7.5%. Under the AA Plan, we adopted a more aggressive stance in promoting investments in profitable businesses, further approaching this target. Our existing core businesses have consequently grown to become pillars of profit, and our new businesses have contributed to earnings. Over the past two years, we achieved net income totaling ¥151.7 billion and an average risk-adjusted return ratio of 8.2%—well above our 7.5% target.

Our next challenge under the AG Plan is to generate even greater value in excess of shareholders’ capital cost. Creating higher levels of value requires two key elements: profitability and business scale. We will continue working to replace assets and boost profitability of our existing businesses. However, strategies that only emphasize profitability have limited effect in terms of achieving strong growth in the future. Our most important task under the AG Plan is to expand our business base through new investments and reinforcing core businesses.

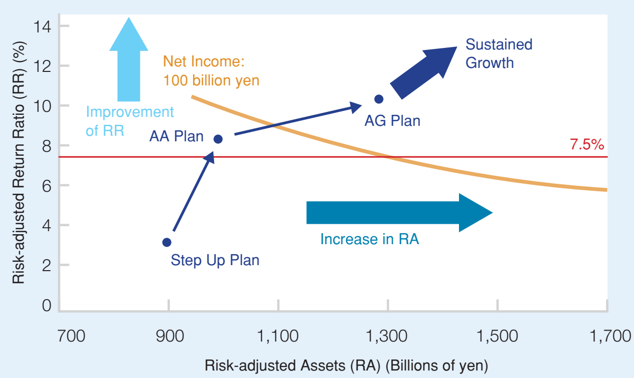
Achievement & Growth Plan (AG Plan)

Securing a 7.5% risk-adjusted return ratio
and aiming for further growth

Targets
- Risk-adjusted return ratio:
  Over 7.5% (each year)
- Net income:
  230 billion yen (two-year total)
  FY2005 110 billion yen
  FY2006 120 billion yen

Basic policies
- Expansion of our earnings base through dynamic growth strategies
- Implementation of human resource strategies matching our growth strategies
- Pursuit of soundness and efficiency

Growth Image of AG Plan



Key Financial Indicators: Six-year Results and Outlook for AG Plan

	Reform Package		Step Up Plan		AA Plan		AG Plan
	FY99	FY00	FY01	FY02	FY03	FY04	FY06 Outlook
Net Income (Billions of yen)	32.3	50.5	47.7	13.9	66.6	85.1	120.0
Total Assets (Billions of yen)	4,904.6	4,954.1	4,860.2	4,856.2	5,012.5	5,533.1	around 6,300.0
Total Shareholders' Equity (Billions of yen)	629.8	627.0	658.0	618.7	730.8	934.9	around 1,100.0
Shareholders' Equity Ratio (%)	12.8	12.7	13.5	12.7	14.6	16.9	around 18.0
ROE (%)	5.4	8.0	7.4	2.2	9.9	10.2	around 11.0
ROA (%)	0.6	1.0	1.0	0.3	1.4	1.6	around 2.0
Interest-Bearing Liabilities (Net) (Billions of yen)	2,503.8	2,447.7	2,528.8	2,502.8	2,377.6	2,376.0	around 2,850.0
Debt-Equity Ratio (Net) (Times)	4.0	3.9	3.8	4.0	3.3	2.5	less than 3.0

Measures to Support Our Growth Strategy

Achievement of dynamic growth requires a company-wide effort, not just by individual Business Units. To support the growth strategies of each Business Unit, we have set aside a special “AG Plan Growth Support Package,” with a ¥5 billion budget for fiscal year 2005 that will be used to promote growth strategies and manage supporting entities.

To step up new investment initiatives and broaden our earnings base, we must be able to make investments and cultivate them by managing business risk, which requires competent human resources. Hence, to successfully implement our future growth strategies, each Business Unit and the Company as a whole will strive to secure and foster human resources from a long-term perspective.

AG Plan Growth Support Package

- Company-Wide Project Promotion Committee
  This Committee supports the activities of Business Units, company-wide organizations, and task forces in carrying out ultra large-scale projects, cross-organizational projects, and new business development in order to promote dynamic growth strategies.
- M&A Promotion Support Team
  Mainly led by M&A experts from the Financial Service Division, this Team provides support for large-scale M&A deals undertaken by Business Units and regional operations. Specifically, it helps uncover, analyze, and evaluate M&A opportunities and assists with contract negotiations.
- New Technology Committee
  Established under the AA Plan, the New Technology Committee provides ongoing support for cultivating and commercializing new technological domains—such as nanotechnology, biotechnology, and clean energy—that could drastically expand our earnings base in the future.

Human Resource Strategies

- Human Resources Management Committees
  Established in each Business Unit, these Committees formulate long-term plans for recruiting and developing the human resources necessary to realize our growth strategies.
- H.R.D. Committee
  Headed by the President and CEO, this Committee examines the Corporation’s human resource development needs over the medium and long terms from various angles.

2. Advancing Business Portfolio Management

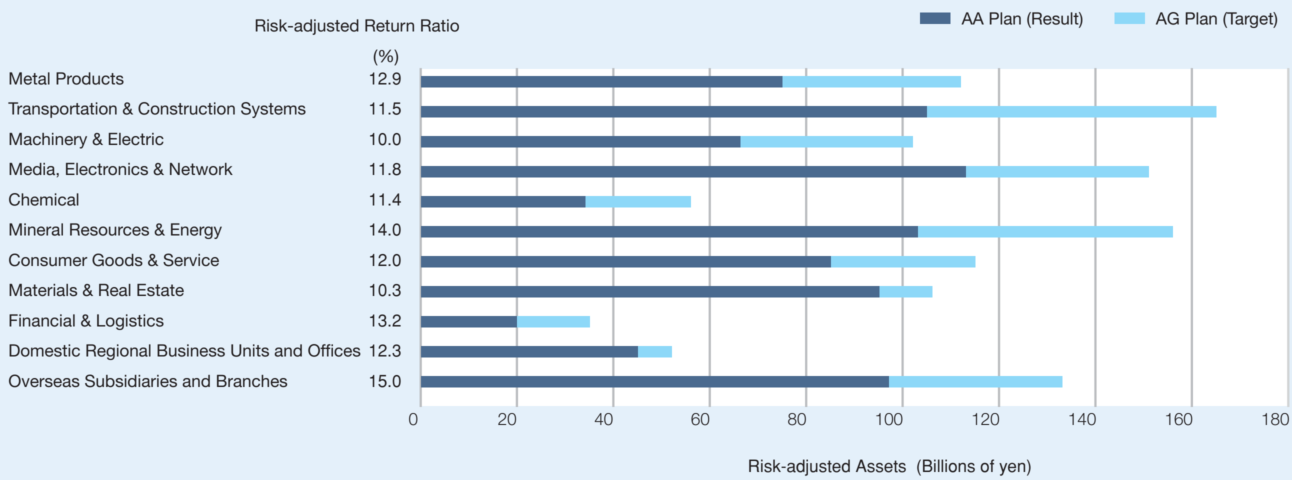
Carefully Selected Investments

Since initiating management reforms in fiscal year 1999, we have been advancing our business portfolio management. For new investment opportunities, we strictly screen and adopt common company-wide hurdle rates. In addition to quantitative criteria, the Loan and Investment Committee examines all large-scale investments from multiple perspectives, including strategic significance, the business environment, plans for adding further value after investment, and exit-related complexity. The ¥240 billion in risk-adjusted assets that we increased in the two years of the AA Plan were all acquired after stringent screening processes. Many of them have generated profits from the date of initial investment, and we expect them to contribute to our future performance.

Principal Strategic Investments Under AA Plan

- We complemented and reinforced our portfolio of steel products through the acquisition of Nichimen Corporation’s steel products business.
- We developed our automobile-related value chain in the upstream area through the acquisition of KIRIU Corporation, an automotive parts manufacturer.
- We secured long-term, stable income sources by investing in electric power businesses, such as the Hermiston power plant in the United States.
- We built a well-balanced mineral resources portfolio through the purchase of oil-field rights in the British North Sea and elsewhere, coal mine rights in Australia, and LNG rights in Indonesia.
- We acquired The Hartz Mountain Corporation, a pet care business that represents a new growth area.

AG Plan Targets by Segment

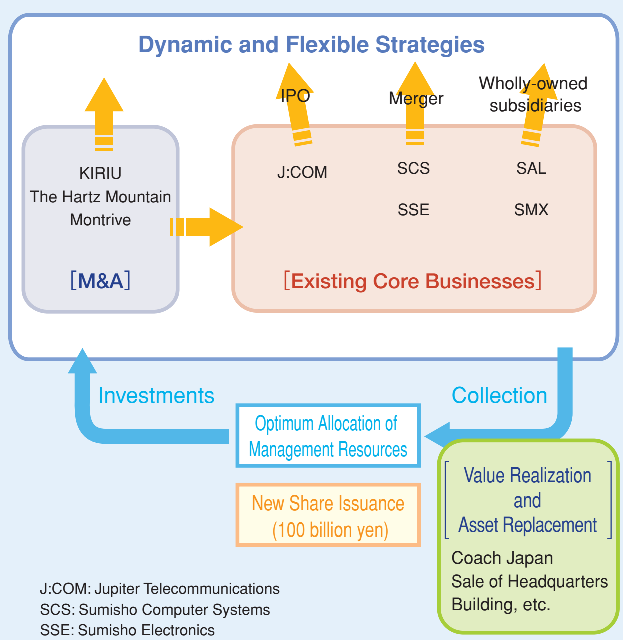


Dynamic and Flexible Strategies for Accelerating Growth

Under the AG Plan, we will further implement dynamic and flexible strategies to boost our growth. We intend to increase company-wide risk-adjusted assets by ¥340 billion through M&As and a reinforcement of our core businesses. To ensure that management resources are effectively allocated to expand our earnings base, we conducted an in-depth examination of our business portfolio strategies. Specifically, our Business Units closely examined and analyzed our main business lines in terms of their competitor's relations, the growth potential of respective industries, and the value chain structures of industries, and they also investigated the existence of potential business opportunities.

With respect to investments, we will focus on cultivating areas peripheral to our core businesses, where we expect steady income growth. We will also expand both the upstream and downstream aspects of the value chains we have built in various fields, while developing our core business models on a global basis. In these ways, we will strengthen our assured method for winning which we are able to exert our core competence.

We are reviewing our business portfolio and monitoring progress in our growth strategy as well as the status of our individual businesses at all times. Furthermore, we will carefully assess the environment and growth potential of individual businesses and promote flexible strategies such as IPOs, Group company mergers, and asset replacements, and maximize the corporate value of the Sumitomo Corporation Group.



J:COM: Jupiter Telecommunications
SCS: Sumisho Computer Systems
SSE: Sumisho Electronics
SAL: Sumisho Auto Leasing
SMX: Sumisho Metalex

Special Feature 2

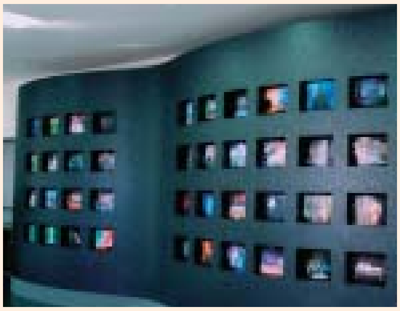
Sumitomo Corporation's Earnings Base Expansion —Samples of Business Scale Up and New Entries

We have aggressively promoted investments in businesses with high profitability and growth potential. We will further accelerate our growth strategy under the AG Plan from fiscal year 2005. In all of our business fields, we will upgrade midstream trading functions and enhance our value chain upstream and downstream, while spreading out our already successful business models in other regions. We will enhance and reinforce our assured method of winning by exerting our core competence. In order to expand our earnings base more dynamically, we will also enter new growth areas, create new value by fulfilling our functions, and broaden the business base.

Media Business

Media conglomerate strategies focused on both the infrastructure and content fronts

The Sumitomo Corporation Group has been engaged in the media business since 1989, mainly in the cable television business and the multi-channel program supplying business, and has carved out solid No.1 positions in Japan. We are leveraging these positions to develop multilateral business in such areas as TV shopping and film entertainment. We are also active in video-on-demand (VOD), IP broadcasting, and other new businesses in response to the digitalization of broadcasting and the broadbandization of communication. With these mutually synergistic businesses, we have formed a media conglomerate that has established a competitive status unrivaled in the industry.



J:COM Tokyo

Background

Households viewing multi-channel broadcasts now account for 18% of all viewing households in Japan, a consequence of an increase in households viewing cable television (CATV) and satellite broadcasts. The size of the market has increased to the ¥500 billion level, and currently continues to grow thanks to the digitalization of broadcasting. Anticipating such an environment, we established the CATV multiple system operator (MSO) Jupiter Telecommunications Co., Ltd. (J:COM) in 1995, and the multiple channel operator Jupiter Programming Co., Ltd. (JPC) in 1996, with which we carried out aggressive business development on both the infrastructure and content fronts.

J:COM has opened new CATV operators and acquired others, while simultaneously carrying out aggressive capital investment in the development of digitalization and broadbandization. In March 2005, J:COM was listed on the JASDAQ stock exchange. It currently provides services through 32 CATV operators under 17 franchises, accounting for roughly 30% of all multi-channel CATV paid subscribers in Japan. It has grown into Japan's largest MSO, with a total of approximately 1.96 million households (as of end of June 2005) subscribing to its CATV, Internet, or telephony services.

JPC is Japan's largest multi-channel television program provider. It now has 16 channels under 12 franchises, including Jupiter Shop Channel Co., Ltd., which operates Japan's No. 1 TV shopping channel with annual sales exceeding ¥50 billion, and is No. 1 with respect to channels for movies, sports, documentary, animation, and other genres. JPC provides programs to viewers through J:COM, other CATV companies, and satellite.

Amid the accelerating wave of digitalization, in May 2004, J:COM and JPC jointly incorporated Jupiter VOD Co., Ltd., which launched Japan's first video-on-demand content providing business for CATV. In July 2005, Warner Brothers followed two other Hollywood studios, Buena Vista (Disney) and MGM, to join the lineup. Currently, their movies can be viewed on all J:COM-affiliated operators.

We are also working to respond to diversifying customer needs. For example, in July 2004, in addition to CATV and satellite broadcasts, we started providing programs via Internet broadband through our On-line TV Co., Ltd.

As for our film entertainment business, we are also carrying out multilateral development that ranges from production investment to film distribution and exhibition. Our investments to date have achieved brilliant results, with five of the films in which we have invested receiving Picture of the Year honors at the Japan Academy Awards. In 1999, we entered the cineplex business by establishing United Cinemas Co., Ltd., which we made into a subsidiary in 2004. And in 2005, we acquired Japan AMC Theatres, Inc. through United Cinemas. As a result, we have grown into an influential player currently operating 15 theaters throughout Japan.

Future Developments

We will continue to promote aggressive investment and further raise our established standing as a media conglomerate based on three policies: (1) expanding our business base through M&A and business alliances; (2) enhancing content and the provision of new services that our customers and viewers will enjoy; and (3) strengthening collaboration further among our CATV business, multi-channel broadcasting business, and film entertainment business.

In the CATV business, we will advance J:COM's alliance with and investments in neighboring CATV operators. At the same time, we will work to enhance high picture quality and interactive services through digitalization, and raise customer satisfaction.

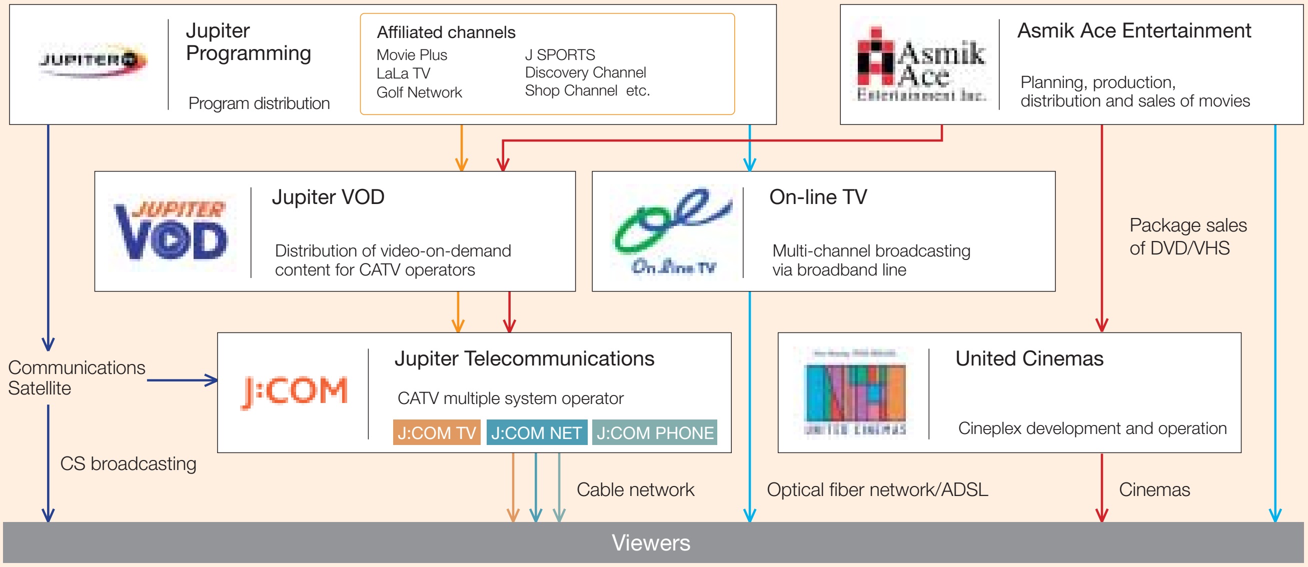
In the multi-channel broadcasting business, centering on JPC, we will continue to provide attractive programs. For example, we will start broadcasting PartiTV, Japan's first channel dedicated to viewer participation programming, at the end of 2005. We also invested in one of the terrestrial broadcasting stations to expand our media business. In addition, we are promoting new services such as video-on-demand and IP broadcasting.

At Jupiter Shop Channel, which is showing persistently rapid growth, we will improve our logistics system, pursue new product development and program planning enhancement to entertain our customers, and continue to grow.

As for the film entertainment business, we will increase operational efficiency and strengthen competitiveness further in the cineplex business, which supports the growth of the more than ¥200 billion film entertainment market. In order to accomplish this, we will pay much attention to seeking new sites and M&A, and aim at the expansion of our business, with the target to reach the top level in the industry by realizing the operation of 30 sites at an early stage.

By utilizing and linking these assets of the Sumitomo Corporation Group more organically, we will reinforce each of our business bases and fully expand and enhance our media business. Thus, we will continue providing services that further entertain our customers and viewers.

The Expanding Media Business of the Sumitomo Corporation Group



Automobile-Related Value Chain

Upstream/Downstream Expansion of Our Value Chain with a Diverse Earnings Base, Including the Global Development of Our Financing Business

The core competence of Sumitomo Corporation Group's automobile business is the value chain that stretches throughout the vast domain of the automobile industry. In addition to sales of new vehicles, our business covers a wide range of activities that include parts manufacturing, used automobile sales, repair, financing, and insurance. We will expand our earnings base by globally developing a wider business base, from the upstream manufacturing of parts to the midstream wholesale business and the downstream retail and finance businesses.

Used car distribution and financing service in Germany

Background

We have developed our business base in distribution areas such as the export of automobiles, the overseas wholesale (distributor) business, and the retail (dealership) business, as well as downstream areas centered on auto loans, leasing, and other financing. In 2004, we also entered upstream areas with the acquisition of KIRIU Corporation through SC-ABeam Automotive Consulting, a think-tank specializing in the automobile industry. KIRIU is an automotive parts manufacturer that has established unique product development and design capabilities, in particular for brake drums and brake rotors.

As for financing, Sumisho Auto Leasing Corporation offers comprehensive services in Japan, including not only leasing but also maintenance and insurance. As a result of aggressive M&A, it is further cementing its No. 2 status in the Japanese auto leasing industry where reorganization is progressing. Overseas, we strengthened our business bases of the Indonesian auto financing company P.T. Oto Multiartha and the two-wheeled vehicle financing company P.T. Summit Oto Finance. In fiscal year 2004, we entered the financing business in Jordan and Slovakia, and built a new business model in Germany—an operation that combines used car distribution with the financing and insurance business.

In these ways, Sumitomo Corporation is addressing the needs and business environment of automobile markets around the world as we develop a global value chain.

Future Developments

We seek to expand our value chain and continue to invest our management resources in building new business bases in Asia and other growing markets, aiming to become "a group of continually evolving, distinctive automobile professionals."

Domestically, we made Sumisho Auto Leasing a wholly owned subsidiary and will promote integrated operations with Sumitomo Corporation to further upgrade and differentiate services by leveraging the Group's integrated corporate strength. In addition, we seek to expand its scale of operations through further M&A to solidify its market position and raise efficiency. As to the upstream areas of our value chain, we will also seek to acquire other automotive parts manufacturers, following on the acquisition of KIRIU.

Overseas, we will utilize the expertise we have accumulated to newly develop value chains in Vietnam and other ASEAN countries, as well as in China and India. We will also seek to expand the financing business specialized for two-wheeled vehicles that we launched in Indonesia in fiscal year 2003. In Europe, we will promote vertical and horizontal development of the new business model we initiated last year in Germany.

We will keep a constant and close watch for business opportunities from our foothold within the greatly expanded automobile industry, and continue to build a stronger and broader-ranging value chain.

Pet Care Business

Entering a New Growth Area

In order to establish a new earnings base in a growing market, the Sumitomo Corporation Group entered the well-developed pet industry in the United States. Utilizing our integrated corporate strengths, we have been working to rationalize raw material procurement systems, as well as to strengthen product lineups to raise our market share in the existing business and cultivate new sales channels. As a result, our pet care business has already started contributing to Group earnings.

Going forward, we will develop our pet care business globally in markets such as Japan, Asia, and Europe, and work to further expand earnings.

Continued growth expected in the pet industry

Background

In June 2004, we acquired The Hartz Mountain Corporation (Hartz) of the U.S. for approximately US$400 million, thus securing a position in the pet care industry. Hartz is a long-standing business that was established in 1926. It manufactures, distributes, and sells all kinds of pet care products (around 1,500 Stock Keeping Units) for dogs, cats, and other pets. In the U.S. market, the company ranks first or second in the five main pet product categories (health & beauty care, dog & cat accessories, bird & small animal food & treats, rawhide chews & natural treats for dogs, and aquarium fish food).

Hartz products sell especially well in the over-the-counter market, such as at mass retailers including Wal-Mart and supermarkets. In particular, Hartz's flea and tick exterminating products have gained an overwhelming 75% share of the U.S. over-the-counter market.

In January 2005, Hartz purchased grooming product-related technology, assets, and intellectual property from Rapid Brands Corporation. In March, it purchased the pet rawhide chews manufacturer Harper Pet Products, Inc., and in May it acquired pet toy product marketer My Pet, Inc. By strengthening its product lineup in these ways, Hartz has set out to enlarge its share of the mass market and pet specialty stores.

Future Developments

By combining Sumitomo Corporation Group's integrated corporate strength with Hartz's business base, we will aggressively pursue M&A to expand our business and strengthen our earning power.

While stable growth in the U.S. pet market is expected to continue in the future, intense competition for expansion is being played out among a small group of influential players who are actively acquiring smaller companies with strong product development capabilities. In this environment, Hartz will aggressively promote effective M&A in addition to new product development, and will seek to raise its share of the U.S. market by further enhancing its product lineup and expanding its sales channels. At the same time, Hartz will introduce a system integrating procurement of raw materials, production, and inventory, and pursue efficiency.

The Sumitomo Corporation Group will also utilize our logistics functions and networks to establish the Hartz brand in the Japanese, Asian, and European markets, and foster Hartz as a global pet care company. For the Japanese market, we have started sales through Jupiter Shop Channel, a TV shopping company in our group. We are also considering expanding sales to home improvement retailers and establishing other platforms suitable to Hartz, as the No.1 U.S. pet care brand. We will also actively pursue growth in China, the Republic of Korea, and other emerging markets in Asia with high potential.

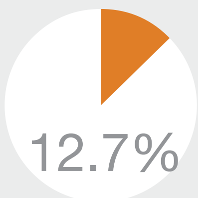
Overview of Operations

At a Glance

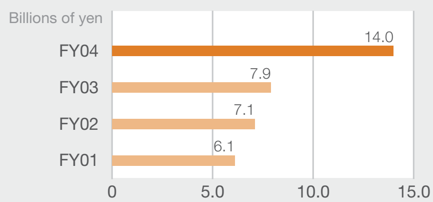
Under our three previous medium-term management plans—the Reform Package, the Step Up Plan, and the AA Plan—all of our Business Units strove to expand their earnings bases by reorganizing their asset portfolios and increasing profitable assets. As a result, we achieved steady improvements in our basic profit. Building on this success, we will adopt a more aggressive stance and expedite growth under the AG Plan.

Metal Products

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

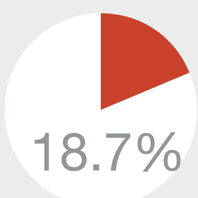


Strategic Fields

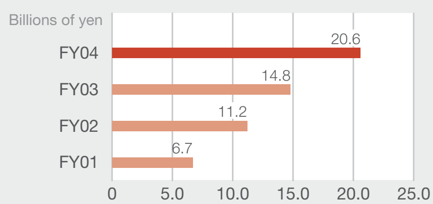
- Steel sheet business (Including steel service centers)
- Steel pipes SCM
- Primary aluminum
- Metal products' processing & manufacturing for automotive-use
- Construction steel products
- Tool steel processing & trading

Transportation & Construction Systems

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

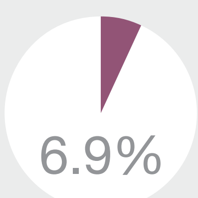


Strategic Fields

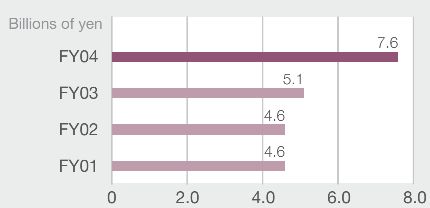
- Automobile-related value chain
- Ships
- Construction equipment
- Aircraft & transportation leasing

Machinery & Electric

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

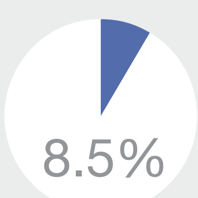


Strategic Fields

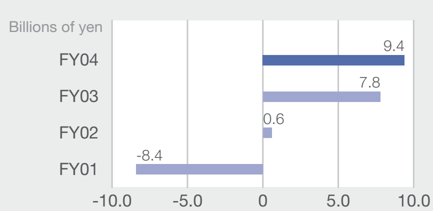
- Investments in IPP/IWPP projects
- Power plant EPC
- Telecommunication operator
- Industrial infrastructure
- Energy-saving & eco businesses

Media, Electronics & Network

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit



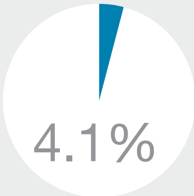
Strategic Fields

- Cable TV
- Programming & content
- IT solutions
- EMS
- Mobile communications

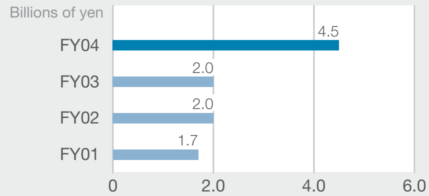
Basic Profit = (Gross profit - Selling, general and adminstrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate)
+ Equity in earnings of associated companies, net
(Tax rate was 42% for the years through fiscal year 2003, and 41% for fiscal year 2004 and after)

Chemical

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

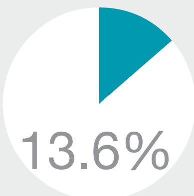


Strategic Fields

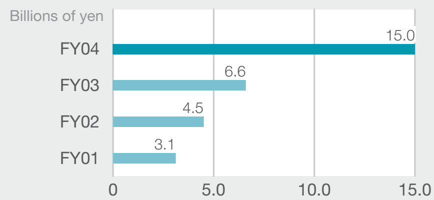
- Aromatics & derivatives
- Olefins
- Electronic & performance chemicals, battery materials
- Agricultural chemicals
- Pharmaceuticals & medical care
- Pet care

Mineral Resources & Energy

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

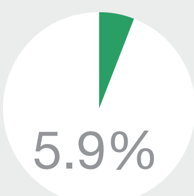


Strategic Fields

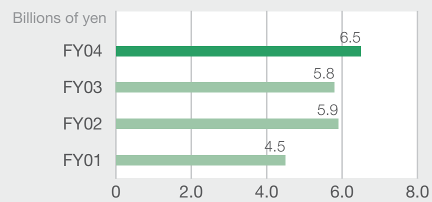
- Copper & gold
- Coal
- Oil & gas
- LNG
- Carbon

Consumer Goods & Service

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

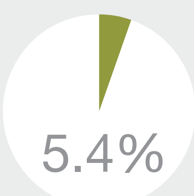


Strategic Fields

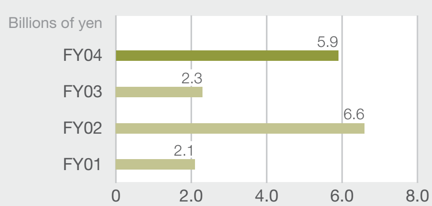
- Fresh foods
- Fertilizer
- Food supermarket
- Lifestyle-related business
- Drugstore

Materials & Real Estate

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

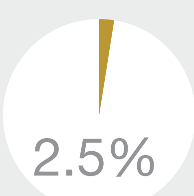


Strategic Fields

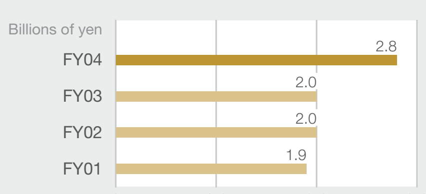
- Tires
- Lumber & building materials
- Ready-mixed concretes
- Real estate funds & urban redevelopment projects
- Office buildings & retail facilities leasing
- Condominium sales

Financial & Logistics

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit



Strategic Fields

- Commodity trading
- Investment advisory business
- Direct investments, fund investments
- Value-added logistics network
- Overseas industrial parks

Kenzo Okubo
General Manager,
Metal Products Business Unit

Value-added, Innovative Services, Reflecting Customer Needs

A special feature of our business unit is the development of a variety of operations in addition to our usual trade of metal products, such as steel sheets, steel pipes, and other steel products, as well as aluminum products and ingots. Such activities demonstrate our innovative services in response to the diverse needs of our customers. Taking the example of steel sheets, we have established a steel service center network close to our customer's production site, offering supply chain management (SCM) services in response to the customer's precise needs. We operate steel service centers in 41 locations around the globe, including Japan, China, Southeast Asia, North America, and Europe. The annual processing capacity of around six million tons for these centers is the largest among trading companies. Furthermore, steel pipe SCM centered on Oil Country Tubular Goods (OCTG) provides a total service covering areas ranging from the supply of steel pipes to inventory control, as well as processing, inspection, transport, and maintenance, all of which are supported by our Tubular Information Management System (TIMS), a proprietary online SCM system. As a result, oil and natural gas corporations worldwide highly evaluate our service.

Metal Products Business Unit

Business Environment and AG Plan Strategies and Policies

Broadening the Business Base through M&A and Value Chain Expansion

The steel and aluminum industries anticipate favorable demand both domestically and internationally. In terms of steel sheets, we expect expanded exports of high-quality steel products from Japan, driven by the expansion of the automobile and home electronics industries in China. For steel pipes and plates as well, plant and other energy-related demands are expected to remain favorable, riding on the strength of high prices for crude oil and gas over the medium-term.

In this environment, we are aiming to be a leader in the steel and aluminum distribution industries, based on our business strategy of an "expanding earnings base through a proactive increase of profitable risk-adjusted assets" and "strengthening earning power from domestic business."

Priority sectors for increasing profitable risk-adjusted assets are steel manufacturing businesses upstream such as galvanized sheet, and wholesales and processing operations downstream. Through the acquisition of these businesses, we aim to expand the value chain of particular materials such as steel and aluminum. Furthermore, in our core strategic region of China, we are further developing steel service centers, thereby enhancing our steel sheet-related business, and proactively developing new business in response to the overseas advancement of automobile manufacturers. In addition, we intend to increase our risk-adjusted assets through the enhancement of steel pipe SCM, with the aim to establish an international service network of OCTG for oil and gas pipes, as well as the equity acquisition of aluminum smelter.

As to our domestic business, we do not anticipate an overall expansion of scale, as the market is mature. However, we aim to broaden our business base through M&A, and increase our competitiveness by strengthening our capability as a trading company and enhancing the added value of our services.

These policies are intended to increase our risk-adjusted assets during the AG Plan period by ¥37.0 billion, with a goal of ¥112.0 billion by the end of fiscal year 2006. We are also planning to achieve a two-year average risk-adjusted return ratio of 12.9%.

Performance Highlights

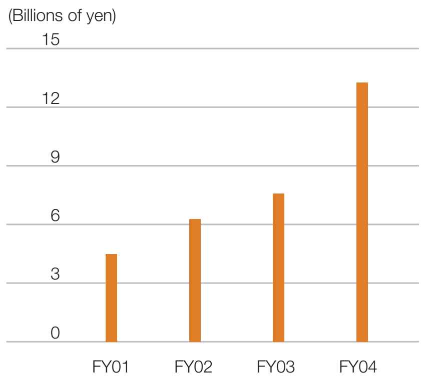
(Billions of yen)

	FY01	FY02	FY03	FY04
Gross Profit	36.6	37.2	42.0	49.9
Net Income	4.5	6.3	7.6	13.3
Basic Profit	6.1	7.1	7.9	14.0
Total Assets	314.1	344.1	390.4	472.6

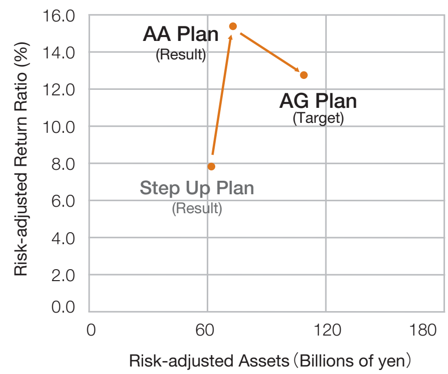
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	75.0	112.0
Risk-adjusted Return Ratio (two-year average)	15.4%	12.9%

Wuxi Meifeng Metal Products Co., Ltd., one of the three steel service centers we operate in Center China

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Tai Hong Machinery Electric (Kunshan) Co., Ltd. (China) processes electrical steel sheets for electric transformers

AA Plan Major Achievements and Fiscal Year 2004 Performance

Strengthening our Earnings Base through M&A and a Steel Service Center Network Expansion

One of the major outcomes of the AA Plan has been the enhancement of personnel and an expansion of our business base through M&A. A good example of this was our acquisition of Nichimen Corporation's steel product business in 2003. This led to a further strengthening of our stainless steel, specialty steel, and automotive-use products sectors, due to a synergy between our and Nichimen's steel operations.

A further challenge has been the building up of a new business model. SC Grainger Co., Ltd., which was established in 2000 and engages in online sales of factory tools and other maintenance, repair, and operating equipment, continued to show favorable growth by offering highly convenient services. SC Grainger's customer base topped 90,000 companies at the end of fiscal year 2004 and recorded a significant improvement in revenue.

Overseas, we accelerated business development related to the rapidly growing automobile and electric home appliances industries in China. We entered the automotive steel pipe production business in Guangzhou, established a processing and sales company for tool steel, and took stake in processing companies for electrical steel sheets. In addition, three new steel service centers were established in Wuxi, Changchun, and Hangzhou, with an aim to strengthen further our steel sheet processing and distribution system. As a result, annual processing capacity has expanded to one million ton at a total of eight centers across China.

As a result of these measures, supported by the excellent state of steel sheet and specialty steel business and expanded exports of steel products to Asia, gross profit for fiscal year 2004 increased 18.8% over the previous year to ¥49.9 billion, and net income recorded a 75.0% increase to ¥13.3 billion. Furthermore, the average risk-adjusted return ratio for the two-year period covered by the AA Plan increased significantly from the Step Up Plan to 15.4%.

Shuji Hirose
General Manager,
Transportation & Construction Systems
Business Unit

A Wide-Ranging Value Chain in Automobile-Related Business

Our main areas of focus are transportation equipment, including automobiles, ships, and aircraft, and construction equipment. We are expanding our business sphere from midstream activities to both downstream and upstream operations.

Our core automobile-related business operates in more than 30 countries. We have formed a value chain covering a broad range of business groups, from automotive parts manufacturing to automobile dealerships and finance. Sumisho Auto Leasing Corporation holds the second position in Japan's auto leasing industry, and another subsidiary, P.T. Oto Multiartha, is now one of the three largest players in Indonesia's auto finance industry. We are also developing new business areas such as automobile-related consulting services through SC-ABeam Automotive Consulting and used car distribution and financing service businesses in Germany.

In the ships business, we have an equity investment in Oshima Shipbuilding Co., Ltd. We are the only Japanese integrated trading company engaged in the shipbuilding business. Our activities in this business area are wide-ranging, including our own ship chartering business.

With respect to construction equipment, we lead all other Japanese trading companies. Our particular strength is in overseas operations, handling mainly Komatsu products.

Transportation & Construction Systems Business Unit

Business Environment and AG Plan Strategies and Policies

Further Expansion of Our Competitive Advantage and New Business Development

The automobile market is likely to maintain its growth momentum primarily in Asia, while market expansion for construction equipment is expected to continue mainly in North America, Europe, and Australia. In addition, robust new shipbuilding demand and shipping freight rates are also favorable for our businesses. On the other hand, we must pay due attention to intensifying competition in automobile finance and construction equipment as well as a weakening of market conditions for shipbuilding and shipping freight rates.

In this business climate, we aim to achieve a consolidated net income of ¥20 billion in the post-AG Plan, with the AG Plan as the "strength-buildup period." We will thoroughly bolster our existing core businesses by leveraging our competitive advantage, and at the same time accelerate our entry into new business areas.

In the automobile finance business, we will seek to expand our scale of operations domestically by making Sumisho Auto Leasing Corporation a wholly owned subsidiary and also through flexible and agile M&A activities. In overseas markets, we will accelerate operations centering on China, India, and ASEAN countries, where rapid market expansion is likely. We will also work on new M&A in the automotive parts manufacturing business. In the ships and aircraft businesses, we will expand the portfolio of our own assets, while in the construction equipment business, we will push ahead with the expansion of dealerships in the U.S. and Europe through M&A.

In new business areas, we will continue to proactively develop value chain operations in Europe, including the aforementioned German projects. Another plan is to expand assets in freight car, container, and aircraft engine leasing businesses.

Through these plans and steps, we are targeting a ¥60.0 billion increase in risk-adjusted assets to ¥165.0 billion by the end of fiscal year 2006 and an average risk-adjusted return ratio of 11.5% for the two-year period under the AG Plan.

Performance Highlights

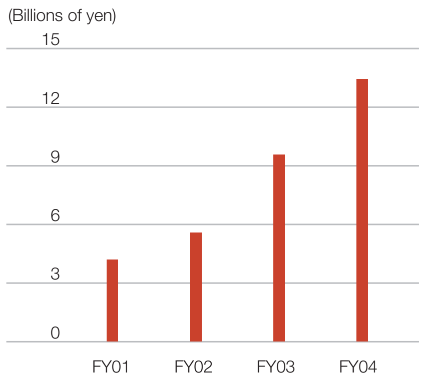
(Billions of yen)

	FY01	FY02	FY03	FY04
Gross Profit	78.4	86.2	98.6	113.3
Net Income	4.2	5.6	9.6	13.5
Basic Profit	6.7	11.2	14.8	20.6
Total Assets	740.5	764.9	793.0	871.5

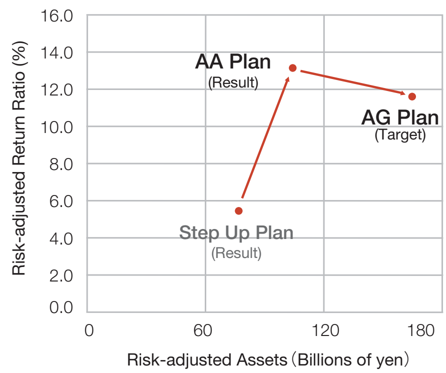
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	105.0	165.0
Risk-adjusted Return Ratio (two-year average)	13.0%	11.5%

Expanding construction equipment sales in Finland and three Baltic States

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



300,000 DWT VLCC for Hong Kong Ming Wah

AA Plan Major Achievements and Fiscal Year 2004 Performance

Strengthening Earning Power by Value Chain Development and an Asset Portfolio Strategy

Throughout the AA Plan, we have achieved major progress in the enhancement of the automobile-related value chain development centering on our automobile finance business. Sumisho Auto Leasing Corporation expanded its fleet of vehicles for leasing to 215,000 units through the acquisition of Kubota Lease Corporation and Kawasho Lavie Corporation. In overseas markets, P.T. Oto Multiartha increased its business bases and established P.T. Summit Oto Finance for two-wheelers in Indonesia, and we launched automobile finance businesses in Jordan and Slovakia. We also established SC-ABeam Automotive Consulting, which specializes in the automotive industry, and with the cooperation of SC-ABeam, purchased KIRIU Corporation, a brake parts maker, to enter the automotive parts manufacturing field.

In our own ship chartering business, we expanded our portfolio of ships owned. We also became the first Japanese trading company to enter the aircraft engine leasing market. These actions resulted in an expansion of our asset portfolio. As part of our efforts to develop new business areas, we entered the freight car leasing business in Russia as the first Japanese company.

In the construction equipment business, we bolstered overseas operations. This included the purchase of agents for Komatsu construction equipment in the U.S., China, Finland, and the three Baltic States; the establishment of a construction equipment sales company in Dubai; and capital participation in an Indonesian company that imports, sells, and rents forklifts and other equipment.

In fiscal year 2004, gross profit increased 14.9% over the previous year to ¥113.3 billion, led by the automobile finance and ships businesses, and net income rose 40.6% to ¥13.5 billion. The average risk-adjusted return ratio for the two-year period covered by the AA Plan came to 13.0%.

Michio Ogimura

General Manager,
Machinery & Electric Business Unit

Strong Performance in Power Plant EPC, Especially in Asia

Our principal areas of involvement are electric power, water, energy, telecommunications, and industrial infrastructure, as well as areas that offer growth potential such as energy-saving and eco technologies, medical care, and life sciences. We will foster the selection and consolidation of business by realizing the optimal combination of trading and investments as well as blending with regional strategies.

The bulk of our earnings are derived from overseas projects related to electric power, telecommunications, and energy, in which we have demonstrated our capabilities in project organization and execution, as well as from investments in electric power, water, telecommunications, and other businesses. We are particularly strong in engineering, procurement, and construction (EPC) projects, offering comprehensive handling capabilities. For power plant EPC projects, in particular, we boast an unrivalled track record among Japan's general trading companies, with a total power-generation capacity handled to date of 42,000 megawatts. We are aggressively expanding our investment in electric power projects using the expertise acquired through power plant EPC.

Machinery & Electric Business Unit

Business Environment and AG Plan Strategies and Policies

Diverse Capabilities Contribute to the Advancement of Key Infrastructure

The expansion of electric power demand mainly in Asia and the Middle East and progress in deregulation within the electric power industry, as well as continued growth in broadband communications and mobile phones are the following wind to our business. In addition, moves toward strengthening environmental regulations and enhancing various subsidy programs provide good opportunities for the expansion of energy-saving and environment-friendly projects.

Under these circumstances, we will strengthen our earnings base in line with a strategy of procuring sustained orders of EPC projects and expanding investments mainly in infrastructure-related projects.

In the EPC business, we aim to obtain new orders for electric power plants in Asia and the Middle East. Toward this goal, we are enhancing our expertise and capabilities in business development, financing arrangement, risk management, business management, as well as operation and maintenance, while strengthening our cost competitiveness. As for investments in overseas electric power projects, we will concentrate on the independent power producer (IPP) and independent water and power producer (IWPP) projects, particularly those in the U.S., Asia, and the Middle East, with a view to increasing our retained power-generation capacity to 6,300 megawatts by 2010. In the telecommunications field, we will expand our existing businesses while implementing strategic projects in the mobile telecommunications field in regions including the CIS , Asia, and the Middle East. We will also actively work on projects mainly in Asia associated with Japanese companies' overseas expansion, by way of means such as supplying equipment and facilities in the countries concerned. Our objective is to stand at the forefront of the infrastructure business aiming to be a "functional organization that contributes to society through the development and upgrading of infrastructure."

In our energy-saving and eco businesses, we also conduct projects such as energy service, recycling and waste treatment, and solar power and wind-generated power in Japan as well as overseas to contribute to the prevention of global warming.

The above activities are expected to result in a ¥36.0 billion increase in risk-adjusted assets to ¥102.0 billion by the end of fiscal year 2006 and an average risk-adjusted return ratio of 10% for the two-year period under the AG Plan.

Performance Highlights

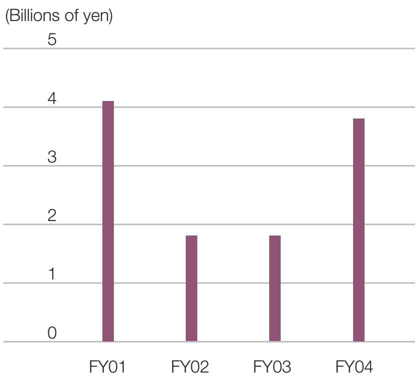
(Billions of yen)

	FY01	FY02	FY03	FY04
Gross Profit	30.6	28.6	28.2	32.2
Net Income	4.1	1.8	1.8	3.8
Basic Profit	4.6	4.6	5.1	7.6
Total Assets	421.5	451.2	435.7	457.4

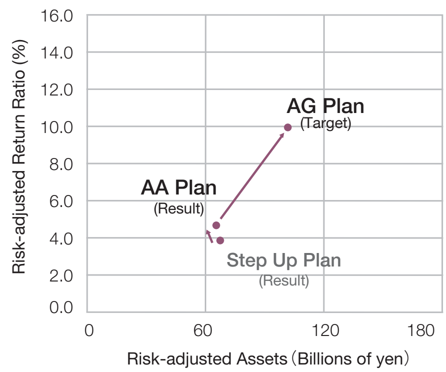
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	66.0	102.0
Risk-adjusted Return Ratio (two-year average)	4.7%	10.0%

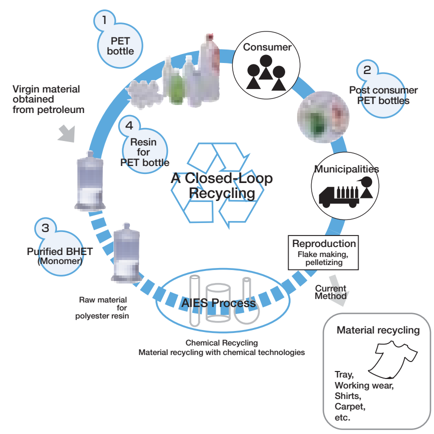
CBK Hydropower Plant in the Philippines

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets





Note: The power generation and electricity retailing business in Japan was transferred from Mineral Resources & Energy Business Unit in April 2005.

Comprehensive Recycle Chain of Polyethylene Terephthalate (PET) Bottles

AA Plan Major Achievements and Fiscal Year 2004 Performance

Increasing Risk-Adjusted Assets Especially in the Electric Power Business and Expanding Power-Generation Capacity

We recorded further growth for fiscal year 2004 in power plant EPC projects in Asia. During the period of the AA Plan, we secured successive orders totaling ¥300 billion for three major electric power plant projects in Malaysia, namely Tanjung Bin, Port Dickson II, and Jimah. Construction work proceeded smoothly on the Tanjung Jati B thermal power plant in Indonesia. This project is expected to complete construction in fiscal year 2006, upon which we will conduct a leasing operation for a period of 20 years.

Among the overseas investment in electric power projects, the Phu My 2-2 power plant in Vietnam and power plants in Taiwan have completed construction and started commercial operations. We also increased our stake in the Hermiston power generation plant in the U.S. to 50%. In addition, acquisitions of stakes in the proprietary firm and operation management firm of the CBK hydropower plant in the Philippines, and acquisition of the Birecik hydropower plant in Turkey came into sight. These acquisitions will raise our retained power-generation capacity to approximately 2,500 megawatts.

In eco business, we have formed an alliance with Aies Co., Ltd. and commenced operations for comprehensive recycling of polyethylene terephthalate (PET) bottles. We seek to employ this company's unique technology to expand operations overseas in the future.

Thanks to growing exports of plants to Asia and elsewhere overseas, we achieved a 14.2% year-on-year increase in gross profit to ¥32.2 billion in fiscal year 2004. Our performance was affected, however, by factors including the replacement of low-return assets in Southeast Asia and Central and South America, and recognizing the provision for doubtful receivables, resulting in a net income of ¥3.8 billion. Our average risk-adjusted return ratio for the two-year period under the AA Plan was 4.7%.

Shingo Yoshii

General Manager,
Media, Electronics & Network Business Unit

Becoming the No. 1 Company in the Industry

Our core Group companies in the media, electronics, and network business areas have leading positions, each cooperating and taking full advantage of synergies within the Group.

In the media business, we provide services on both the infrastructure and content fronts. Among our Group companies are Jupiter Telecommunications Co., Ltd. (J:COM), the largest cable TV operator in Japan, and Jupiter Programming Co., Ltd. (JPC), the largest multichannel television programming and content provider in Japan.

In the network business, in which we are also targeting the top positions, Sumisho Computer Systems Corporation (SCS), Sumisho Electronics Co., Ltd. (SSE), and Nissho Electronics Corporation closely collaborate in providing IT solutions services, and MS Communications Co., Ltd. (MSCOM) promotes the mobile communications business.

In the electronics business, the Sumitronics Group operates the largest electronic manufacturing services (EMS) business in Japan and Asia. Furthermore, in the electronic materials business, Sumitomo Corporation serves as the sole distributor of LEDs manufactured by Cree, Inc. (NASDAQ: CREE), which has a 25% share of the Japanese market.

Media, Electronics & Network Business Unit

Business Environment and AG Plan Strategies and Policies

Expanding Operation in the Rapidly Changing Business Environment

The media, network, and electronics businesses show tremendous growth potential and are undergoing a rapid change. Under the AG Plan, we intend to turn the rapidly changing business environment into new business opportunities and expand our earnings base.

In the media business, the trend of digitalization and broadbandization brings us numerous opportunities to offer new services. Under such circumstances, J:COM plans to increase its number of subscribers by expanding digital services on a regional scale through investments in neighboring cable TV operators and alliances with other operators. On the other hand, JPC is facilitating an expansion of its business base through an M&A of CS broadcast programming companies and is developing new businesses such as video-on-demand (VOD) services, Internet Protocol (IP) broadcasts, and interactive programs.

In the network business, SCS, carrying out software development capabilities, and SSE, featuring network integration and marketing capabilities, merged in August 2005. As a new organization, it will target to become the leading IT solutions provider. In the mobile communications business, MSCOM plans to expand and enhance its business through M&A.

In the electronics business, we are stepping up efforts to expand our EMS operation and enhance its functions, in response to growing outsourcing demands among computer peripherals and digital home appliance manufacturers. To this end, we will be further promoting alliances with printed circuit board assemblers mainly in China. As for electronic materials, we will more actively focus on new technologies to explore new business segments, especially blue and white LEDs as well as carbon nanotubes, whose market is expected to expand.

Based on these strategies, we intend to increase risk-adjusted assets by ¥38.0 billion to ¥151.0 billion by the end of fiscal year 2006 and achieve an average risk-adjusted return ratio of 11.8% for the two-year period under the AG Plan.

Performance Highlights

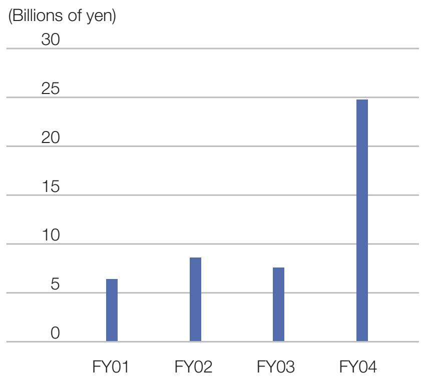
(Billions of yen)

	FY01	FY02	FY03	FY04
Gross Profit	41.9	40.9	40.8	44.1
Net Income	6.3	8.5	7.5	24.8
Basic Profit	-8.4	0.6	7.8	9.4
Total Assets	291.4	339.2	375.0	375.0

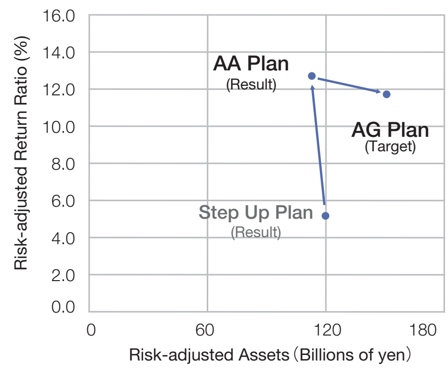
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	113.0	151.0
Risk-adjusted Return Ratio (two-year average)	12.8%	11.8%

J:COM listed on JASDAQ

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets




United Cinemas becomes our subsidiary

AA Plan Major Achievements and Fiscal Year 2004 Performance

J:COM Goes Public and Basic Profits Increase in All Areas

In the media business, J:COM achieved profitability in the term ended December 31, 2003, and recorded a large jump of performance in the term ended December 31, 2004. In March 2005, J:COM was listed on the JASDAQ securities exchange, becoming a corporation with a market capitalization exceeding ¥500 billion. JPC also steadily improved its performance, driven by Jupiter Shop Channel Co., Ltd., which boasts sales of around ¥50 billion in TV shopping. In the meantime, to expand its cineplex business, Sumitomo Corporation increased its shareholding of United Cinemas Co., Ltd., thereby making it a subsidiary.

In the network business, SSE pursued mergers and management reforms, and consequently recorded a drastic turnaround during the AA Plan. MSCOM steadily improved its performance in the mobile communication market through a further improvement of sales networks.

In the electronics business, we augmented our variety of products in the EMS business. At the same time, in July 2004, we reinforced our business infrastructure by integrating Sumitronics Group companies deployed in Japan, Korea, Shanghai, and other cities in Asia. As for electronic materials, we invested in and concluded an exclusive distributorship agreement with Carbon Nanotechnologies Inc. in the U.S. for sales of their products in Japan and Korea. Furthermore, we also identified promising projects by establishing a system that supports the commercialization of single-wall carbon nanotubes.

As a result of the above operations, gross profit in fiscal year 2004 recorded an 8.1% year-on-year increase to ¥44.1 billion due to the successful and ever better achievements of the major Group companies as outlined above as well as the steady expansion of the electronics-related business. Net income staged a 3.3 times year-on-year increase to ¥24.8 billion, partially due to the profit from J:COM's IPO, leading the average risk-adjusted return ratio for the two-year period covered by the AA Plan to increase to 12.8%.

Nobuo Kitagawa
General Manager,
Chemical Business Unit

Global Expansion of Chemicals Business

The chemicals business is a wide-ranging field closely linked to a variety of industries. We conduct a global operation employing supply chain management (SCM) and logistics functions that focus on the following three business areas: (1) basic chemicals, such as plastics, organic chemicals (ethylene, phenol, etc.) and resource-based inorganic chemicals (sulfuric acid, soda ash); (2) electronic and performance chemicals, including materials for semiconductors, liquid crystal displays (LCDs), paper and battery materials; and (3) life sciences, in fields such as pharmaceuticals, medical care, agricultural chemicals, antibiotics, and pet supplies.

Utilizing our global network, we have established the number one position in the industry with our ethylene business centering on Asia, our phenol business spanning Japan, Asia, Europe, and the U.S., and our worldwide sulfuric acid and agricultural chemicals businesses. We are also the industry leader in the greenhouse gas emissions credit business, promoting it in such countries as India and South Africa.

Chemical Business Unit

Business Environment and AG Plan Strategies and Policies

Accelerating Selection and Concentration

In April 2005, we reviewed our business lines in terms of products and capabilities, and reorganized our business into two divisions: Basic & Performance Chemicals and Life Science. Under this new system, we seek to solidify our already strong trade business and accelerate strategic investments in highly profitable projects. Our aim is to increase risk-adjusted assets by ¥22.0 billion to ¥56.0 billion by the end of fiscal year 2006, and achieve a target average risk-adjusted return ratio of 11.4% for the two-year period covered under the AG Plan.

In the basic chemicals field, we will strengthen our tie-ups with the U.S. and European manufacturers and upgrade trade through location swaps among the U.S., Europe, and Asia, and tolling conversion to enhance our trade business. We will also strive to improve competitiveness by investing in ships and tank facilities. In resource-based inorganic chemicals, we will vigorously invest in mines and aim to increase and stabilize our earnings. As for plastics, we intend to encourage investment through partnerships with leading Japanese processing manufacturers to boost earnings in the processing field.

In electronic and performance chemicals, we aim to expand our line of chemical products, such as materials for flexible printed circuit boards, display panels and batteries as well as special gases. At the same time, we will upgrade our functions in the SCM and fabless manufacturing businesses.

With respect to life science, we will promote further the expansion of our value chain in agri-science businesses. Through the acquisition of agricultural chemicals manufacturers and agricultural chemicals businesses overseas, we will secure our own product line and expand our agricultural materials distribution networks.

In pharmaceuticals and medical care, we aim to make further inroads into the domestic medical market by tying-up with universities and promoting the electronic medical records business of Apius Co., Ltd. In China, having acquired an equity stake in Henan Topfond Pharmaceutical Co., Ltd., we plan to export and promote domestic sales of the company’s pharmaceuticals.

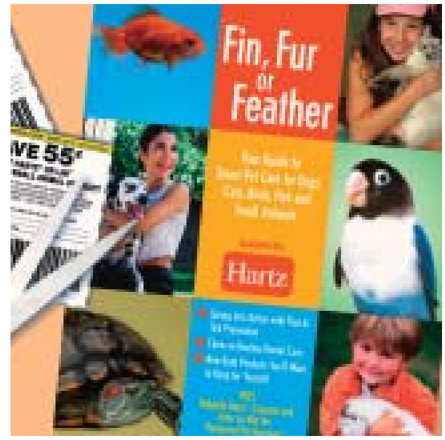
In addition, we aim to advance our pet supplies business by strengthening and expanding the business base of The Hartz Mountain Corporation (Hartz) in the U.S. and to enter the markets in Japan, Asia and Europe.

Performance Highlights

(Billions of yen)

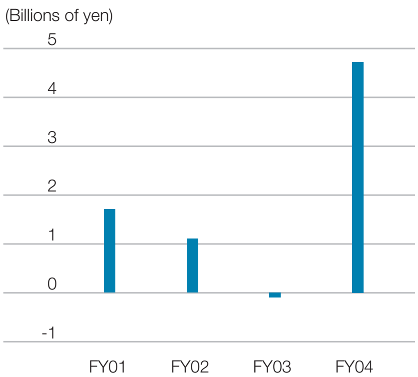
	FY01	FY02	FY03	FY04
Gross Profit	25.5	23.6	22.8	28.5
Net Income	1.7	1.1	-0.1	4.7
Basic Profit	1.7	2.0	2.0	4.5
Total Assets	204.8	186.5	174.9	217.2

	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	34.0	56.0
Risk-adjusted Return Ratio (two-year average)	7.1%	11.4%

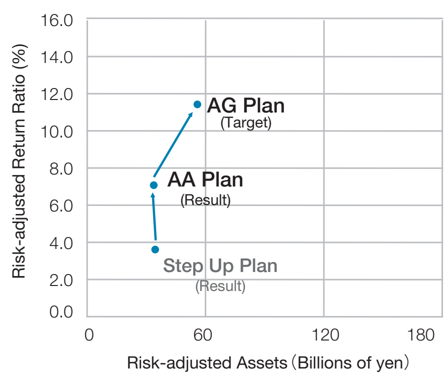


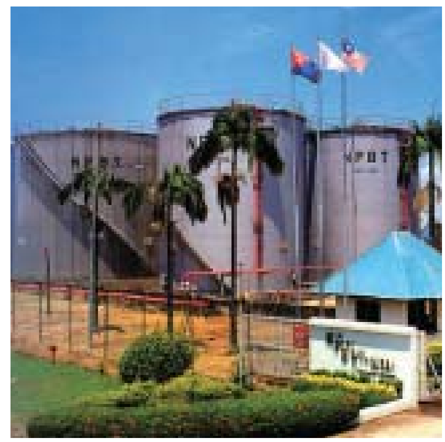
The Hartz Mountain Corporation

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets




Tanks of liquid petrochemicals (Malaysia)

AA Plan Major Achievements and Fiscal Year 2004 Performance

Significantly Expanding Our Earnings

Under the AA Plan, we have strengthened and expanded our business and earnings bases through the continued replacement of low-return assets to increase future earnings, while working on withdrawals from unprofitable businesses and improvement in the earnings of our affiliated companies.

Our most important move was the acquisition of The Hartz Mountain Corporation, the largest manufacturing, distribution, and sales company of pet care products in the U.S. This acquisition allowed us to enter the steadily growing U.S. pet supplies industry and has provided a footing for the development of our pet supplies business in Japan, the U.S., and Europe. We are pursuing synergistic growth with Hartz in terms of new product development, logistic capabilities, and overseas expansion.

We also devoted efforts to enhance our various trade businesses. The reinforcement of the package delivery business for electronics and performance chemicals in China and elsewhere in Asia has led to business growth, such as securing an order of package deliveries of LCD materials destined for Shanghai SVA NEC Liquid Crystal Display Co., Ltd.

Our profits from the sulfuric acid business and organic chemicals business were also significantly boosted, owing to the expansion of our business base and upgrading of our trading functions. In the agricultural chemicals business, we expanded our offerings by acquiring Germany's BASF's germicide "Triforine," while stepping up efforts to penetrate the end-user sales networks in Australia and South America.

In fiscal year 2004, healthy growth in the IT industry and the petroleum chemicals market boosted sales in electronics materials and organic chemicals, resulting in a 25.0% increase in gross profit to ¥28.5 billion. In addition, having completed the restructuring of our non-performing businesses, our bottom line shifted from a net loss of ¥100 million to a net income of ¥4.7 billion. The average risk-adjusted return ratio for the two-year period covered by AA Plan increased to 7.1%.

Upstream to Downstream Business Based on a Well-Balanced Natural Resource Portfolio

Having upstream interests of natural resources in the mainstay areas of copper, coal, oil, and liquefied natural gas (LNG), our business ranges from upstream to downstream activities. It is our feature to have formed a well-balanced portfolio so as to conduct our business in a stable and balanced manner. We are in the top position among trading companies in terms of copper production capacities from equity. We also have a unique position among trading companies, in that we hold interests in gold mining and coal mining in Australia that have a long mining life and contain a high percentage of coking coal.

At the midstream level, we occupy the first tier among trading companies in imports of copper concentrates to Japan and handle 25% of LNG imports to Japan. We are also top ranked in the carbon business and conduct trade in iron ore and other metal resources as well as battery materials. At the downstream level, we engage in nationwide LPG retail distribution and gasoline station operation.

Michihisa Shinagawa
General Manager,
Mineral Resources & Energy Business Unit

Mineral Resources & Energy Business Unit

Business Environment and AG Plan Strategies and Policies

Continuing Aggressive Strategic Investments to Expand Upstream Businesses

The mineral resource and energy products market has surged in the short-term, mainly due to increasing demand in Asian countries, particularly China. However, we feel this growth could be susceptible to a market correction in the mid-term.

Under this environment, we are accelerating strategic investments to expand business activities both qualitatively and quantitatively under the AG Plan, while selecting highly profitable projects. By the end of fiscal year 2006, we plan to increase risk-adjusted assets by ¥53.0 billion over a period of two years to ¥156.0 billion. We also aim to achieve a two-year average risk-adjusted return ratio of 14.0%.

The essence of our strategy is to increase the scale of our upstream business that focuses on our four mainstay areas, while continuing to maintain a well-balanced portfolio combining investments from a long-term perspective and acquisitions around the existing projects. In the fields of copper and gold, we will work to achieve a long-term stabilization of our earnings base in the Batu Hijau Project in Indonesia. As for coal operations, we will work to expand and stabilize our earnings base in Australia and acquire new business projects in countries such as Russia and China. In oil production, meanwhile, we plan to acquire further interests particularly in producing oil fields, and participate in promising new projects in LNG. In addition, we aim to acquire highly profitable assets in natural resource development, including gold, PGM*, iron ore, nickel, uranium, and rare metals.

In our midstream and downstream businesses such as LPG and carbon-related operations, we plan to establish an even more solid trading base. In achieving this, we will strengthen our risk management and other capabilities while seeking to participate in manufacturing and overseas sales operations. We are also pursuing further involvement in new technologies such as fuel cells as well as environment-related businesses such as hydrogen energy.

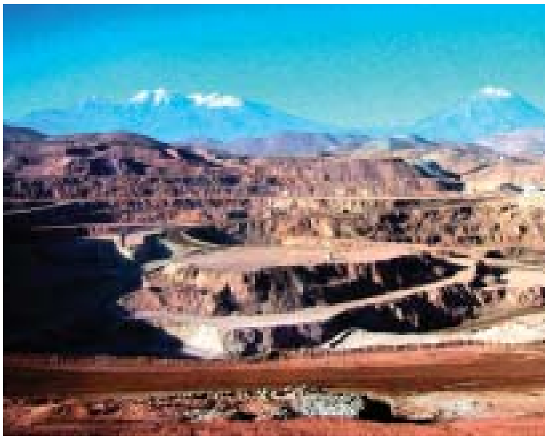
*PGM (Platinum Group Metal):
Platinum and palladium, etc.

Performance Highlights

(Billions of yen)

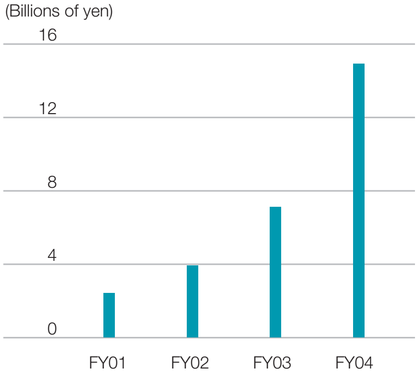
	FY01	FY02	FY03	FY04
Gross Profit	30.1	31.6	27.1	35.2
Net Income	2.4	3.9	7.1	14.9
Basic Profit	3.1	4.5	6.6	15.0
Total Assets	266.7	309.5	345.7	497.1

	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	103.0	156.0
Risk-adjusted Return Ratio (two-year average)	10.6%	14.0%

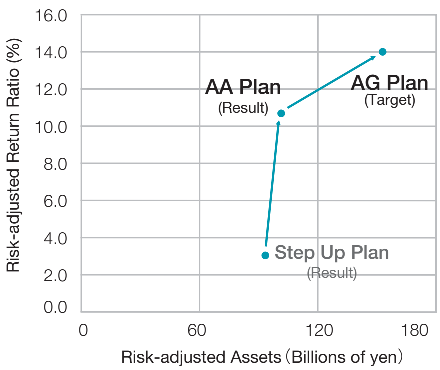


Open pit of the Cerro Verde Copper Mine in Peru

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Note: The power generation and electricity retailing business in Japan was transferred to Machinery & Electric Business Unit in April 2005.

Production vessel in the Gulf of Mexico gas field

AA Plan Major Achievements and Fiscal Year 2004 Performance

Steadily Building a Business Base for Future Profit Expansion

Our AA Plan has achieved significant results particularly in terms of increasing interests in upstream areas. We largely expanded our coal production capacities from equity owing to an additional acquisition of interests in Australia. We also financed a project in Russia to increase coking coal production, through which we have secured a long-term, stable source of coal procurement for Japan. Continuing acquisitions of oil interests in the British North Sea and gas field rights in the Gulf of Mexico have enabled us to increase our oil production capacities from equity to nearly 25,000 barrels a day. In addition, we raised our equity share in the Tangguh LNG Project in Indonesia. Furthermore, we reinforced our foundation for copper mining operations through the acquisition of a capital stake in Sociedad Minera Cerro Verde S.A.A., a Peruvian copper mine developer. We also began to develop the Pogo Gold Mine in Alaska aiming for production to begin in March 2006.

In the carbon business, we made a minority share investment in the publicly traded coke manufacturer Mitsui Mining Co., Ltd., and we have also entered carbon black operations in China. Another accomplishment was a further expansion of our power generation and electricity retailing business in Japan, with the start of operations at three of our own power generation plants.

In fiscal year 2004, the benefits of our additional acquisition of coal interests in Australia and oil interests in the North Sea, as well as favorable support from the bullish market, made a tangible contribution to earnings. As a result, we reported gross profit of ¥35.2 billion in fiscal year 2004, a 29.9% increase from the previous year. The strong market, coupled with cost reductions and production increases, significantly boosted performance of the Batu Hijau Project, resulting in a doubling of net income to ¥14.9 billion. The average risk-adjusted return ratio under the two-year AA Plan was 10.6%.

Pursing an Integrated, Full Spectrum Business Model with a Main Focus on Food

In the area of clothing, food, and housing, we leverage our downstream operating bases to promote synergies among our business areas that stretch to the upstream. Particularly in the area of food, with Summit, Inc. contributing as our major driver, the supermarket business around the Tokyo metropolitan area is one pillar of our earnings. Furthermore, Sumifru Corporation, which imports and sells fruits and vegetables, has the third largest share of the Japanese market for bananas, backed by our advanced production, sales, and quality control system that gives priority to safety and reliability.

In April 2005, we restructured our organization to strengthen our earning power. In the Food Business Division, the former Foodstuff and Fertilizer Division, its main business has been expanding from upstream areas (food supplies) to downstream areas (food products), with the fresh food, fertilizers, and carbohydrate businesses showing favorable results. The Lifestyle & Retail Business Division, the former Textile Division and the Retail & Consumer Service Division, will promote our apparel, interior, and drugstore businesses in addition to our core supermarket and brand-related businesses.

Yoshi Morimoto
General Manager,
Consumer Goods & Service Business Unit

Consumer Goods & Service Business Unit

Business Environment and AG Plan Strategies and Policies

Stabilizing Earnings by Focusing on Strategic Areas and Making Strategic Investments

In the domestic market, demand is showing a long-term decreasing trend due to falling birthrate and aging society. What is more, the market is becoming more competitive due to deregulations. On the other hand, there are growing business opportunities emerging from people's stronger preference for genuine products or those with a strong brand name as well as an increasing demand for value-added products and services.

With such an understanding, we will strengthen our earning power by selecting strategic areas and accelerating strategic investments. At the same time, we aim to establish a stable earnings base resistant to the external environment.

In the food business, we will broaden our business base through M&A and capital alliances while promoting selection and concentration within our strategic areas. In the fruits business, we will enhance our supply system for bananas, our principle product, as well as broaden the lineup of other products we provide. We shall construct a powerful value-chain by establishing a system that will manage the processing, logistics, and sales of our products. In the meat business, we intend to continue placing a focus on pork and chicken, as well as beef. Furthermore, in the fertilizer business, we will work to further broaden our earnings base through an expansion of existing businesses as well as M&A both domestically and abroad.

In the supermarket business, Summit will accelerate launches of new stores to six or seven per year, while also working to form alliances with profitable supermarkets.

In the brand-related business, our goal is to construct a business portfolio that will generate high profits, mainly in areas such as fashion, apparel, accessories, and home furnishing. We shall re-invest the funds from the sale of our stake in Coach Japan, Inc. to Coach, Inc. of the U.S. in July 2005, to actively enhance our portfolio.

With these efforts, we intend to increase risk-adjusted assets by ¥30.0 billion to ¥115.0 billion by the end of fiscal year 2006 and improve the average risk-adjusted return ratio for the two-year period under the AG Plan to 12.0%.

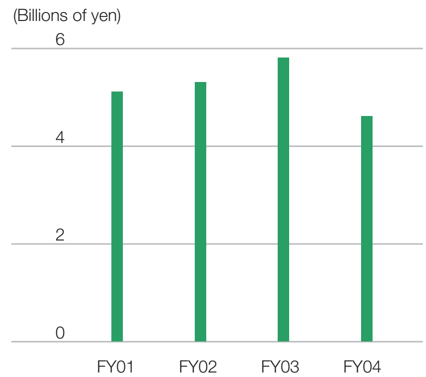
Performance Highlights

(Billions of yen)

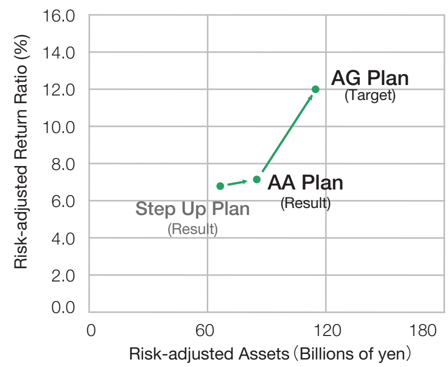
	FY01	FY02	FY03	FY04
Gross Profit	81.9	86.1	90.4	98.9
Net Income	5.1	5.3	5.8	4.6
Basic Profit	4.5	5.9	5.8	6.5
Total Assets	277.4	271.5	304.6	325.1

	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	85.0	115.0
Risk-adjusted Return Ratio (two-year average)	7.1%	12.0%

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Montrive Corporation, the import, designing and sales company of “FEILER”

AA Plan Major Achievements and Fiscal Year 2004 Performance

Expanding Business Base of Summit and Coach Japan, Making Strategic Investments in New Business Areas

During the AA Plan, Summit launched five new stores, with the total number of stores reaching 81 as of the end of March 2005. Its earnings are steadily growing, with fiscal year 2004 sales totaling ¥189.1 billion (on a consolidated basis), a 17% rise in a two-year period. Furthermore, in our banana business, we took various measures to acquire an additional share of the market. We have increased our sales to mass merchandise outlets and enhanced the production structure of high-value-added bananas, such as those grown with less pesticide or those with high sugar content.

In the brand-related business, Coach Japan has successfully expanded its business, and in fiscal year 2004 opened flagship stores in Marunouchi (Tokyo), Sapporo, Osaka, and Sendai. Furthermore, as a brand-related business that is expected to follow in the successful footsteps of Coach, we acquired Montrive Corporation, which is the sole import, designing, and sales company of the German luxury line of chenille fabrics, “FEILER.”

As part of efforts for the non-clothing sector in the textile business, we established Sumisho Airbag Systems Co., Ltd., a company that manufactures and sells side-curtain airbag cushions for automobiles with the insight that demand for these products will grow. The Company will work in partnership with Suminoe Co., Ltd., the leading manufacturer of textiles for automobile interiors, and Asahi Kasei Chemicals Corporation, which has various knowledge and technologies for airbags. The target sales proceeds for fiscal year 2008 are set at ¥10.0 billion.

Gross profit for fiscal year 2004 recorded a 9.4% increase from the previous term to ¥98.9 billion, largely owing to the successful results in the retails business such as Summit as well as in the banana business. On the other hand, net income recorded a 20.7% fall from the previous term to ¥4.6 billion, due to the declining profits in textile trade and Otto-Sumisho Inc., which is engaged in mail-order sales of apparel. The average risk-adjusted return ratio for the two-year period covered by the AA Plan was 7.1%.

Hisahiko Arai

General Manager,
Materials & Real Estate Business Unit

Industry Leader in the Materials Business; Exerting Integrated Corporate Strength in Real Estate

The two main business areas of focus for us are "materials and supplies" and "construction and real estate."

We are industry leaders in many of our businesses in the materials and supplies sector. Among our Group companies, the building materials trading company Sumisho & Mitsuibussan Kenzai Co., Ltd., laminated wood manufacturer SEVEN INDUSTRIES CO., LTD., and insulated metal panel manufacturer IG Kogyo Co., Ltd. are significant players in their respective industries. In addition, our ready-mixed concrete and used paper businesses have top rankings among trading companies, while our tire export and woodchip import businesses also excel in their own fields.

Our businesses in the construction and real estate sectors center on the leasing and management of office buildings and retail facilities, as well as the development and sale of residential properties, mainly condominiums. Our expertise and capability for coordination in these sectors is also demonstrated by our large-scale multipurpose-complex development projects. Moreover, we are pursuing a focus on the real estate funds and urban redevelopment projects.

Materials & Real Estate Business Unit

Business Environment and AG Plan Strategies and Policies

Further strengthening Our Aggressive Stance

With the domestic materials sector fully mature and as competition intensifies, selection, reorganization, and consolidation within the industry are likely to continue. By contrast, overseas market expansion and increased demand is expected in various sectors such as the tire sector.

In this environment, we will enhance our supply sources and pursue downstream business development in sectors where we are competitive, seeking to broaden our earnings base further. In terms of our lumber and building materials business, we will increase our lumber handling quantity by developing new forest regions in Russia for which we acquired the Forest Stewardship Council (FSC) certification, and make inroads in the plywood industry. We will broaden our overseas supply sources at Sumisho & Mitsuibussan Kenzai, and by pursuing a synergy with SEVEN INDUSTRIES and IG Kogyo we will expand our business base. Furthermore, in the tire business, we are reinforcing our wholesale business in the United States and other countries.

In terms of the construction and real estate business, we will pay careful attention to the prospects for the currently favorable office building and condominium supply and demand balance. Meanwhile, there are increasing numbers of large-scale multipurpose-complex development projects, arising from the redevelopment of existing buildings and factories after companies have rationalized production facilities and logistics sites. We view such projects as a distinct business opportunity.

Based on this awareness, we are further strengthening the "functional value chain" from planning through development, sales, leasing, management, and operation, and are taking proactive measures with respect to multi-purpose complex development projects. In addition, we are aiming to establish the real estate funds and urban redevelopment projects as pillars of profit, following that of our building and retail facility leasing and condominium sales.

In the AG Plan, with a focus on these aggressive strategies, we plan to increase risk-adjusted assets by ¥11.0 billion to ¥106.0 billion by the end of fiscal year 2006. Further, we aim to improve the risk-adjusted return ratio to 10.3%.

Performance Highlights

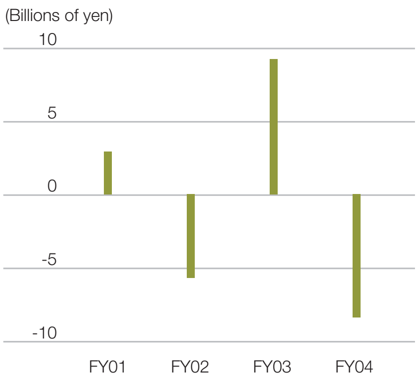
(Billions of yen)

	FY01	FY02	FY03	FY04
Gross Profit	54.9	57.8	47.8	38.7
Net Income	2.9	-5.7	9.1	-8.4
Basic Profit	2.1	6.6	2.3	5.9
Total Assets	632.5	602.8	615.3	606.1

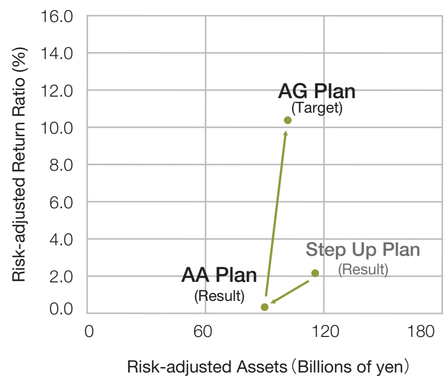
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	95.0	106.0
Risk-adjusted Return Ratio (two-year average)	0.3%	10.3%

Kachidoki Redevelopment Project

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Nagoya SOC

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.

AA Plan Major Achievements and Fiscal Year 2004 Performance

Expanding Business Base in Materials; Improving Profitability in Real Estate

In the materials business, we proactively implemented new investments starting from the AA Plan period. As to ready-mix concrete manufacturing, our business base was expanded through the acquisition of the Fukuoka-based Horiden Group and Nagoya SOC. With respect to lumber, the development of new forest regions was started in conjunction with Terneyles in Russia. Furthermore, the acquisition of SEVEN INDUSTRIES has strengthened the synergy between our building materials distribution business and the Russian lumber business. In the tire business, we established Shaheen Tyres Company L.L.C. in the United Arab Emirates, producing wholesale inroads in the Middle East.

As to real estate business, we focused on urban redevelopment projects, including the Kachidoki Redevelopment Project and the Senri New Town Condominium Reconstruction Project, as well as the consulting business. In addition, we addressed the replacement of risk-adjusted assets and the compression of total assets, aiming for improvements in asset efficiency and profitability. As one aspect of this, we liquidated the Sumitomo Building in Osaka and the Harumi Headquarters Building. In addition, impairment losses of ¥13.5 billion (after taxes) were recognized for Queen's Square, real estate for rent in the Yokohama district.

In fiscal year 2004, we recorded a gross profit of ¥38.7 billion and a net loss of ¥8.4 billion. This resulted from several factors such as bullish performance in materials business, positive condominium sales, and impairment loss on real estate.

The average risk-adjusted return ratio for the two-year period covered by AA Plan remained at 0.3%.

Leveraging Our Information Network and Business Creativity

We offer services in financial and logistics operations that provide added value to the buying and selling of products and investments that integrated trading companies transact. With the wide range of commercial activities that companies like ours conduct, we take full advantage of our specialized knowledge and expertise, global network, risk management skills, and superb access to information to promote businesses by providing these high value-added services.

In the financial services field, the commodities trading business is one of our core businesses and a sector where we utilize our strength as a trading company in handling actual demand. We have the largest market share in Japan of approximately 20% in precious metals and energy derivatives. In addition, we are active in investment advisory services, specializing in alternative investments, and the investment fund business.

Our logistics operations are made up of an extensive distribution network in Japan and overseas, as well as by our involvement in industrial park businesses in Vietnam, Indonesia, the Philippines, and China. In the latter business, we provide not only infrastructural support but also comprehensive solutions such as the procurement of components and delivery of products. We are also enhancing our distribution-related capabilities such as quality inspection services.

Tadahiko Mizukami

General Manager,
Financial & Logistics Business Unit

Financial & Logistics Business Unit

Business Environment and AG Plan Strategies and Policies

Expansion Strategy Capitalizing on Changing Business Environment and Client Demands

In Japan, the environment surrounding the finance business is now undergoing substantial changes. The commodities futures business is facing a major turning point with the enforcement of the revised Commodity Exchange Act in May 2005. In addition, demand for maximizing corporate value as well as structural changes within Japanese society and industry are generating greater needs for M&A and fund procurement. Meanwhile, the needs for asset management among individuals are becoming more diverse due to the government's removal of its full deposit guarantee.

In response to this changing environment, we are enhancing our earning power in the commodities trading business while upgrading our risk management. We are also expanding our investment-related business. As for investment advisory services, we will enlarge our client base by expanding sales of new products such as commodity index instruments, and promoting new businesses such as hedge fund incubation in collaboration with other companies. In direct investment and fund investment businesses, we intend to identify new projects primarily in Japan and Asia.

In the logistics sector, there are growing needs for advanced services on the back of increasing flow of raw materials, components, and consumer goods primarily in Southeast Asia and China. In response, we will reinforce our business infrastructure, developing logistical bases in inland China and building new hubs in Japan. These enhancements of our distribution network in Japan, China, Southeast Asia, the U.S., and Europe are aimed at expanding our global logistics business. As to our overseas industrial park business, we are preparing to develop a new industrial park as well as expand the Thang Long Industrial Park in Vietnam. In the field of insurance, we are seeking participation in the insurance agencies business, targeting Japanese-affiliated companies entering the Chinese market.

Through an expansion of profitable assets in our financial and logistics businesses, we plan to increase our risk-adjusted assets by ¥15.0 billion to ¥35.0 billion by the end of fiscal year 2006 and achieve a two-year average risk-adjusted return ratio of 13.2%.

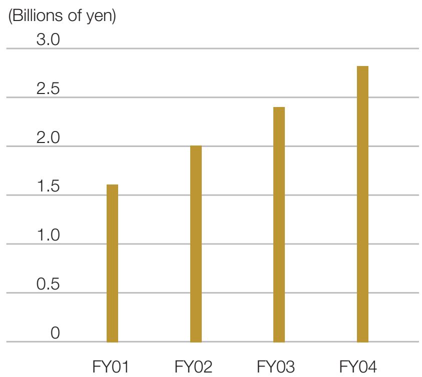
Performance Highlights

(Billions of yen)

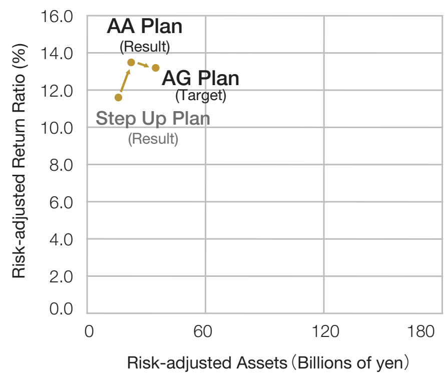
	FY01	FY02	FY03	FY04
Gross Profit	14.5	15.5	15.7	17.0
Net Income	1.6	2.0	2.4	2.8
Basic Profit	1.9	2.0	2.0	2.8
Total Assets	154.2	161.5	193.5	232.8

	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	20.0	35.0
Risk-adjusted Return Ratio (two-year average)	13.5%	13.2%

Net Income



Risk-adjusted Return Ratio and Risk-adjusted Assets



Opening ceremony of Dragon Logistics Center-Phase II at Thang Long Industrial Park in Vietnam

Sumisho Card

AA Plan Major Achievements and Fiscal Year 2004 Performance

Anticipatory Investments Turning Profitable

During the period of the AA Plan, significant results emerged in business areas where we made “anticipatory investments,” such as those from our investment business and our logistics operations in China.

In our finance business, we realized value through stock sales following several initial public offerings (IPOs) tied to the investment projects we undertook. For our investment advisory business, a diversification of our product lineup including the addition of hedge funds resulted in an increase in our assets under custody. In addition to these accomplishments, our strategic move into new areas of business in finance led to the establishment of Sumisho Card Inc., marking our full-scale entry into the credit card business. We are working to expand the business base for Sumisho Card through linkages with Sumitomo Corporation Group companies.

We further enhanced our logistics networks and capabilities by establishing logistics companies in the Chinese cities of Wuxi and Shenzhen, as well as operating a quality inspection and processing center, and expanding our parcel delivery services in Beijing and Shanghai. We also entered into automobile transport operations and established a joint venture for transport of finished automobiles throughout China. In addition, our global procurement logistics business in North America and Europe proceeded exceptionally well. And in our industrial park business, we completed the second phase of development for the Thang Long Industrial Park with favorable sales results.

In fiscal year 2004, our performance was impacted by major fluctuations in international commodity prices, leading to a decline in profits from our commodity business. However, increased profitability of our logistics business boosted gross profit by 8.3% to ¥17.0 billion. We also succeeded in yielding the value in our investment business in terms of net income, with a 16.7% increase to ¥2.8 billion. The average risk-adjusted return ratio for the two-year period covered by the AA Plan was 13.5%.

Global Strategy

Promoting Globalization

Sumitomo Corporation's global network, encompassing 150 business operations (26 in Japan and 124 overseas) and more than 800 consolidated companies worldwide, is a key foundation underpinning our integrated corporate strength. We have nine Business Units involved in varying fields, as well as regional organizations covering Japan and overseas. The Business Units and regional organizations work together to pursue business opportunities globally.

Our growth strategy, which follows from the AA Plan to the AG Plan, is to expedite expansion of our earnings base on a global scale. The objectives to achieve this are to reinforce mutual ties under a common strategy between Business Units and regional organizations so that total benefits reaped are more valuable than the sum of their parts. The other is to formulate strategies based on global perspectives and optimally allocating management resources in order to maximize our strength. Interaction between Business Units and regional organizations is becoming more important from the perspective of ensuring proper internal controls of the Group as a whole, including consolidated companies.

Our domestic and overseas regional organizations play a very important role in devising growth strategies tailored to their specific regional attributes—by seizing growth momentum in their respective markets—and in taking a multifaceted approach to local business partners. In order to further broaden our business base and ensure more dynamic growth, we will strive to develop locally based global businesses in each country and region. At the same time, our domestic and overseas subsidiaries and other operations will accord high importance to maintaining a strong corporate presence with close ties to local communities.

To address various issues in this regard, we set up the "Globalization Promotion Committee" under the AA Plan. The Committee works with the Business Units which develop global product strategies in each business field, and with our regional organizations which maintain close local ties, with the aim of "reinforcing earnings based on an integration of regional and product strategies." Thus, we have been working to strengthen ties between Business Units and regional organizations and reinforce the capabilities of regional organizations.

For example, when forming management plans by segment, we have endeavored to clarify and share our global strategies across all Business Units by blending Business Unit strategies with the basic policies of each regional organization. On the structural side, we have adopted region-wide business division systems based on a horizontal unification of operations by product. We have also strengthened our operations by appointing general managers for each region. In addition, we have encouraged regional organizations to participate in the management of companies belonging to Business Units. At the business front level, we have been strengthening capabilities of local staff in overseas operations and promoting them to management positions, while reinforcing our support infrastructure by upgrading our global intranet. In these ways, we are pursuing progressive initiatives at all levels, from company-wide to business fronts.

Through the initiatives taken under the AA Plan, our information-sharing has advanced and businesses cooperated between Business Units and regional organizations are increasing. Under the AG Plan, we will continue with these actions so that regional organizations will further proactively contribute to expansion of our earnings base.

Strategic Regions

In regions with high growth potential, we need to provide company-wide back-up to support business development in order to translate regional growth into our own growth. We have been positioning China as a strategic region, where we have been proactive in our business development. There, we have 13 business locations and investments in around 150 companies and have established business bases in many fields. For example, in the automobile-related sector, which is showing particularly strong growth in China, we have set up businesses for supplying automotive steel sheets, pipes, and other parts. To meet the needs of Japanese companies shifting their operations to China, we are supplying raw materials utilizing supply chain management (SCM) systems. In the logistics field, we are operating logistics centers and parcel delivery businesses.

The AG Plan identifies Russia and other CIS countries, and India as “Focused Frontier” regions set for new growth. In those regions, we are working to broaden our company-wide businesses, centering on mineral resource development, infrastructure, automobile-related businesses, and businesses at the local level. At present, we have five offices and eight companies in Russia and are involved in a broad range of activities, including mineral resources and energy, environment-related business, modernization of manufacturing facilities, and forestry development. In India, we have two offices and investments in 14 companies. To expand our operations in that nation, we have set up a task force and are taking a comprehensive approach to pursuing business opportunities in various areas.

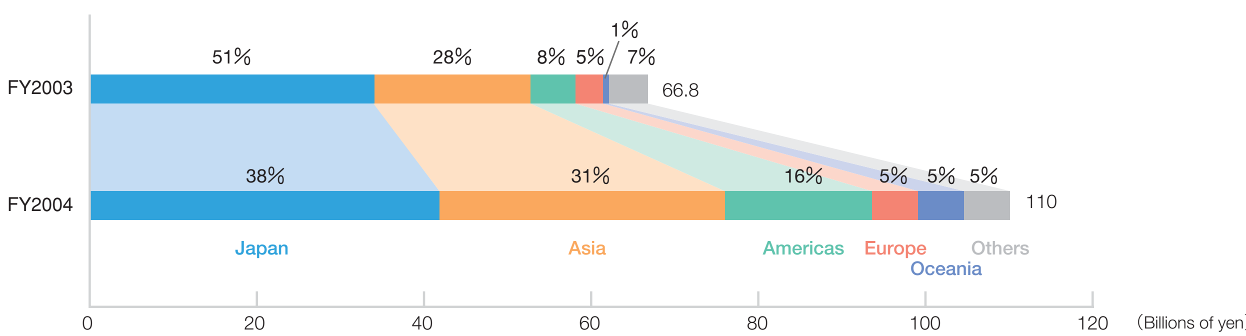
The Neryungri Coal Mine in Russia which we financed to increase coking coal production

Basic Profit by Regions

Due to an ongoing global development of our earnings base, basic profit from Japan currently accounts for just less than 40% of our total basic profit. At present, basic profit from Japan is growing, with contributions from strong performances in condominium sales, real estate rentals, the media business, and Sumisho Auto Leasing. In fiscal 2004, however, the Japan share declined, due to increased profits from Asia and the Americas.

Following Japan, the Asian region accounts for the next-highest percentage of profits. We have already established a strong business base in Asia, covering such areas as the Batu Hijau copper and gold mine in Indonesia, steel service center operations across the region, and automobile leasing and financing, and we expect to expand earnings.

Meanwhile, profits from the Americas are growing, thanks to a favorable trading business for steel pipes and materials and the acquisition of The Hartz Mountain Corporation. Going forward, we will optimally allocate company-wide management resources and further broaden our global earnings base.



Note) Profits of affiliated companies are allotted by their locations.
Profits of Sumitomo Corporation (Parent) is allotted by the customers’ locations.

Principal Subsidiaries and Associated Companies Contributing to Consolidated Results

	Shares in equity (End of FY2004) (%)	Main Business	Equity earnings, net (FY2004) (100 million yen)
Metal Products			
Asian Steel Company Ltd.	100.00	Investment in steel service centers and other operations in Asia	12.3
Mason Metal Industry Co., Ltd.	99.99	Shearing, slitting, and sale of steel plates	5.1
SC Metal Pty. Ltd.	100.00	Investment in aluminum smelting operation in Australia	3.4
Transportation & Construction Systems			
Sumisho Auto Leasing Corporation *1	52.90	Leasing of motor vehicles	30.1
P.T. Oto Multiartha	96.34	Financing of motor vehicles	14.8
Sumisho Aircraft Asset Management B.V.	100.00	Aircraft leasing	6.4
Oshima Shipbuilding Co., Ltd.	34.11	Shipbuilding	4.9
Machinery & Electric			
Perennial Power Holdings Inc.	100.00	Development, ownership and management of power plant in the U.S.	8.8
MobiCom Corporation	30.00	Integrated telecommunication service in Mongolia	7.7
Media, Electronics & Network			
Jupiter Telecommunications Co., Ltd. *2	26.43	Cable television multiple system operation (MSO)	32.8
Sumitronics Corporation	100.00	Sale of electronics products and parts	21.8
Jupiter Programming Co., Ltd.	50.00	Management and operation of programming services	16.1
Sumisho Computer Systems Corporation *3	50.86	Data processing services; development and sale of computer software	15.8
Sumisho Electronics Co., Ltd. *3	67.15	Sale of office computers, systems, and software	9.8
MS Communications Co., Ltd.	50.00	Sale of telephone circuits and equipment	13.1
Nissho Electronics Corporation	20.18	Sale of office computers, systems, and software	3.6
Chemical			
Sumitomo Shoji Plastics Co., Ltd.	100.00	Sale and trade of plastics	10.3
The Hartz Mountain Corporation	96.30	Manufacturing, distribution, and sales of pet care products	5.8
Summit Agro Europe Ltd.	100.00	Investment in agricultural chemicals in Europe	5.7
Cantex Inc.	100.00	Manufacture and sale of polyvinyl chloride pipes	5.2
Mineral Resources & Energy			
Nusa Tenggara Mining Corporation	74.28	Investment in and financing of the Batu Hijau copper/gold mine development project in Indonesia	72.1
Sumisho Coal Australia Pty. Ltd.	100.00	Investment in coal mines in Australia	45.6
SC Minerals America, Inc.	100.00	Investment in the Morenci copper mine, the Pogo gold mine in the U.S. and the La Candelaria copper mine in Chile	8.4
LNG Japan Corporation	50.00	Trading of LNG, investment and financing related to LNG business	7.0
Sumisho LPG Holdings Co., Ltd.	100.00	Planning strategy of LPG business and controlling its subsidiaries	5.5
Consumer Goods & Service			
Summit, Inc.	100.00	Supermarket chain	18.6
Sumifru Corporation	100.00	Import and sale of fruits and vegetables	13.2
Montrive Corporation	99.00	Sole import, designing and sales of the luxury line of chenille fabrics, "FEILER"	5.2
Materials & Real Estate			
Osaka Hokko Development Co., Ltd.	100.00	Ownership and leasing of retail facilities and office buildings	14.5
S.C. Cement Co., Ltd.	100.00	Sale of cement, ready-mixed concrete and concrete products	5.6
Sumisho & Mitsuibussan Kenzai Co., Ltd.	50.00	Sale of building materials	2.2
Financial & Logistics			
Bluewell Corporation	100.00	Agent for casualty insurance and life insurance	5.0
Overseas Subsidiaries			
Sumitomo Corporation of America	100.00	Export, import, investment	142.8
Sumitomo Corporation Europe Holding Ltd.	100.00	Export, import, investment	29.4
Total 8 subsidiaries in China	—	Export, import, investment	10.8
Sumitomo Corporation (Singapore) Pte.Ltd.	100.00	Export, import, investment	9.5
Sumitomo Australia Limited	100.00	Export, import, investment	7.3
Others			
Sumisho Lease Co., Ltd.	36.21	Leasing	54.9

*1 Sumisho Auto Leasing Corporation became our wholly owned subsidiary on August 2, 2005 by share exchange.
*2 Jupiter Telecommunication made a third-party allotment on April 20, 2005.
*3 Sumisho Computer Systems Corporation and Sumisho Electronics Co., Ltd. merged on August 1, 2005.

Sumitomo Corporation's Management System

Maintaining Growth and Stability Together
— Our Management System Will Continue to Evolve

To achieve dynamic growth, not only further expanding our business base but also recruitment, training, and utilization of the human resources who support it are also essential. Moreover, we need to further reinforce our "defense" simultaneously with accelerating our "offense." We will thereby continually work to attain full compliance awareness, advance risk management, and improve business quality and efficiency. At the same time, we will promote the enhancement of our governance framework and the introduction of an internal control system to further upgrade our auditing and checking functions. Through these efforts, we will manage our business in a sound manner, considering environmental friendliness and contributions to society.

Management Principles and Activity Guidelines

Sumitomo Corporation has been heir to “Sumitomo Business Spirit,” which has been passed down over 400 years. Although trends and times change, we will instill this spirit into our activities.

Sumitomo Business Spirit embodied in “Business Principles” (established in 1891)

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

With this Sumitomo Business Spirit as our backbone, in 1973 we established the “Sumitomo Corporation Business Charter.” In 1998, the charter was revised introducing phrases more suitable as a company operating globally, resulting in the “Management Principles” and “Activity Guidelines.”
The Management Principles consist of three articles describing the corporate mission, the fundamental policies, and the corporate culture. The Activity Guidelines are a guide for everyday tasks.

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

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

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

To ensure that all executives and employees share the values contained in the Management Principles and Activity Guidelines, we also drafted the SC VALUES.
Each value is respected in work performance evaluations and the multidimensional system (a job performance assessment of supervisors by their subordinates).

SC VALUES

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

Organization chart

Corporate Governance

We are striving to build an optimal corporate governance framework by taking into consideration changes to Japan's Commercial Code and by observing the benefits of corporate governance frameworks in other countries, while preserving the positive aspects of traditional Japanese corporate management principles.

Enhancement of Corporate Auditing Framework and Introduction of Diverse Perspectives in Management

Basic Principles

We have stipulated in our Corporate Governance Principles (established in April 2003) that, ultimately, we view corporate governance as "improving management efficiency" and "maintaining sound management," as well as "securing a high level of management transparency" required to achieve the first two goals.

Framework and Operation

At Sumitomo Corporation, the General Meeting of Shareholders serves as the Company's supreme decision-making body, under which the Board of Directors makes important business decisions and the Board of Corporate Auditors monitors the performance of directors. Moreover, we are introducing diverse management perspectives from external advisors as well as external corporate auditors.

▷ Enhancement of the Corporate Auditing Framework

The Board of Corporate Auditors together with the Board of Directors monitors the performance of directors. It is made up of five corporate auditors, of which three are external (two legal experts and one accounting expert), and practices an auditing framework with diverse perspectives. Corporate auditors attend all important internal meetings and exchange opinions monthly on material issues regarding management policy and auditing with the Chairman of the Board of Directors and the President and CEO. Furthermore, to ensure that the auditing system functions effectively, we have developed an assistance framework for the corporate auditors, and the Internal Auditing Department frequently provides information.

▷ Appointment of External Advisors

To incorporate outside perspectives into our management decision making, we have formed a team of external advisors consisting of four specialists, which includes women and foreign nationals. At semiannual meetings with the Board members, the external advisors provide us with advice from diverse perspectives on various themes regarding management issues. They also give us speeches and lectures in the areas of each advisor's expertise, such as leadership and career development.

▷ Rightsizing the Board of Directors

The number of Board members was halved from 24 in June 2003 in order to facilitate substantial and active discussions as well as to promote greater efficiency and effectiveness in decision making. The number of Board members as of July 2005 is 13.

Furthermore, the term of directors was reduced from two years to one year at the General Meeting of Shareholders in June 2005.

▷ Introduction of the Executive Officer System

We have introduced the executive officer system with the aim of clarifying the responsibility and authority of execution as well as strengthening the Board of Directors' monitoring function. By having Business Unit General Managers concurrently serve as executive officers and Board members, we aim to prevent gaps between decisions made at Board of Directors meetings and the execution of those decisions.

▷ Term Limits for the Chairman of the Board of Directors and the President and CEO

In principle, we have established six years as the maximum term for the Chairman of the Board of Directors and the President and CEO. We have thus eliminated the possibility of governance problems by limiting the tenure of top management.

Basic Policy on Information Disclosure

The Corporate Governance Principles stipulates that "in an effort to bring an accurate understanding of the company's management policies and business activities to all stakeholders, the company shall strive to make full disclosure, not limiting itself to the disclosure of information required by law, but also actively pursuing the voluntary disclosure of information."

In line with this policy, we established the Information Disclosure Committee in April 2005. The Committee will be responsible for gathering important information that shall be disclosed and considering policy governing its disclosure, and for raising awareness among our groups on information disclosure.

Compliance

The importance of compliance – the observation of laws and regulations – is unquestioned in today's world, and it is not an overstatement to say that a company can no longer be viable without compliance-conscious management. Sumitomo Corporation's commitment to compliance is made explicit in our "Activity Guidelines" and our "SC VALUES," which reflect our Company's pledge to "observe laws and regulations and maintain the highest ethical standards."

Commitment at Top Management Level and Effective Systems

Preventive Measures
(Compliance Comes First)

The Company's top management work continuously to spread the message that "officers and employees should never risk noncompliance in pursuit of profit for the company." Furthermore, the Compliance Committee, which is under the direct supervision of the President and CEO, regularly provides compliance awareness training to our employees, including lectures and training programs targeted at specific groups such as new recruits, newly appointed managers, corporate officers, and employees of our subsidiaries. In fiscal year 2004, 57 such lectures and seminars were held and a total of 3,109 participants attended. The Compliance Committee has drafted a Compliance Manual containing guidelines on 19 principles. It has been distributed to all officers and employees, and the latest version is posted on our corporate intranet together with a manual on related laws and regulations.

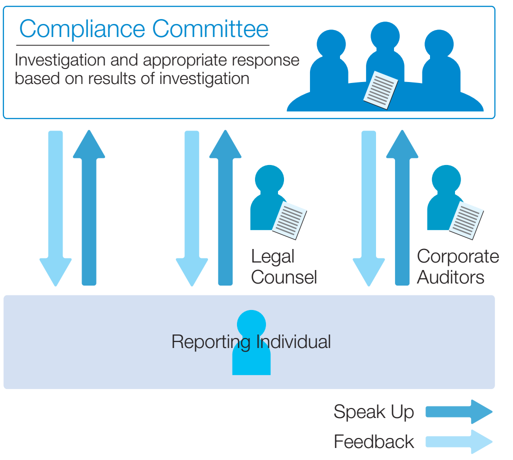
Measures to Promote Swift Response to Possible Violations
(Report Problems Immediately)

Members of the Company's top management directly advocate the Company principle that "Compliance Comes First" and strive to ensure that compliance-related problems are reported promptly to supervisors or the relevant department so that appropriate measures can be taken immediately. Moreover, in addition to our system of reporting through the ordinary chain of command, in November 2000, the Company adopted the Speak-Up System, which allows an individual wishing to report a potential problem to report directly to the Compliance Committee. Outside legal counsel and the Company's corporate auditors are also included as additional points of contact in the Speak-Up System. The Compliance Committee is responsible for handling in an appropriate manner all information it receives through our internal compliance systems. Compliance Committees and the Speak-Up System have been introduced at approximately 100 of the Company's consolidated domestic subsidiaries.

Guiding Principles of Compliance System

- **Business Activities**
  - Observing Antimonopoly Laws
  - Security Control
  - Customs/Controlled Items
  - Compliance with Applicable Laws
  - Respecting and Protecting Intellectual Property Rights
  - Prohibition of Unfair Competition
  - Information Management
  - Preservation of the Environment
  - Overseas Business Activities
- **Corporate Citizen As a Member of Society**
  - Prohibition on Giving Bribes
  - Prevention of Unlawful Payments to Foreign Governmental Officials
  - Political Contributions
  - Confrontation with Antisocial Forces
- **Maintenance of a Good Working Environment**
  - Respect for Human Rights
  - Prohibition of Sexual Harassment
  - Prohibition on Abuse of Authority
- **Personal Interests**
  - Insider Trading
  - Conflict of Interest
  - Proper Use of Information System

The Speak-Up System



Risk Management

We believe that risk taking is a source of profit and risk management is a source of competitiveness. For its part, Sumitomo Corporation is making unceasing efforts to improve our risk management capabilities, one aspect of our integrated corporate strength.

Introduction of the Concept of Risk-adjusted Return ahead of Competitors and Advanced Risk Management Methods

The Aims of Risk Management

Integrated trading companies (*sogo shosha*) regularly develop new businesses that lead the way in the companies' respective regions or business fields. By managing the numerous and complicated risks associated with such businesses, we will stably expand our earnings and maximize our corporate value.

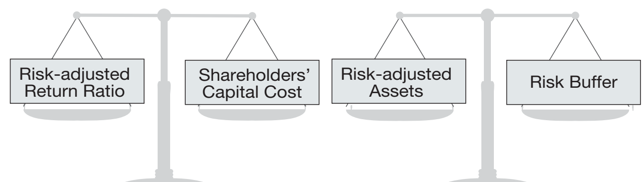
Frameworks for Managing Each Type of Risk

Various risks are associated with the complicated and diverse businesses that our company undertakes. We divide these risks into two types, namely quantifiable risks and non-quantifiable risks, and manage them accordingly.

▷ Managing Quantifiable Risks

Quantifiable risks are those risks that can be measured, such as market risks, investment risks, and credit risks. We pioneered the adoption of the concepts of risk-adjusted assets and risk-adjusted return, which have become de facto standards among integrated trading companies. We carry out risk management geared to all kinds of risks, with a basic policy of securing company soundness by maintaining a balance between the total risk buffer and risk-adjusted assets, and preserving profitability appropriate to risk by achieving a risk-adjusted return ratio in excess of shareholders' capital cost.

Management Based on Risk-adjusted Return Ratio



Risk-adjusted Return Ratio

Profitability of a business against the risks involved in it, caluculated as a fraction whose numerator is consolidated net income and whose denominator is risk-adjusted assets.

We consider a risk-adjusted return ratio of 7.5% as a level that would cover shareholders' capital cost.

Risk-adjusted Assets

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

Further Upgrading Business Risk Evaluation Methods

Integrated trading companies began in the 1990s to move beyond their traditional trading operations to a business model that includes fostering business to pursue profit and capital gains. As a result, it can be said that the importance of evaluating business potential is greater at present than ever before.

Sumitomo Corporation seeks to evaluate more accurately a company's business potential through the introduction of Dynamic Discounted Cash Flow analysis. This method of analysis is based on the probability distribution of future cash flow derived by conducting thousands and even tens of thousands of simulations, and taking into account the changes in various factors affecting business potential that can be forecast by analyzing the company's business profit structure and risks.

Managing Non-Quantifiable Risks

Non-quantifiable risks such as natural disasters, administrative errors, and fraud are risks that must be borne, but for which we cannot expect returns. Furthermore, some of those risks involve events that do not occur frequently but can have a major negative impact on our operations when they do occur. Sumitomo Corporation manages such risks on an ongoing basis through its dedicated departments within the Corporate Group and each business line.

At the same time, company-wide efforts are made by the Promoting Team for Integrated Risk Management established in 2002, which prioritizes non-quantifiable risks according to their importance, reviews the status of the Company's response to these risks, and works to improve them. The team's findings are incorporated into the new Internal Control Project.

Risk Management Structure

Risk management at the Business Unit level is implemented under the principles of autonomous management and independent responsibility, within the company-wide risk management framework. Such activities are supported by staff dedicated to risk management in each Business Unit's Planning and Administration Department and are carried out in a precise and timely manner in close contact with frontline business operations.

At the company-wide level, dedicated departments within the Corporate Group are responsible for the establishment and sophistication of a framework common to the whole company, and for the monitoring of risk-adjusted assets.

In addition, the Loan and Investment Committee analyzes project risks from a specialist viewpoint and assesses whether to go ahead with large and important projects that could have a major impact on the entire company, thereby providing an appropriate checking function.

Enhancing Risk Awareness

As stated in the beginning, risk management is a source of competitiveness, and superior risk management is the key to business success. For this purpose, we believe that the construction of a superior risk management framework and the actions and awareness of all officers and employees to assure an effective framework are essential.

As a member of the Sumitomo Group, which has a history of over 400 years, Sumitomo Corporation has a corporate culture based on "integrity" and "sound management." Yet, through repeatedly explaining the importance of risk management from the top down, we are propagating risk management in our frontline business operations and achieving an enhanced sense of risk management awareness in our employees. Our officers and employees also cross-departmentally share lessons and know-how gained from cases of past failures, and a manual filled with risk management knowledge accumulated in the past is distributed company wide. Through these efforts, we aim to improve the risk management capabilities of each employee and enhance the competitiveness of the entire company.

Internal Control Project

Under the Internal Control System we conduct comprehensive cross-functional verifications, identify problematic issues and implement necessary corrective measures. In doing so we not only strengthen the above-mentioned areas of corporate governance, compliance and risk management but we also further continue to deepen our internal control system.

Endless Pursuit of a More Comprehensive and Sophisticated Internal Control System

Background and Objectives of the Project Launch

The AG Plan is an "aggressive" plan that targets dynamic and sustained growth. In staging an effective implementation of the AG Plan, it is important that we solidify our business base, reviewing our overall internal control system to continuously improve and advance the process of "upgrading operational quality" within the Sumitomo Corporation Group.

In this respect, we established the Internal Control Committee and launched the Internal Control Project in July 2004. This project aims to achieve a greater level of sophistication in internal control system by reorganizing and integrating various internal control and risk management measures, including a self-adjusting system and an integrated risk management system. Each business line, not only at Sumitomo Corporation but also at our domestic and overseas Group companies, periodically reviews the state of internal control over entire operational processes. Through this, we are aiming to continuously improve our internal control level.

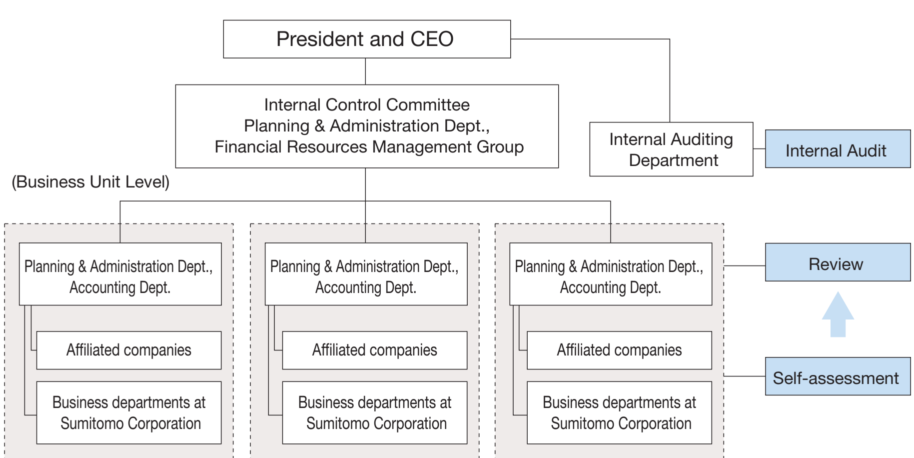
Project Details

Under the Internal Control Project, we carry out self-assessment regarding the state of internal control in each Company department and Group companies once a year. Necessary inquiries are made, utilizing a checklist compiled from checkpoints that span the entire operation in line with the international standard for the internal control COSO* Framework. The purpose of the self-assessment is to achieve the three objectives of "Reliability of financial reporting," "Effectiveness and efficiency of operation," and "Compliance with applicable laws and regulations." The Planning and Administrative Department in each Business Unit as well as other relevant departments review the results of the assessment and support the establishment of necessary improvement measures. In addition, the Internal Auditing Department conducts an evaluation to validate the adequacy of inspection results.

Self-assesment began in July 2005 in Japan and will begin in September 2005 for overseas operations. For both Japan and overseas, the first such self-assessment will end by March 2006, and action plans for matters that require improvements will be established.

*COSO:
The Committee of Sponsoring Organizations of the Treadway Commission. Internal control through the COSO Framework is a process effected by an entity's Board of Directors, management, and other personnel, designed to provide a reasonable assurance regarding the achievement of objectives in the following categories:
1. Effectiveness and efficiency of operations
2. Reliability of financial reporting
3. Compliance with applicable laws and regulations

Internal Control Project Framework



Human Resources Management

Human resources strategies matching our growth strategies are one of the basic policies of the AG Plan. We will proactively work on human resources management and promote recruitment, training, and placement of human resources with the aim of realizing sustained growth and development through our offensive management plan.

Strategic Training and Placement of Human Resources, Diversification of Recruitment and “Work & Life Balance”

The Right People in the Right Places

Our policy is to appoint motivated people to jobs that proactively challenge their capabilities and take them to new heights. This approach engenders a mutually beneficial stimulus for each employee and the organization to which he or she belongs. To place the right people in the right place and stimulate the organization, we established a Human Resources Management Committee in each Business Unit to promote the cultivation and utilization of human resources. As to human resources allocation, our strategy is to rotate employees through various parts of the Corporation, as well as to utilize self-application systems, which encourage employees to take responsibility for their own career development.

To diversify our recruitment of human resources, we carry out mid-career recruitment throughout the year. In addition, we will utilize our existing staff including the senior staff, and augment our management personnel overseas.

Cultivating Professionals and Leaders

Our human resources development is driven by onsite activities. We set goals and provide feedback on the evaluation that is focused on each individual, and through job placement rotation and training programs specific to each business line, we endeavor to cultivate professionals with specialized expertise and leaders with clear vision.

In addition, the Sumisho Business College provides a company-wide educational infrastructure designed to improve the practical knowledge and skills of our people at all levels, from new employees to managers. Additionally, we are undertaking such training programs as the Business Creator Program, which is geared toward boosting business creativity. Furthermore, in December 2004, we established a Human Resources Development Committee chaired by the President and CEO as a venture to widely discuss and propose measures concerning human resources development from a long-term perspective.

Training session for staffs at our overseas operations

Personnel around the Globe

To further cultivate business operations with close ties to local communities and to strengthen the capabilities of each overseas operation, we encourage the promotion of locally hired staff to key positions at our overseas offices, and actively foster and utilize highly talented staff. In addition, our headquarters hosts group training sessions for overseas staff at every level, and each year we have approximately 100 participants. Our main objective is to improve their business skills as well as to deepen their understanding of Japanese culture and the business strategies of the company through interaction with headquarters staff.

Work & Life Balance

We incorporate the concept of “Work & Life Balance” into our human resources management. This concept states that ensuring balance and fulfillment in life including work is the key to maximizing individual performance.

We have established a company-wide team to develop a business environment where employees can work to their best potential with peace of mind. Based on our employees’ needs, the team will work to permeate the concept of “Work & Life Balance,” and continuously deliberate and promote measures such as enriching child-care and family-care leave systems, reducing the amount of overtime work, and promoting the utilization of paid holidays.

Supporting the Mental Health of Our Employees

To enable our employees to work in vigor while maintaining sound mental health, we also established a SCG Counseling Center in our Harumi headquarters in April 2005. Our exclusive counselors will give advice about appropriate labor management from the perspective of supporting the mental health of our employees and will ensure that all potential barriers to one’s work are quickly identified and resolved.

Initiatives for Environmental Conservation

To achieve harmony between the economy and the environment, we are putting forth our best efforts to minimize the adverse environmental impacts of our business activities. We are also actively pursuing environment-conscious business such as greenhouse gas emission reduction projects to protect and improve the global environment.

Primary Principle of Contribution through Business

Environment-Conscious Businesses

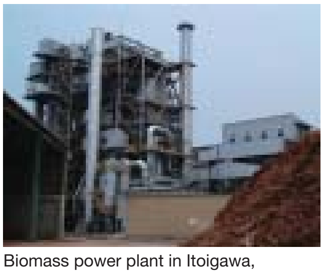
Not content to merely conduct corporate activities with an environmental consideration, we are trying to promote environment-conscious businesses by making maximum use of our Group's competence and advanced technologies. Below are some examples of our initiatives.

We are actively participating in various fields of business related to hydrogen energy, which is attracting much attention as a clean energy source. Coordinating a number of Business Units, we manage a comprehensive operation from hydrogen manufacturing, transportation and storage with high-pressure hydrogen tanks to power generation using fuel cells.

Quantum's high-pressure hydrogen fuel tank

As an initiative to promote renewable energy resources, we are operating wind power generators in Sakata, Yamagata Prefecture and a biomass power plant in Itoigawa, Niigata Prefecture. We are also promoting the widespread use of high efficiency biomass boilers made in Austria.

Wind turbine generators of Summit Wind Power Sakata



Biomass power plant in Itoigawa, Niigata Prefecture

With respect to the recycling business, we are engaged in the business of chemical regeneration and recycling of used polyethylene terephthalate (PET) bottles, as well as the production and sale of garments made of fibers derived from used PET bottles. Furthermore, we are contributing to the establishment of a recycling-based society through such businesses as recycling wastepaper and used office supplies.

Overseas, we are actively involved in greenhouse gas reduction projects known as CDM/JI* projects under the Kyoto Protocol. Of particular note is our hydrofluorocarbon emission reduction project in India, the first CDM project involving a Japanese corporation that has been registered at the United Nations.

* CDM: Clean Development Mechanism.
A mechanism by which developed nations provide funds and technology for climate change mitigation projects in developing nations, acquiring credits for emission reductions resulting from those projects.

JI: Joint Implementation.
A mechanism by which developed nations implement climate change mitigation projects in other developed nations or Economies in Transition countries, acquiring credit for emission reductions resulting from those projects.

Waste paper collection yard

Facility in India to destroy Hydrofluorocarbon (HFC23)

Efforts to Minimize the Environmental Impact within the Office

Through our continuous efforts, the power consumption of 13 major domestic business operations of Sumitomo Corporation fell 2% in fiscal year 2004 compared to the previous fiscal year. In addition, at our headquarters, we utilize rainwater and reuse kitchen wastewater to water plants and to flush toilets. Further, we sort waste into 12 categories to improve recycling at the headquarters. To raise awareness among employees and warn them about excess waste generation, we announce these statistical data on the amount of generated waste.

As a promotion for greening office activities, we encourage our employees to use 100% recycled paper and reduce paper consumption by double-side printing; moreover, we encourage the purchase of environment-friendly office supplies whenever possible.

Philanthropic Activities

Sumitomo Corporation does not merely contribute to society through its business activities. As a corporate citizen, we initiate activities to create a more environment-friendly and enriched society and foster potential future leaders. We thus aim to achieve prosperity and realize dreams for all stakeholders.

Active Initiatives for Prosperous Local Communities and Society

Support to Cultivate Future Generations

In addition to the Sumitomo Corporation Scholarships, which we award to approximately 900 Asian college/graduate school students per annum, we award various scholarships in the United States and Asia and make donations to domestic and overseas educational institutions. Through these activities, we are contributing to the cultivation of the next generation of leaders.

Various Welfare Activities

We aspire to see the realization of a barrier-free society, accessible to all regardless of one's ability. To facilitate such a development, one of our efforts is the addition of Japanese subtitles to certain movies in which we are involved at the production stage as a means of allowing everyone to enjoy movies.

We also invite to our headquarters people residing in a nearby special nursing home for the elderly as well as their families to enjoy the Tokyo Bay fireworks festival with us.

Cultural Support

Since 1992, we have supported the activities of the Junior Philharmonic Orchestra, an amateur youth orchestra. Many of the orchestra's members have become stellar musicians, forging successful careers as professionals. Our long-term commitment to cultural support activities has gained recognition, as exemplified by our receipt of the Mecenat Award for Fostering of Musical Talents in the 2004 Japan Mecenat Awards Grand Prix, hosted by the Association for Corporate Support of the Arts.

Received Mecenat Award for Fostering of Musical Talents

Supporting the Volunteer Activities of Our Employees

Sumitomo Corporation established a volunteer leave system as a means to promote social contribution activities among employees. In addition, Sumitomo Corporation, both individually and in cooperation with other companies, hosts volunteer experience workshops and charitable activities, urging not only our employees but also local citizens and students to participate. Through such enjoyable interactions, we aim to build a prosperous society.

Cleaning up Odaiba area in Tokyo

Donation of Japanese picture books with Laotian translation sticker

Disaster Relief

▷Niigata Prefecture Chuetsu Earthquake

Besides the provision of monetary donations and funds from officers and employees, Sumitomo Corporation provided clothing, various daily necessities, and relief supplies to the evacuation centers for the victims of the Niigata Prefecture Chuetsu Earthquake. We also sent stuffed toys and finger puppets to afflicted children.

Furthermore, we held subtitled video screenings at the evacuation centers of the Japanese movie Kakushi Ken Oni no Tsume (The Hidden Blade), which we participated in the making of, and provided fax machines for the hearing impaired.

▷Sumatra Earthquake and Tsunami

In addition to the provision of monetary donations and funds from officers and employees, we provided construction machinery and equipment, various daily necessities, and food and drink. We also provided stuffed toys and finger puppets through ASHINAGA, a non-profit organization that is engaged in providing support for children who lost their parents in disasters.

We were awarded the Diploma with Dark Blue Ribbon for monetary donations through the Japanese Red Cross Society.

Directors and Corporate Auditors (As of July 1, 2005)

Noriaki Shimazaki
Executive Vice President

Nobuhide Nakaido
Executive Vice President

Kenzo Okubo
Executive Vice President

Kenji Miyahara
Chairman of the Board of Directors

Motoyuki Oka
President and CEO

Shuji Hirose
Executive Vice President

Directors and Corporate Auditors

Chairman of the Board of Directors
Kenji Miyahara

President and CEO
Motoyuki Oka

Directors
Shuji Hirose
Kenzo Okubo
Noriaki Shimazaki
Nobuhide Nakaido
Tadahiko Mizukami
Michio Ogimura
Hisahiko Arai
Yoshi Morimoto
Michihisa Shinagawa
Shingo Yoshii
Nobuo Kitagawa

Standing Corporate Auditor (Full-Time)
Shigemi Hiranuma

Corporate Auditor (Full-Time)
Masahiro Ishikawa

Corporate Auditors
Itsuo Sonobe*
Koji Tajika*
Akio Harada*

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

Executive Officers (As of July 1, 2005)

President and CEO

Motoyuki Oka*

Executive Vice President

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

Kenzo Okubo*
General Manager,
Metal Products Business Unit

Noriaki Shimazaki*
Responsible for Internal Auditing Department

Responsible for Human Resources Development & Information Management Group

Responsible for Financial Resources Management Group

Nobuhide Nakaido*
General Manager,
Corporate Planning & Coordination Office

Senior Managing Executive Officer

Tadahiko Mizukami*
General Manager,
Financial & Logistics Business Unit

Shizuka Tamura
General Manager for China

CEO, Sumitomo Corporation (China) Group

Director & President,
Sumitomo Corporation (China) Holding Ltd.

Katsuichi Kobayashi
General Manager,
Chubu Regional Business Unit

Susumu Kato
General Manager for the Americas

Director & President,
Sumitomo Corporation of America

Michio Ogimura*
General Manager,
Machinery & Electric Business Unit

Managing Executive Officer

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

Yoshi Morimoto*
General Manager,
Consumer Goods & Service Business Unit

Makoto Shibahara
Assistant General Manager,
Financial & Logistics Business Unit

General Manager,
Financial Service Division

Michihisa Shinagawa*
General Manager,
Mineral Resources & Energy Business Unit

Shingo Yoshii*
General Manager,
Media, Electronics & Network Business Unit

Shuichi Mori
General Manager for Europe

CEO, Sumitomo Corporation Europe Group

Director & President,
Sumitomo Corporation Europe Holding Limited

Chairman, President & Director,
Sumitomo Corporation Europe Plc

Kazuo Ohmori
Assistant General Manager,
Transportation & Construction Systems Business Unit

General Manager,
Ship, Aerospace & Transportation Systems Division

Kentaro Ishimoto
Assistant General Manager,
Consumer Goods & Service Business Unit

General Manager,
Food Business Division

Shunichi Arai
General Manager,
Kansai Regional Business Unit

Nobuo Kitagawa*
General Manager,
Chemical Business Unit

Executive Officer

Yoshihiko Shimazu
General Manager for CIS

Assistant General Manager for Europe

Kenji Kajiwara
General Manager,
Lifestyle & Retail Business Division

Makoto Sato
General Manager,
Motor Vehicles Business Division

Toyosaku Hamada
General Manager,
Financial Resources Management Group

Tsuneo Naito
General Manager,
Logistics & Insurance Business Division

Takahiro Moriyama
General Manager,
Power & Energy Project Division

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

Takashi Kano
General Manager,
Construction & Real Estate Division

General Manager,
General Construction Development & Coordination Department

Kuniharu Nakamura
General Manager,
Corporate Planning & Coordination Department

Shinichi Sasaki
General Manager,
Tubular Products Division

Takuro Kawahara
General Manager,
Legal Department

Yoshio Osawa
General Manager,
Network Division

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

Business Operating Structure

Organization (As of July 1, 2005)

General Meeting of Shareholders

Board of Directors
(Chairman of the Board of Directors)

Board of Corporate Auditors

President and CEO
Executive Officers

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

Japan
- 2 Subsidiaries
- 3 Regional Business Units
- 2 Offices
- 1 Branch

Overseas
- 39 Subsidiaries
- 3 Branches
- 49 Offices

Business Units

Metal Products Business Unit
- Planning & Administration Dept., Metal Products Business Unit
- Metal Products IT Solution Dept.
- Iron & Steel Division, No.1
- Iron & Steel Division, No.2
- Iron & Steel Division, No.3
- Tubular Products Division
- Metal Products for Automotive Industries Division
- Non-Ferrous Products & Metals Division

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

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

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

Chemical Business Unit
- Planning & Administration Dept., Chemical Business Unit
- Business Execution Dept.
- Basic & Performance Chemicals Division
- Life Science Division

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

Consumer Goods & Service Business Unit
- Planning & Administration Dept., Consumer Goods & Service Business Unit
- Food Business Division
- Lifestyle & Retail Business Division

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

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

Domestic and Overseas Subsidiaries (As of July 1, 2005)

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

Principal Subsidiaries and Associated Companies

	Common Stock		Ownership (%)	Main Business
Metal Products Business Unit				
SC Grainger Co., Ltd.	¥ 2,953	millions	43.54	Electric-commerce of MRO (maintenance, repair, and operations) products
Sumisho Tekko Hanbai Co., Ltd.	¥ 310	millions	100.00	Sale of steel products
Summit Plate Management Corporation	¥ 50	millions	100.00	Sale of plate
Hokkaido Shearing Kaisha, Ltd.	¥ 210	millions	96.40	Fabrication and sale of steel products
Summit Steel Corporation	¥ 20	millions	100.00	Sale of steel sheet
Fibercoat Co., Ltd.	¥ 150	millions	64.63	Manufacture and sale of fiber-coated steel
Sumisho Speciality Steel Corporation	¥ 210	millions	84.00	Stock, sale, and processing of specialty steel
Ishihara Kohtetu Co., Ltd	¥ 96	millions	81.00	Stock, sale, and processing of tool steel
Stainless Kakou Center	¥ 45	millions	70.00	Shearing and sale of stainless steel sheet
SC Tubulars Co., Ltd.	¥ 50	millions	100.00	Sale of specialty tubular products
Sumisho Pipe and Steel Co., Ltd.	¥ 499	millions	100.00	Sale of steel piping and other steel products
Mazda Steel Co., Ltd.	¥ 60	millions	51.00	Shearing, slitting, and blanking of steel sheet
Sumisho Metalex Corporation	¥ 1,170	millions	100.00	Sale of non-ferrous metal products, materials for home heat solution
Summit Aluminum Ltd.	¥ 400	millions	79.06	Production of aluminum alloy ingots
Alcut Co., Ltd.	¥ 96	millions	85.00	Shearing, slitting, and blanking of aluminum coils, sheets, and circles
Dong Guan S.Y. Metal Ltd. (China)	RMBY 50,968	thousands	80.00	Shearing, slitting, and sale of steel plates
Dong Guan Nitec Metal Processing Co., Ltd. (China)	US$ 5,000	thousands	100.00	Shearing, slitting, and sale of steel plates
Zhongshan Nomura Steel Products Co., Ltd. (China)	US$5,700	thousands	100.00	Shearing, slitting, and sale of steel plates
Wuxi Meifeng Metal Products Co., Ltd. (China)	US$ 4,000	thousands	100.00	Shearing, slitting, and sale of steel plates
Shanghai Summit Metal Products Co., Ltd. (China)	US$ 6,000	thousands	80.00	Shearing, slitting, and sale of steel plates
Tianjin Hua Zhu Metal Products Co., Ltd. (China)	US$ 5,300	thousands	56.51	Shearing, slitting, and sale of steel plates
Hangzhou Summit Metal Products Co., Ltd.(China)	US$ 9,000	thousands	100.00	Shearing, slitting, and sale of steel plates
Shanghai Hi-Tec Metal Products Co., Ltd. (China)	US$ 4,800	thousands	90.00	Manufacture and sale of metal-processing products
Shanghai Nikka Metal Products Co., Ltd. (China)	US$ 3,790	thousands	81.00	Stock, sale, and processing of tool steel
Foshan Summit Nikka Mould & Metal Products Co., Ltd. (China)	US$ 5,000	thousands	100.00	Stock, sale, and processing of tool steel
Mason Metal Industry Co., Ltd. (Taiwan)	NT$ 500,000	thousands	99.99	Shearing, slitting, and sale of steel plates
CS Metal Co., Ltd. (Thailand)	BAHT 360,000	thousands	47.33	Shearing, slitting, and sale of steel plates
Thai Steel Service Center Ltd. (Thailand)	BAHT 216,000	thousands	64.60	Shearing, slitting, and sale of steel plates
Thai Special Wire Co., Ltd. (Thailand)	BAHT 160,000	thousands	73.50	Manufacture and sale of PC wire and strand
CS Non-Ferrous Center Co., Ltd. (Thailand)	BAHT 110,000	thousands	42.00	Shearing, slitting, and sale of non-ferrous metal sheets
Asian Steel Company Ltd. (Singapore)	S$ 41,176	thousands	100.00	Investment in steel service centers and other operations in Asia
Mactan Steel Center Inc. (Philippines)	P.PESO 100,000	thousands	90.00	Shearing, slitting, and sale of steel plates
Calamba Steel Center Inc. (Philippines)	P.PESO 281,000	thousands	90.00	Shearing, slitting, and sale of steel plates
Sumiputeh Steel Centre Sdn. Bhd. (Malaysia)	M$ 12,000	thousands	39.00	Shearing, slitting, and sale of steel plates
Steel Centre Malaysia Sdn. Bhd.(Malaysia)	M$ 8,000	thousands	70.00	Shearing, slitting, and sale of steel plates
P.T. Super Steel Karawang (Indonesia)	US$ 4,000	thousands	75.00	Shearing, slitting, and sale of steel plates
P.T. Super Steel Indah (Indonesia)	RP 3,573,000	thousands	40.02	Shearing, slitting, and sale of steel plates
P.T. Super Steel Chikarang (Indonesia)	RP 13,156	thousands	100.00	Shearing, slitting, and sale of steel plates
Petro-Summit Mechanical Co., Ltd. (Vietnam)	US$ 3,674	thousands	100.00	Manufacture of steel drum
Hanoi Steel Center Co., Ltd. (Vietnam)	US$ 3,000	thousands	100.00	Shearing, slitting, and sale of steel plates
Saigon Steel Service & Processing Co. (Vietnam)	DONG 25,769,000	thousands	50.00	Shearing, slitting, and sale of steel plates
Myanmar Sai Steel Industry Co., Ltd. (Myanmar)	KYAT 22,800	thousands	51.00	Manufacture and sale of galvanized plates
Steel Center Europe, s.r.o. (Czech)	KORUNA 190,000	thousands	50.00	Shearing, slitting, and sale of steel plates
Arkansas Steel Associates LLC (U.S.)	US$ 26,000	thousands	50.00	Steel mini mill (Manufacture of railroad tie plates)
SC Pipe Services Inc. (U.S.)	US$ 3	thousands	100.00	Investment in VAMPTS Co.
Servilamina Summit Mexicana S.A. de C.V. (Mexico)	US$ 20,000	thousands	100.00	Steel service center (processing and sale of steel sheets)
SC Metal Pty. Ltd. (Australia)	A$ 23,208	thousands	100.00	Investment in aluminum smelting operation in Australia
Transportation & Construction Systems Business Unit				
Oshima Shipbuilding Co., Ltd.	¥ 5,600	millions	34.11	Shipbuilding
Sumisho Auto Leasing Corporation	¥ 2,751	millions	100.00	Leasing of motor vehicles
Sumisho Pocket Finance Corporation	¥ 1,000	millions	50.10	Retail finance
KIRIU Corporation	¥ 2,098	millions	98.56	Automotive components manufacturer (Disc rotor, Brake drum, etc)
SC-ABeam Automotive Consulting	¥ 50	millions	80.00	Automotive industry focused consulting
SC Automotive Investment	¥ 150	millions	100.00	Automotive Related Investment Fund Operation and Management
Sumisho Rental Support Corporation	¥ 250	millions	100.00	Rental of aerial work platforms, temporary housing house, hydraulic excavator, attachment, etc.
Sumisho Aero-Systems Corporation	¥ 100	millions	100.00	Sale of aerospace equipment
Sumisho Machinery Trade Corporation	¥ 450	millions	100.00	Trading of machinery, equipment and automobiles
Sumisho Marine Co., Ltd.	¥ 30	millions	100.00	Daily Administration of ship finance, operation/chartering of owned vessels, and marine equipment business
Sumisho Aircraft Asset Management B.V. (Netherlands)	US$ 16,029	thousands	100.00	Aircraft leasing
P.T. Oto Multiartha (Indonesia)	RP 325,000,000	thousands	96.34	Financing of motor vehicles
P.T. Summit Oto Finance (Indonesia)	RP 485,179,000	thousands	99.70	Financing of motor vehicles
Summit Auto Management (Thailand)	BAHT 300,000	thousands	100.00	Holding and management company of automotive dealership and finance companies

	Common Stock		Ownership (%)	Main Business
Toyota Ly Thuong Kiet (Vietnam)	US$ 1,050	thousands	100.00	Sale of Toyota motor vehicles
Summit Investment Australia Pty Limited (Australia)	A$ 27,000	thousands	100.00	Holding and management company of automotive dealership and leasing companies
Summit Auto Lease Australia Pty Limited (Australia)	A$ 12,000	thousands	100.00	Motor vehicle leasing to corporate customers
Summit Motors Investment (U.K.) Limited (U.K.)	STG£35,610	thousands	100.00	Holding and management company of automotive dealership
SC Motors Sweden AB (Sweden)	KRONA 76,000	thousands	100.00	Management company of automotive distributorship and finance company, and wholesale of parts and accessories
Summit Motors Slovakia, spol. s r.o. (Slovakia)	KORUNA 180,000	thousands	100.00	Import and sale of Ford motor vehicles
Summit Motors Ljubljana d.o.o. (Slovenia)	TOLAR 1,129,144	thousands	100.00	Import and sale of Ford motor vehicles
Summit Motors (Vladivostok) (Russia)	RB 15,081	thousands	100.00	Import and sale of Toyota motor vehicles
Nissan Otomotiv A.S. (Turkey)	T.LIRA 19,186	thousands	99.21	Import and sale of Nissan motor vehicles
Summit Auto Group GmbH (Germany)	EURO 300	thousands	100.00	Used car wholesale and financial services
Werbas AG (Germany)	EURO 3,750	thousands	94.70	Development and sale of software for automotive retailers
Summit Motors (Cameroun) S.A. (Cameroon)	CFAF 833,335	thousands	100.00	Import and sale of Mitsubishi motor vehicles
Toyota Canarias, S.A. (Canary Islands, Spain)	EURO 601	thousands	90.00	Import and wholesale of Toyota motor vehicles and parts
Toyota Ukraine (Ukraine)	HRYVNIA 25,891	thousands	100.00	Import, wholesale and retailsales of Toyota motor vehicles and parts
Summit Auto Trade Facilities (Jordan)	JD 2,130	thousands	60.00	Financing of motor vehicles
Plaza Motors Corporation (Puerto Rico)	US$ 1,000	thousands	100.00	Import and sale of Mazda motor vehicles
Komatsu Canada Limited (Canada)	CAN$ 49,305	thousands	100.00	Wholesale of construction machinery and management of dealers
SMS International Corporation (U.S.)	US$ 22,000	thousands	100.00	Management and financial services for Komatsu construction machinery dealership
Linder Industrial Machinery Company (U.S.)	US$ 25,422	thousands	100.00	Sale of Komatsu construction machinery
Continental Equipment Company (U.S.)	US$ 8,000	thousands	100.00	Sale of Komatsu construction machinery
Red Australia Equipment Pty Limited (Australia)	A$ 22,112	thousands	100.00	Forklift hire/rental, and sale/service for material handling equipment
Tecnosumit (Tecnologia para La Construccion y Mineria S.L..) (Spain)	EURO 27,500	thousands	100.00	Holding and management company of Komatsu distributor and other business
Sumitec International, Ltd. (Russia)	RB 158,859	thousands	100.00	Sale and aftersales service of construction, mining machinery and material handling equipment
SC Construction Machinery (Shanghai) Ltd. (China)	US$ 5,000	thousands	100.00	Sale of Komatsu construction machinery
P.T. Traktor Nusantara (Indonesia)	RP 7,000,000	thousands	50.00	Forklift hire/rental, and sale/service for forklift, farm tractor and industrial equipment in Indonesia
Sumisatt International FZCO (U.A.E.)	DIRHAM 1,800	thousands	100.00	Sale of construction machinery

Machinery & Electric Business Unit

Sumisho Machinery Trade Corporation	¥ 450	millions	100.00	Trading of machinery, equipment and automobiles
Sumitomo Shoji Machinex Co., Ltd.	¥ 450	millions	100.00	Sale of machinery and equipment
Sumitomo Shoji Machinex Kansai Co., Ltd.	¥ 365	millions	100.00	Sale of machinery and equipment
SC BioSciences Corporation	¥ 480	millions	100.00	Sales of biotechnology instruments/technology
Hokkaido District Heating Co., Ltd.	¥ 800	millions	45.63	District heating and cooling in Sapporo
Sumisho Inax Corporation	¥ 100	millions	97.30	Sale and maintenance of industrial washing machines
Inamoto Manufacturing Co., Ltd.	¥ 96	millions	75.06	Manufacture and sale of industrial washing machines
Chugoku Systech Corporation	¥ 80	millions	85.00	Sale and installation of air-conditioning equipment
Perennial Power Holdings Inc. (U.S.)	US$ 89,225	thousands	100.00	Development, ownership and management of power plant in the U.S.
Mekong Energy Company Ltd. (Vietnam)	US$ 100,000	thousands	28.13	Power generation and supply of electricity in Viet Nam
CBK Netherlands Holdings B.V. (Netherlands)	EURO 18	thousands	50.00	Holding Company of CBK Power Company Ltd, which operates Hydraulic Power Plant in Philippines
Birecik Baraj Ve Hydroelektrik Santrali Tesis Ve Isletme A.S. (Turkey)	EURO 141,546	thousands	30.50	Hydraulic power generation and supply of electricity in Turkey
Summit Energy Holdings Corporation	¥ 495	millions	100.00	Planning, development and operation of business in electric power and energy field
▶Summit Energy Corporation	¥ 50	millions	70.00	Electricity retailing business
▶Summit Amagasaki Power Corporation	¥ 350	millions	100.00	Gas-fired power generation and supply of electricity
▶Summit Mihama Power Corporation	¥ 490	millions	100.00	Gas-fired power generation, supply of electricity and thermal energy
▶Summit Wind Power Sakata Corporation	¥ 477	millions	100.00	Wind power generation and supply of electricity
▶Summit Wind Power Kashima Corporation	¥ 200	millions	100.00	Wind power generation and supply of electricity
▶Summit Onahama S Power Corporation	¥ 495	millions	65.00	Coal-fired power generation, supply of electricity and thermal energy
▶Summit Myojo Power Corporation	¥ 400	millions	65.00	Wood chip and coal fired power generation, and supply of electricity
MobiCom Corporation (Mongolia)	TUGRIK 6,134,199	thousands	30.00	Integrated telecommunication service in Mongolia

Media, Electronics & Network Business Unit

Jupiter Telecommunications Co., Ltd. (J:COM)	¥ 114,054	millions	25.95	Cable television multiple system operation (MSO)
▶J-COM Tokyo Co., Ltd.	¥ 10,075	millions	80.24 [*1]	Cable television operation
▶J-COM Shonan Co., Ltd.	¥ 5,772	millions	79.49 [*1]	Cable television operation
▶Urawa Cable Television Network Co., Ltd.	¥ 1,600	millions	50.10 [*1]	Cable television operation
▶Media Saitama Co., Ltd.	¥ 2,993	millions	59.03 [*1]	Cable television operation
▶Tsuchiura Cable Television Co., Ltd.	¥ 1,500	millions	70.33 [*1]	Cable television operation
▶J-COM Chiba Co., Ltd.	¥ 3,395	millions	73.13 [*1]	Cable television operation

	Common Stock		Ownership (%)		Main Business
▶J-COM Gunma Co., Ltd.	¥ 1,102	millions	99.81	*1	Cable television operation
▶Hokusetsu Cable Net Co., Ltd.	¥ 2,000	millions	55.00	*1	Cable television operation
▶J-COM Kansai Co., Ltd.	¥ 15,500	millions	83.99	*1	Cable television operation
▶Cablenet Kobe Ashiya Co., Ltd.	¥ 2,900	millions	52.62	*1	Cable television operation
▶Cable Net Shimonoseki Co., Ltd.	¥ 1,000	millions	50.00	*1	Cable television operation
▶J-COM Kitakyushu Co., Ltd.	¥ 1,801	millions	84.29	*1	Cable television operation
▶Cable Vision 21 Inc.	¥ 2,767	millions	97.95	*1	Cable television operation
▶Fukuoka Cable Network Co., Ltd.	¥ 2,000	millions	45.00	*1	Cable television operation
▶J-COM Kanto Co., Ltd.	¥ 30,004	millions	100.00	*1	Cable television operation
▶▶J-COM Sapporo Co., Ltd.	¥ 8,800	millions	83.13	*2	Cable television operation
▶Chofu Cable Inc.	¥ 2,525	millions	92.09	*1	Cable television operation
▶@NetHome Co., Ltd.	¥ 7,800	millions	100.00	*1	Cable-Internet service provider
▶J:COM Technologies Co., Ltd.	¥ 490	millions	100.00	*1	Engineering, construction and maintenance of cable network
Kansai Multimedia Service Co., Ltd.	¥ 2,000	millions	6.50 25.75	 *1	Cable-Internet service provider
AJCC Corporation	¥ 400	millions	57.50		Leasing of cable television converters
Jupiter Programming Co., Ltd. (JPC)	¥ 11,434	millions	50.00		Management and operation of programming services
▶Jupiter Entertainment Co.,Ltd.	¥ 1,788	millions	100.00	*3	Supplier of movie programming and women's entertainment programming
▶Jupiter Golf Network Co., Ltd.	¥ 1,700	millions	89.40	*3	Supplier of golf programming
▶Jupiter Shop Channel Co., Ltd.	¥ 4,400	millions	70.00	*3	Supplier of live TV shopping programming
▶Reality TV Japan Co., Ltd.	¥ 90	millions	50.00	*3	Supplier of reality programming
▶Discovery Japan Inc.	¥ 2,545	millions	50.00	*3	Supplier of documentary programming
▶J SPORTS Broadcasting Corporation	¥ 3,800	millions	42.86	*3	Supplier of sports programming
▶Animal Planet Japan K.K.	¥ 41	millions	33.33	*3	Supplier of animal entertainment programming
▶Jupiter VOD Co., Ltd.	¥ 490	millions	50.00 50.00	*1 *3	Video-on-demand service provider
Asmik Ace Entertainment Inc.	¥ 947	millions	47.67		Production, distribution and sale of movies and videos
United Cinemas Co., Ltd.	¥ 3,200	millions	80.00		Construction and operation of multiplex cinemas
▶Japan AMC Theatres, Inc.	¥ 490	millions	100.00	*4	Construction and operation of multiplex cinemas
MS Communications Co., Ltd.	¥ 1,545	millions	50.00		Sale of telephone circuits and equipment
WAM!NET Japan K.K.	¥ 200	millions	63.51		Digital graphics data transfer service
Sumisho Computer Systems Corporation (SCS) *5	¥ 21,152	millions	51.02		Data processing services; development and sale of computer software
▶VA Linux Systems Japan K.K.	¥ 195	millions	57.10	*6	Consulting service and system development with open source like Linux
▶Billingsoft Japan Co., Ltd.	¥ 100	millions	49.00 51.00	 *6	Development and sale of CATV billing software
Sumisho Electronics Co., Ltd. (SSE) *5	¥ 7,001	millions	67.36		Sale of office computers, systems, and software
Nissho Electronics Corporation	¥ 14,337	millions	20.18		Sale of office computers, systems, and software
PRESIDIO STX, LLC (U.S.)	US$ 127,062	thousands	100.00		Investments in IT ventures and sale of electronics equipments and parts
G-Plan Inc.	¥ 259	millions	67.88		Point e-market place
Pleomart, Inc.	¥ 1,100	millions	27.27		Intermediate commodities e-market place provider
SOUKAI-DRUG Co., Ltd	¥ 204	millions	43.30		Internet drug store
Sumitronics Corporation	¥ 400	millions	100.00		Sale of electronics products and parts
▶Sumitronics Asia Pte. Ltd. (Singapore)	US$ 8,934	thousands	100.00		Management and operation of Sumitronics group and sale of electronics products
▶Sumitronics Korea, Ltd. (Korea)	W 1,000,000	thousands	100.00		Sale of electronics products and parts
▶Sumitronics Shanghai Co., Ltd. (China)	RMBY 3,459	thousands	100.00		Sale of electronics products and parts
TCL Display Technology (Huizhou) Company Limited (China)	RMBY 100,000	thousands	25.00		Development,manufacture,and sales of display modules
Sumitronics Taiwan Co., Ltd. (Taiwan)	NT$ 10,000	thousands	100.00		Sale of electronics materials and parts
Technoclean Philippines, Inc. (Phillippines)	P.PESO 125,622	thousands	100.00		Precision cleaning service for HDD parts and clean room garments

note: *1 J:COM's ownership *2 J-COM Kanto's ownership *3 JPC's ownership *4 United Cinemas' ownership *5 SCS and SSE merged in August 2005 *6 SCS's ownership

Chemical Business Unit

Sumitomo Shoji Chemicals Co., Ltd.	¥ 450	millions	100.00	Sale of chemical products
Sumisho Air Water Co., Ltd.	¥ 480	millions	20.00	Manufacturing and sales of hydrogen and other industrial gases
Summit Medi-Chem, Ltd.	¥ 138	millions	100.00	Sale of pharmaceuticals and industrial chemicals
Summit Pharmaceuticals International Corporation	¥ 480	millions	80.00	A comprehensive provider of innovative and biotechnology oriented pharmaceutical & diagnostic R&D related services, fund management
Summit Agro International, Ltd.	¥ 320	millions	100.00	Sale of agricultural chemicals, fertilizers, and other materials; sale and leasing of related equipment
Sumitomo Shoji Plastics Co., Ltd.	¥ 900	millions	100.00	Sale and trade of plastics
▶Nippon Giken Industrial Co., Ltd.	¥ 37	millions	79.62	Sale and trade of polyethylene bags
▶Summit Plastics Inc.	¥ 160	millions	90.00	Sale of plastic bag
▶Shenyang Sumisan Plastics Co., Ltd. (China)	US$ 4,280	thousands	100.00	Manufacturing and sale of plastic product
Summit Minerals (Malaysia) Sdn. Bhd. (Malaysia)	M$ 6,950	thousands	70.04	Pulverization, processing, and sale of feldspar, etc.
Interacid Trading S.A. (Switzerland)	US$ 11,920	thousands	85.00	International trade of sulfur and sulfuric acid
Summit Agro Europe Ltd. (U.K.)	EURO 13,940	thousands	100.00	Investment in agricultural chemicals in Europe

	Common Stock	Ownership (%)	Main Business
The Hartz Mountain Corporation (U.S.)	US$ 10 thousands	96.30	Manufacturing, distribution, and sales of pet care products
Cantex Inc. (U.S.)	US$ 15,000 thousands	100.00	Manufacture and sale of polyvinyl chloride pipes
New Port Bulk Terminal Sdn. Bhd. (Malaysia)	M$ 2,000 thousands	70.00	Storage, transportation, and sale of liquid chemicals

Mineral Resources & Energy Business Unit

Nusa Tenggara Mining Corporation	¥ 14,000 millions	74.28	Investment in and financing of the Batu Hijau copper/gold mine development project in Indonesia
Summit CRM, Ltd.	¥ 210 millions	100.00	Domestic and international trade of carbon-related materials, refractories and materials, equipments for steel manufacturing
Nippon Nuclear Service Corporation	¥ 40 millions	100.00	Nuclear fuel transport and related services; sale of related equipment
Petro Summit Investment Corporation	¥ 490 millions	100.00	Exploration, development, production and sale of and investment in oil and natural gas etc.; investment in and financing business of the same kind
LNG Japan Corporation	¥ 8,002 millions	50.00	Trading of LNG, investment and financing related to LNG business
Sumisho Oil Corporation	¥ 500 millions	100.00	Sale of petroleum products and operation of gasoline stations
Sumisho LPG Holdings Co., Ltd.	¥ 116 millions	100.00	Planning strategy of LPG business and controlling its 6 subsidiaries
▶Sumisho LPG Wholesales Co., Ltd.	¥ 80 millions	100.00	Wholesale of LPG to wholesalers and industrial users
▶Sumisho Daiichi LPG Co., Ltd.	¥ 250 millions	100.00	Sale and distribution of LPG in Hokkaido
▶Sumisho LPG East Co., Ltd.	¥ 50 millions	100.00	Sale and distribution of LPG in Tohoku
▶Sumisho LPG Central Co., Ltd.	¥ 270 millions	100.00	Sale and distribution of LPG in Kanto
▶Sumisho LPG West Co., Ltd.	¥ 95 millions	100.00	Sale and distribution of LPG in Kinki, Chugoku and Shikoku
▶Sumisho LPG Kyushu Co., Ltd.	¥ 80 millions	100.00	Sale and distribution of LPG in Kyushu
SC Mineral Resources Pty. Ltd. (Australia)	A$ 38,000 thousands	100.00	Investment in the Northparkes copper mine in Australia
SC Minerals America, Inc. (U.S.)	US$ 1 thousand	100.00	Investment in the Morenci copper mine, the Pogo gold mine in the U.S. and the La Candelaria copper mine in Chile
Sumisho Coal Australia Pty. Ltd. (Australia)	A$ 332,000 thousands	100.00	Investment in coal mines in Australia
Petro Summit Pte. Ltd.(Singapore)	US$ 3,000 thousands	100.00	International trade of crude oil and petroleum products

Consumer Goods & Service Business Unit

Sumisho Nosan Kaisha, Ltd.	¥ 55 millions	100.00	Sale of fertilizers and agriculture-related materials
Nittoh Bion Co., Ltd.	¥ 1,304 millions	100.00	Manufacture and sale of fertilizer
Sumisho Fresh Meat Co., Ltd.	¥ 100 millions	100.00	Import and sale of beef, pork, and processed meats, including chicken
SC Foods Co., Ltd.	¥ 495 millions	100.00	Import, development, and sale of foodstuffs
Sumifru Corporation	¥ 200 millions	100.00	Import and sale of fruits and vegetables
Allied Co., Ltd.	¥ 60 millions	100.00	Import and sale of flowers
ST Agri-Products Corp.	¥ 360 millions	72.78	Import and sale of Chinese fresh and processed vegetables
Shinko Sugar Co., Ltd.	¥ 1,495 millions	68.33	Sugar refining
Sumisho Wellness Co., Ltd.	¥ 200 millions	50.00	Manufacture and sale of food supplements and cosmetic products
Chiba Kyodo Silo Co., Ltd.	¥ 708 millions	53.68	Operation of silo facility and handling of grain, such as wheat, barley and corn
Summit Oil Mill Co., Ltd.	¥ 97 millions	51.00	Manufacture and sale of vegetable oil and oil meal
Summit, Inc.	¥ 3,920 millions	100.00	Supermarket chain
Summit Colmo, Inc.	¥ 100 millions	100.00	General merchandise store chain
Mammy Mart Corporation	¥ 2,660 millions	20.04	Supermarket chain
Sumisho Drugstores Inc.	¥ 160 millions	100.00	Drugstore chain
Sumitex Co., Ltd.	¥ 800 millions	100.00	Import, export and sale of textile products
Otto-Sumisho Inc.	¥ 5,150 millions	49.00	Mail-order business with OTTO GmbH & Co. KG, Germany
Eddie Bauer Japan Inc.	¥ 3,000 millions	70.00	Sale of casual wears & goods through mail-order & retailstore chain
Montrive Corporation	¥ 40 millions	99.00	Sole import, designing and sales of the luxury line of chenille fabrics, "FEILER"
Oriental Diamond, Inc.	¥ 270 millions	100.00	Wholesale and retail sales of polished diamonds and jewelry products
TRECENT Co., Ltd.	¥ 200 millions	100.00	Retail sale of bridal & fashion jewelry.
Taisei Coins Corporation	¥ 200 millions	80.00	Sale of the numismatic coins & commemorative coins covering all over the world
Sumisho Interior International Inc.	¥ 100 millions	100.00	Space & interior designing and installation, import, export and sale of consumer goods, such as furniture and carpet for residential and contract use
Ansell Sumisho Ltd.	¥ 100 millions	43.00	Import and sale of industrial-use gloves and related products
Sumisho Airbag Systems Co., Ltd.	¥ 1,500 millions	64.67	Manufacture and sale of cushion for side curtain airbag
Sumifert Sdn. Bhd. (Malaysia)	M$ 500 thousands	50.00	Import and sale of fertilizers
Summit-Quinphos (NZ) Ltd. (New Zealand)	NZ$ 1,818 thousands	60.00	Import and sale of fertilizers in New Zealand
Sumi-Thai Fertilizer Co., Ltd. (Thailand)	BAHT 10,000 thousands	100.00	Import of fertilizers materials and sale of chemical fertilizers in Thailand
Summit Fertilizer (Qingdao) Co., Ltd. (China)	US$ 7,000 thousands	40.00	Manufacture and sale of chemical fertilizer in China
Pressa Holdings, Inc. (U.S.)	US$ 4,979 thousands	100.00	Investment in hay compressing operation in the U.S.
SC Agri Produce Pty Ltd (Australia)	A$ 2,436 thousands	100.00	Investment in hay compressing operation in Australia
Thai SPF Products Co., Ltd. (Thailand)	BAHT 300,000 thousands	25.61	Farming of SPF (Specific Pathogen Free) pork in Thailand
Summit Specialty Oil Co., Inc. (U.S.)	US$ 3,716 thousands	100.00	Contracting of vegetable oil crushing and refining in the U.S.
Australian Bulk Alliance Pty., Ltd. (Australia)	—	50.00	Investment in grain export terminal in Australia

	Common Stock		Ownership (%)	Main Business
Sumitex Hong Kong Limited (Hong Kong)	HK$ 10,000	thousands	100.00	Sale of textile products and materials
Dalian Huayou Knitting Co., Ltd. (China)	RMBY 11,000	thousands	100.00	Manufacture and sale of tussah silk sweaters

Materials & Real Estate Business Unit

S.C. Cement Co., Ltd.	¥ 200	millions	100.00	Sale of cement, ready-mixed concrete and concrete products
Sumisho & Mitsuibussan Kenzai Co., Ltd.	¥ 2,500	millions	50.00	Sale of building materials
IG Kogyo Co., Ltd.	¥ 254	millions	49.35	Manufacture and sale of insulated metal panels for roofing and walls
Sumisho Paper Co., Ltd.	¥ 400	millions	100.00	Sale of pulp, wastepaper, paper, paperboard and packaging materials
SEVEN INDUSTRIES CO., LTD.	¥ 2,473	millions	50.70	Manufacture and sale of laminated lumber and wood products
S.C. Cement (Kyushu) Co., Ltd.	¥ 61	millions	100.00	Sales of ready-mixed concrete, concrete products, cement and aggregate.
Shaheen Tyres Company L.L.C. (UAE)	DIRHAM 12,500	thousands	49.00	Import and sales of tires in the UAE
SC Tire International Co., Ltd.	¥ 50	millions	100.00	Import, export and sales of tires and tubes
Sumisho Building Management Co., Ltd.	¥ 100	millions	93.42	Management and operation of office buildings and shopping centers
Yokohama City Management Co., Ltd.	¥ 100	millions	25.50	Management, operation, and leasing of multipurpose facilities in Minato Mirai 21
Harumi Corporation	¥ 38	millions	33.33	Management of Harumi Island Triton Square
Reibi Corporation	¥ 30	millions	63.47	Management of buildings in Kansai region
Osaka Hokko Development Co., Ltd.	¥ 40	millions	100.00	Ownership and leasing of retail facilities and office buildings
Sumisho Urban Kaihatsu Co., Ltd.	¥ 100	millions	100.00	Planning, development, management, and operation of shopping centers; microbrewery
Sumisho Tatemono Co., Ltd.	¥ 400	millions	100.00	Sale and management of residential properties; house remodeling
Yasato Kosan Kaisha, Ltd.	¥ 90	millions	100.00	Owning and operating of golf course; Summit Golf Club (Ibaraki Pref.)
P.T. Summitmas Property (Indonesia)	US$ 12,500	thousands	40.00	Leasing of office buildings

Financial & Logistics Business Unit

Sumisho Financial Service Co., Ltd.	¥ 100	millions	100.00	Financial services
Sumisho Card Inc.	¥ 1,400	millions	100.00	Credit card business
SC Bio Capital Co., Ltd.	¥ 60	millions	100.00	Investment funds
Sumisho Materials Corporation	¥ 200	millions	100.00	Trading of precious metals and other products
All Trans Co., Ltd.	¥ 200	millions	100.00	Warehousing and distribution services
Sumitrans (Japan) Corporation	¥ 400	millions	100.00	Global logistics provider
Sumisho Logistics Co., Ltd.	¥ 150	millions	100.00	Logistics service provider
Shanghai Super Express	¥ 300	millions	40.00	Marine transportation services
Bluewell Corporation	¥ 125	millions	100.00	Agent for casualty insurance and life insurance
Bluewell Insurance Brokers Ltd.	¥ 10	millions	100.00	Broker for casualty insurance and re-insurance
Summit Air Service Corporation	¥ 100	millions	100.00	Travel agency
Sumisho Capital Management Co. (Cayman)	¥ 100	millions	100.00	Investment advisory
Sumitomo Corporation Equity Asia Limited (Hong Kong)	US$ 13,000	thousands	100.00	Private equity investment in Asia
Nava Nakorn Distribution Centre Co., Ltd. (Thailand)	BAHT 180,000	thousands	57.32	Warehousing and distribution services
P.T. Indo Summit Logistics (Indonesia)	US$ 5,480	thousands	90.44	Warehousing and distribution services
Dragon Logistics Co., Ltd. (Vietnam)	DONG 41,602,000	thousands	27.00	Warehousing and distribution services
Shanghai Sumisho-ADP International Forwarding Co., Ltd. (China)	US$ 1,100	thousands	70.00	Warehousing and distribution services
Sumitrans South China Co., Ltd. (China)	¥ 110	millions	100.00	Global logistics provider
Sumitrans Asia (Hong Kong) Limited. (Hong Kong)	¥ 91	millions	100.00	Global logistics provider
Wuxi Sumisho Hi-tech Logistics Co., Ltd. (China)	US$ 5,000	thousands	50.00	Warehousing and distribution services
Shanghai Dazhong Sagawa Logistics Co., Ltd. (China)	US$ 4,220	thousands	37.50	Door-to-door delivery Services
Beijing Sumisho Sagawa Logistics Co., Ltd. (China)	US$ 3,620	thousands	35.00	Door-to-door delivery Services
Zero SCM Logistics (Beijing) Co., Ltd. (China)	US$ 2,500	thousands	20.00	Transportation of vehicles
Bluewell Insurance (Singapore) Pte. Ltd. (Singapore)	S$ 1,200	thousands	91.00	Captive insurance company
Bluewell Reinsurance Company (Bermuda) Ltd. (U.K.)	¥ 117	millions	90.00	Captive insurance company (Rent A Captive)
Thang Long Industrial Park Corporation (Vietnam)	DONG 327,620,285	thousands	58.00	Development, sales, and operation of industrial estate in Vietnam
P.T. East Jakarta Industrial Park (Indonesia)	US$ 8,550	thousands	60.00	Sales, operation, and maintenance of industrial estate in Indonesia
First Philippine Industrial Park, Inc. (Philippine)	P.PESO 2,069,000	thousands	30.00	Development, sales, and operation of industrial estate in Philippine

Domestic

Sumisho Steel Sheets Works Co., Ltd.	¥ 462	millions	89.18	Processing and sale of steel products
Kansai Stainless Corp.	¥ 100	millions	60.00	Processing of stainless steel sheets
Sumisho Iron & Steel Co., Ltd.	¥ 100	millions	90.00	Sale of specialty steel products
Ishida Kinzoku Co., Ltd.	¥ 63	millions	82.76	Sale of stainless steel sheets
SC Pipe Solutions Co., Ltd.	¥ 334	millions	99.91	Sale of steel tubular products
Nippon Katan Co., Ltd.	¥ 886	millions	40.86	Manufacture and sale of hardware for transmitters
Sumisho Textile Company, Ltd.	¥ 830	millions	100.00	Processing and sale of textile goods
Tortoise Co., Ltd.	¥ 50	millions	100.00	Processing and sale of interior goods and home furnishing to consumers' cooperatives

	Common Stock		Ownership (%)	Main Business
Sumisho Montblanc Co., Ltd.	¥ 80	millions	87.50	Processing and sale of work uniforms and related clothing products
Tamashima Sports Plaza Co., Ltd.	¥ 150	millions	92.50	Sports club
Summit Wool Spinners Limited (New Zealand)	NZ$ 14,275	thousands	100.00	Manufacture and sale of wool yarn for carpets
Sumisho Material Chugoku Co., Ltd.	¥ 30	millions	100.00	Sale of civil engineering and construction steel materials, and stone
Sumisho Chemicals & Plastics Nagoya Co., Ltd.	¥ 120	millions	100.00	Wholesaling of general composite resins and chemicals
Sumitomo Shoji Machinex Chubu Co., Ltd.	¥ 350	millions	100.00	Sale of machinery and equipment
SC Machinery & Service Co., Ltd.	¥ 90	millions	100.00	Sales of equipments for automotive industries and FA products
Chukyo Kokan Co., Ltd.	¥ 80	millions	100.00	Cutting and wholesale of various iron pipes
Sumisho Infra Service Co., Ltd.	¥ 40	millions	92.50	Sale of civil engineering and construction materials
Sumisho Chemicals & Plastics Kyushu Co., Ltd.	¥ 120	millions	100.00	Sale of chemicals and related materials
Sumisho Management Kyushu Co., Ltd.	¥ 30	millions	100.00	Contracting of administrative work and accounting
Sumisho Machinex Kyushu Co., Ltd.	¥ 100	millions	100.00	Sale of machinery and equipment

Overseas

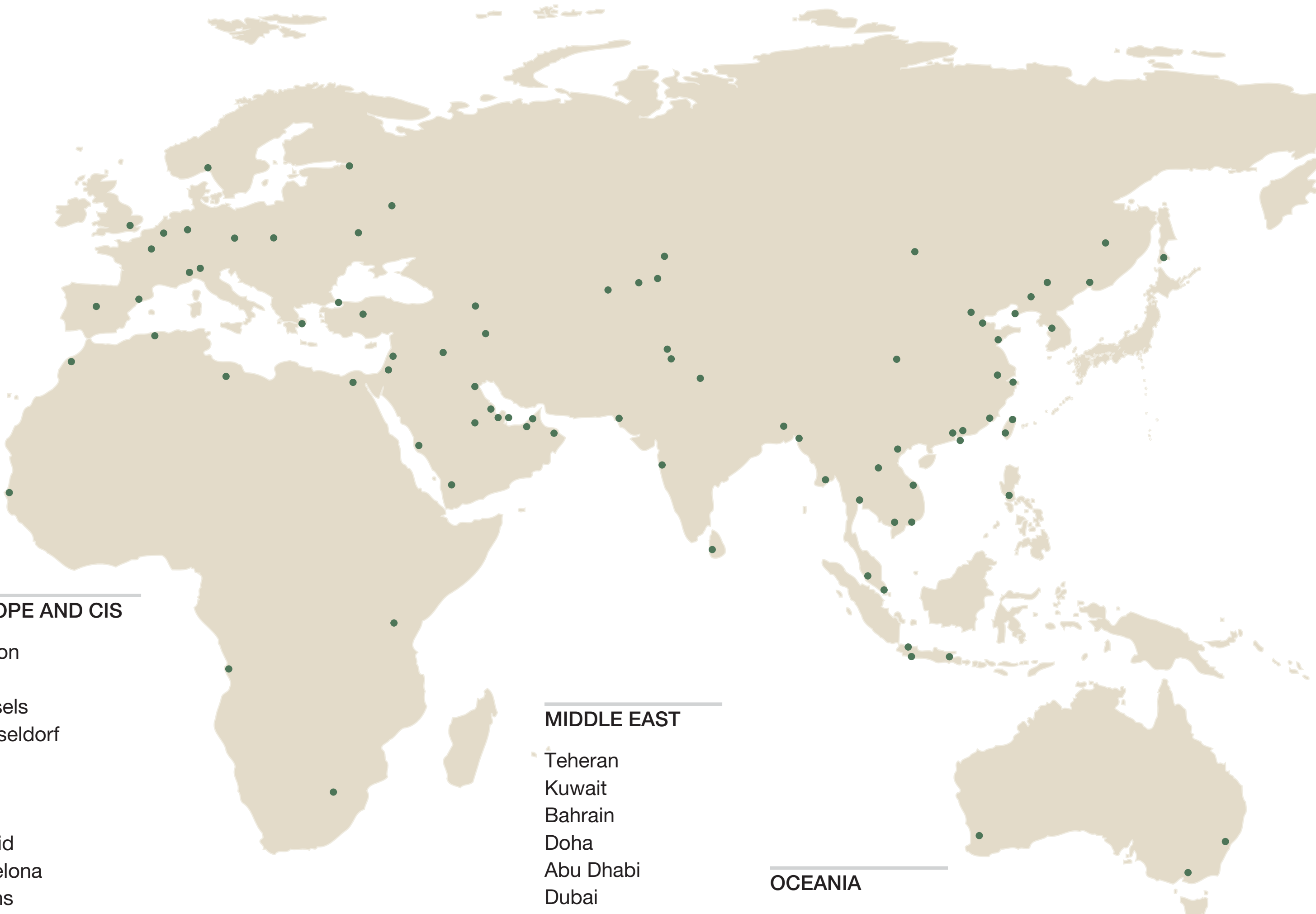
AB Tube Processing, Inc. (U.S.)	US$ 2,600	thousands	100.00	Tube processing for airbag inflators
Global Stainless Supply, Inc. (U.S.)	US$ 200	thousands	100.00	Wholesale of stainless steel tubes
Premier Pipe, L.P. (U.S.)	US$ 3,501	thousands	100.00	Sale of tubular products for oil and gas industry
Summit Tubulars Corporation (Canada)	C$ 282	thousands	100.00	Sale of tubular products for oil and gas industry
Unique Machine, LLC (U.S.)	US$ 4,600	thousands	100.00	OCTG/Accessory threading
V & M Star LP (U.S.)	US$ 380,000	thousands	19.47	Seamless tubular products mill
Distributor Metals Corporation (U.S.)	US$ 372	thousands	100.00	Sale of stainless steel materials
SET Enterprises Inc (U.S.)	US$ 21,955	thousands	45.00	Slitting and blanking of steel sheet for automotive industry
SteelSummit Holdings, Inc. (U.S.)	US$ 14,501	thousands	100.00	Steel service center (processing and sale of steel sheets)
SteelSummit International Inc. (U.S.)	US$ 8,000	thousands	100.00	Sale of steel products
Auto Summit Commercial Services, S.A. de C.V. (Mexico)	MX$ 73,000	thousands	64.00	Financing of vehicles
Perennial Power Holdings, Inc. (U.S.)	US$ 89,225	thousands	100.00	Development, ownership and management of power plant in the U.S.
Summit Motor Management, Inc. (U.S.)	US$ 20,963	thousands	100.00	Holding and management company of automotive dealerships
Clickstream Capital L.L.C. (U.S.)	US$ 7,164	thousands	100.00	Investment in IT venture capital funds
Cantex Inc. (U.S.)	US$ 15,000	thousands	100.00	Manufacture and sale of polyvinyl chloride pipes
Diversified CPC International, Inc. (U.S.)	US$ 25,000	thousands	96.00	Mixing, refining, and sale of aerosol gases
Summit Chemicals Holding Corp. (U.S.)	US$ 4,000	thousands	100.00	Holding company of trading chemical products
The Hartz Mountain Corporation (U.S.)	US$ 10	thousands	96.30	Manufacturing, distribution, and sales of pet care products
123 Mission St., LLC (U.S.)	US$ 132,104	thousands	100.00	Office building leasing
Atlantic Hills Corporation (U.S.)	US$ 19,000	thousands	100.00	Residential area development
Copper Square, LLC (U.S.)	US$ 29,418	thousands	100.00	Office building leasing
SCOA Residential L.L.C. (U.S.)	US$ 1,243	thousands	100.00	Investment in house/apartment developments
Treadways Corporation (U.S.)	US$ 21,123	thousands	100.00	Sale of tires
Pacific Summit Energy LLC (U.S.)	US$ 1,000	thousands	100.00	Sale of natural gas
Service Craft, LLC (U.S.)	US$ 15,722	thousands	100.00	Warehousing and distribution services
Sumitrans Corporation (U.S.)	US$ 3,082	thousands	100.00	International intermodal transport
Broadway Premium Funding (U.S.)	US$ 7,000	thousands	100.00	Insurance premium financing
SCOA Capital LLC (U.S.)	US$ 1,400	thousands	100.00	Investments in buyout funds
Oxford Finance Corporation (U.S.)	US$ 51,000	thousands	97.00	Equipment loan service in bio science industry
SCOA Finance Company (U.S.)	US$ 3,000	thousands	100.00	Financial services
Summit D&V Kft. (Hungary)	FORINT 125,000	thousands	90.00	OEM supply, sub-assembly and sequence delivery of automotive components
Summit Pharmaceuticals Europe Ltd. (U.K.)	EURO 2,399	thousands	100.00	Sale of pharmaceuticals products
Sumitrans Europe GmbH (Germany)	EURO 1,024	thousands	100.00	Forwarding, logistics business

Others

Sumisho Administration Services Co., Ltd.	¥ 30	millions	100.00	Personnel & general affair service
SCS･IT Management Ltd.	¥ 400	millions	25.00 75.00 *7	Development of IT infrastructures, development, operation and maintenance of applicaton systems and sorts of related matters.
Sumitomo Shoji Financial Management Co., Ltd.	¥ 100	millions	100.00	Financial services such as cash management, trade settlement, and accounting services to Sumitomo Corporation and its subsidiaries
Sumisho Lease Co., Ltd.	¥ 14,760	millions	36.21	Leasing
Sumitomo Corporation Capital Europe Plc (U.K.)	US$ 125,000 STG£5,765	thousands thousands	100.00	Financial services to group companies

note: *7 Sumisho Computer Systems' ownership

Global Network (As of July 1, 2005)



EUROPE AND CIS

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Turin
Madrid
Barcelona
Athens
Krakow
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Moscow
Khabarovsk
Vladivostok
Yuzhno-Sakhalinsk
St. Petersburg
Kiev
Almaty
Tashkent
Bishkek
Baku
Astana

AFRICA

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Casablanca
Nairobi
Luanda
Dakar
Johannesburg

MIDDLE EAST

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

OCEANIA

Sydney
Melbourne
Perth
Auckland

Overseas:		**69 countries**
	Subsidiaries	39 / 72 locations
	Branches	3 / 3 locations
	Offices	49 / 49 locations
	Total	**124 locations**
Japan:		
	Headquarters	1 / 1 location
	Subsidiaries	2 / 5 locations
	Branches	3 / 17 locations
	Offices	1 / 1 locations
	Total	**26 locations**

ASIA

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

NORTH AMERICA

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CENTRAL AMERICA AND SOUTH AMERICA

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Buenos Aires
Santiago
Sao Paulo
Rio de Janeiro
Porto Alegre
Recife

JAPAN

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

Financial Section

Contents

Six-Year Financial Summary

For the years ended March 31

1. Key Financial Indicators

	Billions of Yen						Millions of U.S. Dollars
	2005	2004	2003	2002	2001	2000	2005
Total assets	5,533.1	5,012.5	4,856.2	4,860.2	4,954.1	4,904.6	51,711
Shareholders' equity	934.9	730.8	618.7	658.0	627.0	629.8	8,737
Shareholders' equity ratio	16.9	14.6	12.7	13.5	12.7	12.8	16.9
Return on Equity (%)	10.2	9.9	2.2	7.4	8.0	5.4	10.2
Return on Assets (%)	1.6	1.4	0.3	1.0	1.0	0.6	1.6
Interest-bearing liabilities (gross)	2,840.1	2,795.9	2,830.6	2,813.4	2,704.4	2,721.4	26,543
Interest-bearing liabilities (net)	2,376.0	2,377.6	2,502.8	2,528.8	2,447.7	2,503.8	22,206
Debt-Equity Ratio (gross) (times)	3.0	3.8	4.6	4.3	4.3	4.3	3.0
Debt-Equity Ratio (net) (times)	2.5	3.3	4.0	3.8	3.9	4.0	2.5
Working Capital	897.0	694.0	346.9	194.5	173.8	187.5	8,383

2. Consolidated Statements of Income

	Billions of Yen						Millions of U.S. Dollars
	2005	2004	2003	2002	2001	2000	2005
Revenues:							
Sales of tangible products	1,586.1	1,284.1	1,129.4	966.5	948.5	930.0	14,823
Sales of services and others	463.2	424.5	408.9	419.4	430.8	417.5	4,329
Total revenues	2,049.3	1,708.6	1,538.3	1,385.9	1,379.3	1,347.5	19,152
Cost:							
Cost of tangible products sold	1,361.8	1,097.5	948.2	817.0	807.0	802.3	12,727
Cost of services and others	124.4	109.8	93.7	81.6	83.9	70.5	1,162
Total cost	1,486.2	1,207.3	1,041.9	898.6	890.9	872.8	13,889
Gross profit	563.1	501.3	496.4	487.3	488.4	474.7	5,263
Other income (expenses):							
Selling, general and administrative expenses	-437.9	-422.4	-406.3	-400.8	-390.6	-408.7	-4,092
Settlements on copper trading litigation	2.8	-7.1	0.2	4.3	12.4	-1.8	26
(Provision for) reversal of allowance for doubtful receivables	-12.9	-8.0	-5.6	12.6	-31.9	-7.5	-121
Loss on termination and restructuring of projects	—	—	—	—	-44.3	-5.5	—
Impairment losses on long-lived assets	-29.5	-5.2	-20.4	-4.8	-7.7	-30.8	-276
Gain on sale of property and equipment, net	11.5	13.3	3.3	2.8	1.0	1.3	107
Interest income	14.6	15.7	24.9	32.3	42.3	43.1	136
Interest expense	-23.2	-22.0	-30.9	-46.0	-60.3	-65.1	-217
Dividends	6.4	6.9	6.4	6.6	6.0	5.6	60
Gain (loss) on marketable securities and other investments, net	20.0	16.3	-47.1	-8.9	72.3	60.6	188
Equity in earnings of associated companies, net	37.4	20.7	9.8	0.2	-6.4	5.7	349
Other, net	-1.0	-0.5	-2.1	-2.4	-1.2	-12.8	-8
Total other income (expenses)	-411.8	-392.3	-467.8	-404.1	-408.4	-415.9	-3,848
Income before income taxes and minority interests in earnings of subsidiaries	151.3	109.0	28.6	83.2	80.0	58.8	1,415
Income taxes	-57.8	-35.7	-8.4	-30.2	-24.3	-30.2	-541
Income before minority interests in earnings of subsidiaries	93.5	73.3	20.2	53.0	55.7	28.6	874
Minority interests in earnings of subsidiaries, net	-8.4	-6.7	-6.3	-5.3	-5.2	3.7	-79
Net income	85.1	66.6	13.9	47.7	50.5	32.3	795
Total trading transactions*	9,898.6	9,197.9	9,229.6	9,645.4	10,080.1	10,656.0	92,510

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

3. Consolidated Statements of Comprehensive Income (Loss)

	Billions of Yen						Millions of U.S. Dollars
	2005	2004	2003	2002	2001	2000	2005
Net income	85.1	66.6	13.9	47.7	50.5	32.3	795
Net unrealized holding gains (losses) on securities available-for-sale adjustments	28.5	79.5	-30.5	-34.8	-72.8	68.5	267
Foreign currency translation adjustments	0.7	-26.1	-13.9	27.7	28.2	-30.2	7
Net unrealized gains (losses) on derivatives adjustments	-1.0	0.4	0.1	-0.9	—	—	-10
Total comprehensive income (loss)	113.3	120.4	-30.4	39.7	5.9	70.6	1,059

4. Consolidated Balance Sheets

	Billions of Yen						Millions of U.S. Dollars
	2005	2004	2003	2002	2001	2000	2005
Current assets:							
Cash and cash equivalents	453.9	415.6	324.4	276.7	251.5	211.4	4,242
Time deposits	10.2	2.7	3.4	7.9	5.2	6.2	96
Marketable securities	23.1	2.8	7.7	5.6	14.9	30.5	216
Receivables-trade:							
Notes and loans	307.1	238.2	270.7	289.4	396.7	351.5	2,871
Accounts	1,355.7	1,178.0	1,095.8	1,072.5	1,174.2	1,066.2	12,670
Associated companies	84.9	151.2	138.3	162.4	195.1	128.8	793
Allowance for doubtful receivables	-11.0	-8.9	-9.8	-10.7	-11.6	-11.6	-103
Inventories	503.8	412.3	413.1	406.6	418.6	373.3	4,708
Deferred income taxes	39.2	37.6	29.3	24.2	23.7	25.8	366
Advance payments to suppliers	56.9	51.6	47.8	46.5	61.1	71.7	532
Other current assets	271.2	140.1	116.1	134.0	97.2	78.8	2,535
Total current assets	3,095.0	2,621.2	2,436.8	2,415.1	2,626.6	2,332.6	28,926
Investments and long-term receivables:							
Investments in and advances to associated companies	394.6	384.0	375.7	285.4	242.5	180.3	3,688
Other investments	502.7	469.0	413.6	583.3	704.0	887.9	4,698
Long-term receivables	620.8	597.5	666.1	680.3	648.2	661.1	5,802
Allowance for doubtful receivables	-45.7	-50.0	-76.2	-83.1	-95.9	-87.2	-427
Total investments and long-term receivables	1,472.4	1,400.5	1,379.2	1,465.9	1,498.8	1,642.1	13,761
Property and equipment, at cost	1,129.7	1,157.4	1,126.8	1,120.4	1,038.7	1,185.3	10,557
Accumulated depreciation	-409.3	-388.8	-365.8	-344.0	-333.4	-367.8	-3,825
	720.4	768.6	761.0	776.4	705.3	817.5	6,732
Prepaid expenses, non-current	94.8	98.6	110.7	77.1	52.9	38.3	886
Deferred income taxes, non-current	10.2	9.4	46.3	19.0	14.7	2.9	95
Other assets	140.3	114.2	122.2	106.7	55.8	71.2	1,311
Total	5,533.1	5,012.5	4,856.2	4,860.2	4,954.1	4,904.6	51,711
Current liabilities:							
Short-term debt	412.2	452.1	615.8	773.8	820.5	559.2	3,852
Current maturities of long-term debt	438.5	330.6	382.2	356.5	285.8	398.2	4,098
Payables-trade:							
Notes and acceptances	101.7	107.5	115.2	166.6	233.5	201.7	951
Accounts	879.0	771.1	728.7	673.0	824.0	739.0	8,215
Associated companies	18.3	22.8	25.6	25.4	51.1	37.4	171
Income taxes	20.2	15.9	17.1	9.8	8.7	8.6	189
Accrued expenses	60.5	61.2	47.7	37.5	45.5	57.7	566
Advances from customers	85.4	66.2	60.4	64.8	71.4	67.7	798
Other current liabilities	182.2	99.8	97.2	113.2	112.3	75.5	1,703
Total current liabilities	2,198.0	1,927.2	2,089.9	2,220.6	2,452.8	2,145.0	20,543
Long-term debt, less current maturities	2,213.7	2,218.5	2,046.0	1,883.6	1,772.9	1,942.9	20,688
Accrued pension and retirement benefits	11.8	10.9	9.1	8.5	8.1	41.6	110
Deferred income taxes, non-current	85.7	38.8	3.9	14.6	24.4	78.5	801
Minority interests	89.0	86.3	88.6	74.9	68.9	66.8	832
Commitments and contingent liabilities							
Shareholders' equity:							
Common stock	219.3	169.4	169.4	169.4	169.4	169.4	2,049
Additional paid-in capital	238.9	189.6	189.5	189.5	189.5	189.5	2,232
Retained earnings:							
Appropriated for legal reserve	17.7	17.7	17.7	17.7	17.2	16.4	165
Unappropriated	442.6	365.9	307.8	302.4	263.7	222.6	4,137
	460.3	383.6	325.5	320.1	280.9	239.0	4,302
Accumulated other comprehensive income (loss)	17.1	-11.2	-65.0	-20.7	-12.7	31.9	160
Treasury stock, at cost	-0.7	-0.6	-0.7	-0.3	-0.1	—	-6
Total shareholders' equity	934.9	730.8	618.7	658.0	627.0	629.8	8,737
Total	5,533.1	5,012.5	4,856.2	4,860.2	4,954.1	4,904.6	51,711

Notes: 1. For the fiscal year ended March 31, 2005, the Companies reclassified Mining rights from Other assets to Property and equipment, at cost and Accumulated depreciation in a manner consistent with the accounting guidance in Emerging Issues Task Force ("EITF") Issue No. 04-02. The presentation of the prior years has been reclassified accordingly.

2. The Companies restated prior year consolidated financial statements with respect to the accounting of deferred taxes related to investments in affiliates. Consolidated statements of income and consolidated statements of comprehensive income (loss) for the years ended March 31, 2001 and 2000, and consolidated balance sheets as of March 31, 2002, 2001 and 2000 are not audited.

3. The U.S. dollar amounts represent translations of Japanese yen amounts at the rate of ¥107=U.S.$1, the approximate exchange rate on March 31, 2005.

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

1. Introduction

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

We conduct our business through nine industry-based business segments and two sets of regional operations (domestic and overseas) that correspond to the operating segments monitored by the chief operating decision makers. Our industry-based business segments are:

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

Each business unit operates with a degree of autonomy in pursuing its strategic goals, managing operations and ensuring accountability. Each business unit also has its own planning and administration department to enable prompt decision-making and facilitate efficient operation. In today's increasingly global business environment, our worldwide network of offices, subsidiaries and associated companies, and our global relationships with customers, suppliers and business partners have allowed us to conduct and expand our operations around the world. Our nine industry-based business units and domestic and overseas operations regularly collaborate with one another to leverage their combined strengths to conduct their respective businesses more effectively as well as to meet our corporate targets and goals. We have designed our infrastructure to centralize and consolidate information from all of our business units and domestic and overseas operations to facilitate proper integration and risk control.

As of March 31, 2005, we had total assets of ¥5,533.1 billion and 39,797 employees worldwide. For the fiscal year ended March 31, 2005, our consolidated net income was ¥85.1 billion.

2. Our Medium-Term Targets

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

In recent years, we have been setting targets for, and monitoring the progress of, our businesses and operations by establishing medium-term plans. Under the AA Plan, covering the period from April 2003 to March 2005 we have sought to expand our profitability and earnings base by maximizing our integrated corporate strength and to strengthen our financial condition by enhancing our management efficiency and soundness. Under this plan we have raised quantitative targets of a consolidated risk-adjusted return ratio of 6% or more on a two year average basis and consolidated net income of ¥60 billion for fiscal year 2003 and ¥70 billion in fiscal year 2004, for a two-year total of ¥130 billion. We were able to achieve each of these targets.

Under the medium-term management plan for the two years starting this April — the AG Plan (Achievement & Growth Plan : FY2005-2006), we will work on a globally consolidated basis to expand our earnings base through dynamic growth strategies, implement human resource strategies matching our growth strategies, and continue the pursuit of soundness and efficiency in management. We also aim to achieve the quantitative targets of a consolidated risk-adjusted return ratio of 7.5% or above for each year of the plan, and make strategic moves for further growth and development.

3. Economic Environment

During the period under review, there was concern about the possible impact on the global economy from the shift to monetary policy tightening in the United States and the restraints on investment by the authorities in China, but growth continued to be strong. Prices on international commodity markets, particularly the price of crude oil, stayed high, reflecting the lively expansion of demand.

The Japanese economy continued to enjoy strong growth of exports, especially to other markets in East Asia, and capital investment and other areas of domestic demand also showed signs of recovery. In addition, the employment situation clearly improved, and the environment for consumer spending became more solid. In the second half of the fiscal year, however, the expansion seemed to be taking a pause; unseasonable weather and the Niigata Prefecture (Chuetsu) earthquake had a negative impact, as did inventory adjustment by companies in the fields of digital appliances and information technology.

4. Certain Line Items in Our Consolidated Statements of Income

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

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

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

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

- customized software development services contracts and other software related services;
- direct financing and operating leases of commercial real estate, automobiles, vessels and aircraft; and
- other service arrangements, such as arranging finance and coordinating logistics in connection with trading activities.

Gross Profit. Gross profit primarily consists of:

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

To the extent revenues are recorded on a gross basis, any expenses or commissions or other payments to third parties that are directly attributable to the sales are recorded as cost of sales. Gross profit reflects the net amount of gross revenues after cost of sales. As part of sales of services and others, we recognize revenues from fees and commissions on a net basis. As a result, sales of services and others contribute a larger portion of our gross profit than they do our revenues. For the fiscal year ended March 31, 2005, sales of services and others accounted for 22.6% of our total revenues, but the gross profit from sales of services and others accounted for 60.2% of our gross profit.

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

Provision for Doubtful Receivables. Provision for doubtful receivables represents additions to the valuation allowance provided for probable losses inherent in the trade receivables and long-term loans portfolio. In cases where we are able to collect on such receivables and loans due to changes in circumstances, we subsequently record a reversal of allowance for doubtful receivables. See “6—Critical Accounting Policies—Collectibility of Receivables.”

Impairment Losses on Long-Lived Assets. To operate our global business, we maintain a significant amount of long-lived assets. A large portion of such long-lived assets are our real estate holdings. Mainly due to the dramatic decline in the Japanese real estate market, we have, if necessary, reviewed for impairment and recorded impairment losses with respect to our real estate assets. For a detailed discussion of our accounting policy with respect to such impairment losses, see “6—Critical Accounting Policies—Recoverability of Long-Lived Assets.”

Gain on Sale of Property and Equipment, Net. As a result of strategic and aggressive replacement of our asset portfolio, we may, at times, recognize gains and losses on sales of some of our real estate assets.

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

Other than Temporary Impairment Losses on Securities. In order to supplement our trading activities, we maintain a significant level of investments. When the fair value of our investments deemed to have suffered an other-than-temporary decline in value, we recognize impairment losses on such investments. For a detailed discussion of our accounting policy with respect to our marketable securities and other investments, see “6—Critical Accounting Policies—Impairment of Investments in Marketable Securities and Other Investments.”

Gain on Sale of Marketable Securities and Other Investments, Net. In order to supplement our trading activities, we maintain a significant level of investments. We recognize gains on sales of our marketable securities and other investments when we elect to sell some of such investment holdings.

Gain on Issuances of Stock by Subsidiaries and Associated Companies. If an affiliate company issue shares to a third party, we may recognize gain based on the effect of the difference in our book value per share in the investment and the price at which shares are sold to the third party.

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

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

5. Effects of Recent Transactions on Our Consolidated Statements of Income

On May 27, 2004, we and Sumitomo Corporation of America, our U.S. subsidiary, entered into an agreement to purchase JWC Hartz Holdings, Inc., the holding company of The Hartz Mountain Corporation ("Hartz"), a U.S. pet supplies company, from J. W. Childs Equity Partners II, L.P., for approximately $400 million. The purchase was consummated on June 21, 2004. After this purchase, Hartz merged with JWC Hartz Holdings, Inc. As of the end of March 2005, we had a 96.3% ownership of the voting shares of Hartz, including a 56.3% ownership interest held directly by Sumitomo Corporation of America.

Hartz produces and sells pet supplies, with six manufacturing facilities in the U.S. and Brazil and three distribution centers in North America. This purchase provides us an entry into the U.S. pet supplies business and a base for further development of that business in Japan, Europe, and the Americas, taking advantage of our international distribution and sourcing capabilities. The consolidated financial statements for the year ended March 31, 2005 include the operating results of Hartz from the date of purchase.

6. Critical Accounting Policies

The preparation of our consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions. For a summary of our significant accounting policies, including the critical accounting policies discussed below, see note 2 to our consolidated financial statements.

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

Revenue Presentation — Gross Versus Net

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

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

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

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

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

Revenue Recognition

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

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

Collectibility of Receivables

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

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

Recoverability of Long-Lived Assets

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

Impairment of Investments in Marketable Securities and Other Investments

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

Tax Asset Valuation

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

7. Results of Operations

Fiscal Year Ended March 31, 2005 Compared to Fiscal Year Ended March 31, 2004

Total Revenues. Total revenues increased by ¥340.7 billion, or 19.9%, from ¥1,708.6 billion in the fiscal year ended March 31, 2004, to ¥2,049.3 billion in the fiscal year ended March 31, 2005. The increase was mainly due to the acquisition of Hartz and the increase of plant export volume mainly to Asia.

Gross Profit. Gross profit increased by ¥61.8 billion, or 12.3%, from ¥501.3 billion in the fiscal year ended March 31, 2004 to ¥563.1 billion in the fiscal year ended March 31, 2005. The increase in gross profit was mainly due to the acquisition of Hartz, the increase of plant export volume mainly to Asia and the acquisition of a coal business in Australia. The increase was partially offset by a decline in revenue resulting from the impact of the stronger yen which reduced the yen value of foreign currency denominated revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by ¥15.5 billion, or 3.7%, from ¥422.4 billion in the fiscal year ended March 31, 2004 to ¥437.9 billion in the fiscal year ended March 31, 2005. This was mainly due to an increase in personnel expenses resulting from the acquisition of Hartz, the expansion of the business activities of our subsidiaries such as Summit, Inc., and the increase in the amortization charges resulting from our computer system upgrades.

Settlements on Copper Trading Litigation. In the fiscal year ended March 31, 2005, we gained ¥2.8 billion from settlements on copper trading litigation compared to a net expense of ¥7.1 billion on settlements on copper trading litigation in the fiscal year ended March 31, 2004.

Provision for Doubtful Receivables. The provision for doubtful receivables increased by ¥4.9 billion, or 61.3%, to ¥12.9 billion in the fiscal year ended March 31, 2005, compared to ¥8.0 billion in the fiscal year ended March 31, 2004. This was mainly due to the receivables from a telecommunication project in South America and other transactions under legal liquidation.

Impairment Losses on Long-Lived Assets. Impairment losses on long-lived assets increased by ¥24.3 billion, from ¥5.2 billion in the fiscal year ended March 31, 2004 to ¥29.5 billion in the fiscal year ended March 31, 2005. This was mainly due to the recognition of impairment loss on real estate in the Yokohama area.

Gain on Sale of Property and Equipment, Net. Gain on sale of property and equipment decreased by ¥1.8 billion, or 13.5%, from ¥13.3 billion in the fiscal year ended March 31, 2004 to ¥11.5 billion in the fiscal year ended March 31, 2005. We recognized a gain on the sale of an office building belonging to Sumitomo Corporation of America in the fiscal year ended March 31, 2005.

Interest Income. Interest income decreased by ¥1.1 billion, or 7.0%, from ¥15.7 billion in the fiscal year ended March 31, 2004 to ¥14.6 billion in the fiscal year ended March 31, 2005. This was mainly due to the decrease in loans to associated companies.

Interest Expense. Interest expense increased by ¥1.2 billion, or 5.5%, from ¥22.0 billion in the fiscal year ended March 31, 2004 to ¥23.2 billion in the fiscal year ended March 31, 2005. The increase was primarily due to the acquisition of businesses for the expansion of the earnings base and higher U.S. interest rates.

Dividends. Total dividend income decreased by ¥0.5 billion, or 7.2%, from ¥6.9 billion in the fiscal year ended March 31, 2004 to ¥6.4 billion in the fiscal year ended March 31, 2005. This was mainly due to the sale of equity securities.

Other than Temporary Impairment Losses on Securities. Other than temporary impairment losses on securities decreased by ¥14.3 billion, or 61.6%, from ¥23.2 billion in the fiscal year ended March 31, 2004 to ¥8.9 billion in the fiscal year ended March 31, 2005.

Gain on Sale of Marketable Securities and Other Investments, Net. Gain on sale of marketable securities and other investments decreased by ¥23.2 billion, or 58.7%, from ¥39.5 billion for the fiscal year ended March 31, 2004 to ¥16.3 billion for the fiscal year ended March 31, 2005.

Gain on issuances of stock by subsidiaries and associated companies. In March, 2005, Jupiter Telecommunications Co., Ltd. was listed on the Jasdaq Securities Exchange and shares were sold to the public. As a result of this offering, we recognized a gain of ¥12.6 billion for the fiscal year ended March 31, 2005.

Equity in Earnings of Associated Companies, Net. Equity in earnings of associated companies increased by ¥16.7 billion, or 80.7%, from ¥20.7 billion in the fiscal year ended March 31, 2004 to ¥37.4 billion in the fiscal year ended March 31, 2005. The increase was mainly due to the improvements in profitability at the Batu Hijau copper & gold mine project and Jupiter Telecommunications Co., Ltd., and continuous strong performances by Sumisho Lease Co., Ltd. and Jupiter Programming Co., Ltd.

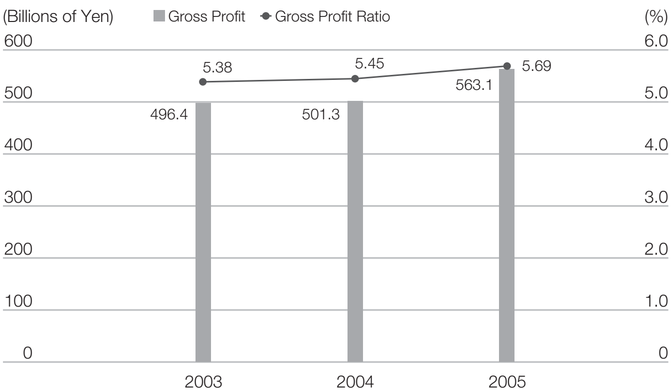
Income Taxes. Income taxes increased by ¥22.1 billion, or 61.9%, from ¥35.7 billion in the fiscal year ended March 31, 2004 to ¥57.8 billion in the fiscal year ended March 31, 2005. The increase was primarily due to increase of income before income taxes and minority interests in earnings of subsidiaries.

Minority Interests in Earnings of Subsidiaries, Net. Minority interests in earnings of subsidiaries increased by ¥1.7 billion, or 25.4%, from ¥6.7 billion in the fiscal year ended March 31, 2004 to ¥8.4 billion in the fiscal year ended March 31, 2005. The increase was attributable to the increased profitability of Sumisho Auto Leasing.

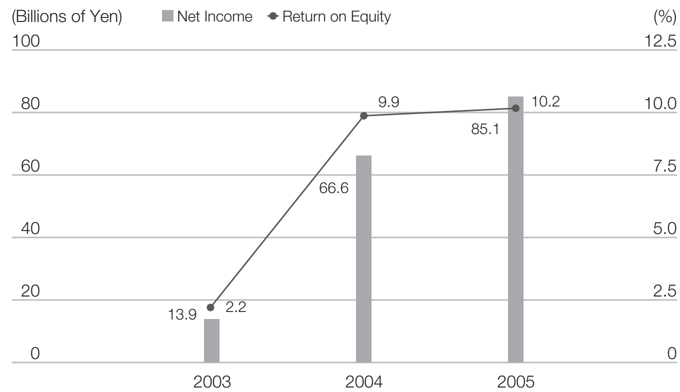
Net Income. As a result of the factors discussed above, net income increased by ¥18.5 billion, or 27.8%, from ¥66.6 billion in the fiscal year ended March 31, 2004 to ¥85.1 billion in the fiscal year ended March 31, 2005.

Total Trading Transactions. Total trading transactions increased ¥700.7 billion, or 7.6%, from ¥9,197.9 billion in the fiscal year ended March 31, 2004 to ¥9,898.6 billion in the fiscal year ended March 31, 2005. This was mainly due to the increase in oil and organic chemical transactions reflecting the strong market and the increase of plant export volume mainly to Asia.

Gross Profit & Gross Profit Ratio



Net Income & Return on Equity



8. Operating Segment Analysis

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

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

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

The following table sets forth our operating results by operating segments for the fiscal years ended March 31, 2005, and 2004:

Breakdown of Gross Profit by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2005 and 2004	2005	2004	increase/ decrease	increase/ decrease	2005
Metal Products	¥ 49.9	¥ 42.0	¥ 7.9	18.8%	$ 466
Transportation & Construction Systems	113.3	98.6	14.7	14.9	1,059
Machinery & Electric	32.2	28.2	4.0	14.2	301
Media, Electronics & Network	44.1	40.8	3.3	8.1	412
Chemical	28.5	22.8	5.7	25.0	266
Mineral Resources & Energy	35.2	27.1	8.1	29.9	329
Consumer Goods & Service	98.9	90.4	8.5	9.4	924
Materials & Real Estate	38.7	47.8	(9.1)	(19.0)	362
Financial & Logistics	17.0	15.7	1.3	8.3	159
Domestic Regional Business Units and Offices	41.2	40.4	0.8	2.0	385
Overseas Subsidiaries and Branches	78.1	55.8	22.3	40.0	730
Segment Total	577.1	509.6	67.5	13.2	5,393
Corporate and Eliminations	(14.0)	(8.3)	(5.7)	(68.7)	(130)
Consolidated	¥ 563.1	¥ 501.3	¥ 61.8	12.3%	$ 5,263

Breakdown of Net Income (Loss) by Operating Segment

	Billions of Yen				Millions of U.S. Dollars
For the years ended March 31, 2005 and 2004	2005	2004	increase/ decrease	increase/ decrease	2005
Metal Products	¥ 13.3	¥ 7.6	¥ 5.7	75.0%	$ 124
Transportation & Construction Systems	13.5	9.6	3.9	40.6	126
Machinery & Electric	3.8	1.8	2.0	111.1	36
Media, Electronics & Network	24.8	7.5	17.3	230.7	232
Chemical	4.7	(0.1)	4.8	—	44
Mineral Resources & Energy	14.9	7.1	7.8	109.9	139
Consumer Goods & Service	4.6	5.8	(1.2)	(20.7)	43
Materials & Real Estate	(8.4)	9.1	(17.5)	—	(78)
Financial & Logistics	2.8	2.4	0.4	16.7	26
Domestic Regional Business Units and Offices	4.7	1.7	3.0	176.5	44
Overseas Subsidiaries and Branches	22.4	7.0	15.4	220.0	209
Segment Total	101.1	59.5	41.6	69.9	945
Corporate and Eliminations	(16.0)	7.1	(23.1)	—	(150)
Consolidated	¥ 85.1	¥ 66.6	¥ 18.5	27.8%	$ 795

Fiscal Year Ended March 31, 2005 Compared to Fiscal Year Ended March 31, 2004

Metal Product

Gross profit increased by ¥7.9 billion, or 18.8%, from ¥42.0 billion in the fiscal year ended March 31, 2004 to ¥49.9 billion in the fiscal year ended March 31, 2005. The increase was mainly attributable to the continuous good performances of the steel service center operations. Net income increased ¥5.7 billion, or 75.0%, from ¥7.6 billion in the fiscal year ended March 31, 2004 to ¥13.3 billion in the fiscal year ended March 31, 2005.

Transportation & Construction Systems

Gross profit increased by ¥14.7 billion, or 14.9%, from ¥98.6 billion in the fiscal year ended March 31, 2004 to ¥113.3 billion in the fiscal year ended March 31, 2005. The increase was mainly due to the continuous good performance of the automobile lease and finance businesses in Japan and Asia such as Sumisho Auto Leasing and the ship business reflecting good market conditions. Net income increased by ¥3.9 billion, or 40.6%, from ¥9.6 billion in the fiscal year ended March 31, 2004 to ¥13.5 billion in the fiscal year ended March 31, 2005.

Machinery & Electric

Gross profit increased by ¥4.0 billion, or 14.2%, from ¥28.2 billion in the fiscal year ended March 31, 2004 to ¥32.2 billion in the fiscal year ended March 31, 2005. The increase was mainly due to the increase of plant export volume mainly to Asia. Net income increased by ¥2.0 billion, or 111.1%, from ¥1.8 billion in the fiscal year ended March 31, 2004 to ¥3.8 billion in the fiscal year ended March 31, 2005.

Media, Electronics & Network

Gross profit increased by ¥3.3 billion, or 8.1%, from ¥40.8 billion in the fiscal year ended March 31, 2004 to ¥44.1 billion in the fiscal year ended March 31, 2005. The increase was mainly due to higher commissions and fees received from electronic materials trading and from our fabless electronic machinery production outsourcing services, or EMS and making United Cinemas Co., Ltd. into a subsidiary. Net income increased by ¥17.3 billion, or 230.7%, from ¥7.5 billion in the fiscal year ended March 31, 2004 to ¥24.8 billion in the fiscal year ended March 31, 2005. In addition to the factors discussed above, net income increased mainly due to the gain resulting from the initial public offering and listing of Jupiter Telecommunications Co., Ltd. on the Jasdaq Securities Exchange.

Chemical

Gross profit increased by ¥5.7 billion, or 25.0%, from ¥22.8 billion in the fiscal year ended March 31, 2004 to ¥28.5 billion in the fiscal year ended March 31, 2005. The increase was mainly due to the acquisition of Hartz and increase in profits from organic chemical transactions, bolstered by strong prices in the petrochemical market. We had net income of ¥4.7 billion in the fiscal year ended March 31, 2005 compared to net loss of ¥0.1 billion in the fiscal year ended March 31, 2004.

Mineral Resources & Energy

Gross profit increased by ¥8.1 billion, or 29.9%, from ¥27.1 billion in the fiscal year ended March 31, 2004 to ¥35.2 billion in the fiscal year ended March 31, 2005. The increase was mainly due to the acquisition of the coal business in Australia and the additional acquisition of oil interests in the British North Sea. Net income increased ¥7.8 billion, or 109.9%, from ¥7.1 billion in the fiscal year ended March 31, 2004 to ¥14.9 billion in the fiscal year ended March 31, 2005. In addition to the factors discussed above, net income increased due to the stronger performance of our Batu Hijau copper & gold mine project as a result of strong copper and gold prices and increased production output.

Consumer Goods & Service

Gross profit increased by ¥8.5 billion, or 9.4%, from ¥90.4 billion in the fiscal year ended March 31, 2004 to ¥98.9 billion in the fiscal year ended March 31, 2005. The increase was mainly due to increased sales at our retail businesses such as Summit, Inc. and Coach Japan Inc. Net income decreased by ¥1.2 billion, or 20.7%, from ¥5.8 billion in the fiscal year ended March 31, 2004 to ¥4.6 billion in the fiscal year ended March 31, 2005. This was mainly due to the decline in the performance of Otto-Sumisho Inc.

Materials & Real Estate

Gross profit decreased by ¥9.1 billion, or 19.0%, from ¥47.8 billion in the fiscal year ended March 31, 2004 to ¥38.7 billion in the fiscal year ended March 31, 2005. Net loss of ¥8.4 billion in the fiscal year ended March 31, 2005 compared to net income of ¥9.1 billion in the fiscal year ended March 31, 2004. The change was mainly due to the recognition of impairment loss on real estate in the Yokohama area.

Financial & Logistics

Gross profit increased by ¥1.3 billion, or 8.3%, from ¥15.7 billion in the fiscal year ended March 31, 2004 to ¥17.0 billion in the fiscal year ended March 31, 2005 mainly due to the continuing good performances in our domestic and overseas distribution business. Net income increased by ¥0.4 billion, or 16.7%, from ¥2.4 billion in the fiscal year ended March 31, 2004 to ¥2.8 billion in the fiscal year ended March 31, 2005.

Domestic Regional Business Units and Offices

Gross profit increased by ¥0.8 billion, or 2.0%, from ¥40.4 billion in the fiscal year ended March 31, 2004 to ¥41.2 billion in the fiscal year ended March 31, 2005. This was mainly due to the increase in transactions of our steel business. Net income increased by ¥3.0 billion, or 176.5% from ¥1.7 billion in the fiscal year ended March 31, 2004 to ¥4.7 billion in the fiscal year ended March 31, 2005.

Overseas Subsidiaries and Branches

Gross profit increased by ¥22.3 billion, or 40.0%, from ¥55.8 billion in the fiscal year ended March 31, 2004 to ¥78.1 billion in the fiscal year ended March 31, 2005. This was due to the continuing good performances of our metal and chemical businesses mainly of Sumitomo Corporation of America. Net income increased by ¥15.4 billion, or 220.0%, from ¥7.0 billion in the fiscal year ended March 31, 2004 to ¥22.4 billion in the fiscal year ended March 31, 2005. In addition to the factors discussed above, net income increased mainly due to the gain on sale of an office building by Sumitomo Corporation of America.

9. Liquidity and Capital Resources

In general, we seek to fund our operations through cash flow from operations, bank debt and debt raised in the capital markets and through commercial paper issuances. Our basic policy for fund raising activities is to secure stable, medium- to long-term low-interest rate funds and liquidity for our operations. As of March 31, 2005, we had ¥3,064.4 billion of short-term and long-term debt. Our short-term debt, excluding current maturities of long-term debt was ¥412.2 billion, decreased by ¥39.8 billion from the previous year. Our short-term debt consisted of ¥299.9 billion of loans, principally from banks and ¥112.3 billion of commercial paper.

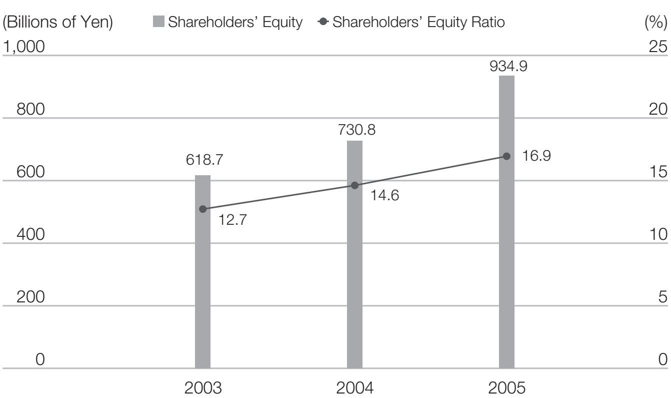
As of March 31, 2005, we had long-term debt of ¥2,652.2 billion, increased by ¥103.1 billion from the previous year, including current maturities of ¥438.5 billion and capital lease obligations of ¥58.4 billion. As of March 31, 2005, the balance of our borrowings from banks and insurance companies was ¥1,989.0 billion, an increase of ¥100.6 billion from the previous year, and the balance of notes and bonds was ¥438.9 billion, ¥16.5 billion less than the previous year.

Most of our loans from banks contain provisions customary in Japan. We do not believe those provisions materially limit our operating or financial flexibility. However, several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Under some agreements, principally with government-owned financial institutions, we may be required to make early repayments of an outstanding amount, if the lender concludes that we are able to repay the outstanding amount from the proceeds of an equity or debt offering, and makes such prepayment request. Certain agreements provide that the banks may require the borrower to receive bank approval prior to the payment of dividends and other appropriations of earnings. We have not been asked to make any such prepayment and currently do not anticipate any prepayment request. See "Risk Factors — Risks stemming from restrictions on access to liquidity and capital."

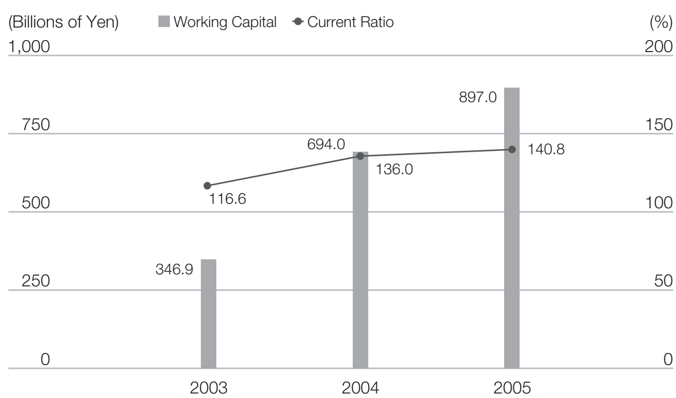
In addition, as of March 31, 2005, we had several committed lines of credit available for immediate borrowing providing an aggregate of up to $1,050 million and ¥350 billion in short-term loans. To date, we have not drawn on any of these lines of credit. We believe these lines of credit do not contain any material covenants, ratings triggers or other restrictions that could potentially impair our ability to draw down funds. We also have several uncommitted lines of credit. These lines of credit consist of :

- a $1,000 million multi-borrower and multi-currency line of credit provided by a syndicate of major U.S. and European banks, under which we can obtain loans for Sumitomo Corporation or any of our subsidiaries in the United Kingdom, Netherlands and the United States;
- a $50 million U.S. dollar-denominated line of credit provided to Sumitomo Corporation of America by a major U.S. bank;
- a ¥250 billion line of credit provided by a syndicate of major Japanese banks; and
- a ¥100 billion line of credit provided by a syndicate of Japanese regional banks.

Shareholders' Equity & Shareholders' Equity Ratio



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



As of March 31, 2005, our long-term and short-term credit ratings are Baa1/P-2 from Moody's Investors Service, A-/A-2 from Standard & Poor's and A+/a-1 from Rating and Investment Information, Inc. On April 15, 2005, Moody's raised our long-term credit ratings to A3. In order to facilitate our access to capital markets for funding, we have established several funding programs, including:

- a ¥200 billion Japanese shelf registration for primary debt offerings;
- a ¥2.4 trillion commercial paper program in Japan; *
- a $1.5 billion commercial paper program, established by our U.S. subsidiary, Sumitomo Corporation of America;
- a U.S.$3 billion Euro Medium Term Note program jointly established by Sumitomo Corporation Capital Europe PLC, Sumitomo Corporation Capital Netherlands N.V., Sumitomo Corporation of America and Sumitomo Corporation Capital Asia.
- a U.S.$1.5 billion Euro-denominated commercial paper program established by Sumitomo Corporation Capital Europe.

* From April 1, 2005, we have changed the volume of the program to ¥1.0 trillion.

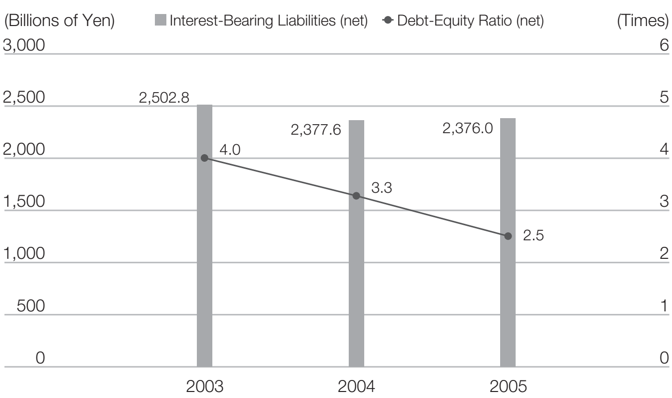
As of March 31, 2005, our shareholders' equity was ¥934.9 billion, representing an increase of ¥204.0 billion from March 31, 2004, due to the increase in retained earnings and the issuance of new shares in July, 2004. We had total assets of ¥5,533.1 billion, which was an increase of ¥520.7 billion from March 31, 2004. This was mainly due to strategic investments and the increase of operating assets to expand the earnings base. As a result, our ratio of shareholders' equity to total assets improved by 2.3 percentage points to 16.9%.

Gross interest-bearing debt was ¥2,840.1 billion, an increase of ¥44.2 billion from March 31, 2004. Net interest-bearing debt, however, which is gross interest-bearing debt less cash and cash equivalents and time deposits, was ¥2,376.0 billion, a decrease of ¥1.6 billion from March 31, 2004, because cash and cash equivalents and time deposits were ¥45.8 billion greater than at March 31, 2004. As of March 31, 2005, we held ¥453.9 billion in cash and cash equivalents and ¥10.2 billion in time deposits. As a result, our net debt-to-equity ratio was 2.5 times as of March 31, 2005.

As of March 31, 2005, we had current trade receivables of ¥1,662.8 billion from third parties and ¥84.9 billion from associated companies. Our current trade receivables in Japan are generally collected within six months. We make allowances for doubtful current receivables, which at March 31, 2005 were ¥11.0 billion. As of March 31, 2005, we had current trade payables of ¥980.7 billion to third parties and ¥18.3 billion to associated companies.

We had working capital of ¥897.0 billion as of March 31, 2005 compared to ¥694.0 billion as of March 31, 2004. The increase is due to the increase of operating assets comes from the fact that we funded the long-term capital by issuing new shares and so on, and kept challenging to expand our businesses.

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



Liquidity and Capital Resources

As of March 31, 2005, 2004, and 2003	Billions of Yen 2005	Billions of Yen 2004	Billions of Yen 2003	Millions of U.S. Dollars 2005
Short-term				
Loans, principally from banks	¥ 299.9	¥ 206.6	¥ 326.2	$ 2,803
Commercial paper	112.3	245.5	289.6	1,049
	412.2	452.1	615.8	3,852
Long-term				
Secured long-term debt				
Loans	249.2	102.6	73.9	2,329
Bonds	7.9	7.7	4.1	74
Unsecured long-term debt				
Loans	1,739.8	1,785.8	1,697.3	16,260
Bonds and notes	431.0	447.7	439.5	4,028
	2,427.9	2,343.8	2,214.8	22,691
Interest-bearing liabilities (gross)	2,840.1	2,795.9	2,830.6	26,543
Cash and cash equivalents & time deposits	464.1	418.3	327.8	4,337
Interest-bearing liabilities (net)	2,376.0	2,377.6	2,502.8	22,206
Total assets	5,533.1	5,012.5	4,856.2	51,711
Shareholders' equity	934.9	730.8	618.7	8,737
Shareholders' equity ratio (%)	16.9	14.6	12.7	
Debt-Equity ratio (gross) (times)	3.0	3.8	4.6	
Debt-Equity ratio (net) (times)	2.5	3.3	4.0	

The following table sets forth our cash flow information for the fiscal years ended March 31, 2005, 2004 and 2003:

Summary Statements of Consolidated Cash Flows

For the years ended March 31, 2005, 2004, and 2003	Billions of Yen 2005	Billions of Yen 2004	Billions of Yen 2003	Millions of U.S. Dollars 2005
Net cash (used in) provided by operating activities	¥ (20.8)	¥ 61.8	¥ 67.0	$ (194)
Net cash (used in) provided by investing activities	(55.9)	57.9	(59.9)	(523)
Free cash flow	(76.7)	119.7	7.1	(717)
Net cash provided by (used in) financing activities	115.8	(23.6)	43.0	1,082
Effect of exchange rate changes on cash and cash equivalents	(0.8)	(4.9)	(2.5)	(7)
Net increase in cash and cash equivalents	¥ 38.3	¥ 91.2	¥ 47.6	$ 358

Net cash used in operating activities was ¥20.8 billion for the fiscal year ended March 31, 2005 compared to net cash provided by operating activities of ¥61.8 billion for the fiscal year ended March 31, 2004. Most of the business segments created cash from its high performance business. On the other hand, we also used cash to increase our operating assets related to the expansion of businesses.

Net cash used in investing activities was ¥55.9 billion for the fiscal year ended March 31, 2005 compared to net cash provided by investing activities of ¥57.9 billion for the fiscal year ended March 31, 2004. In the fiscal year ended March 31, 2005, we collected cash by sales of our securities holdings and the collection of our loans receivables. At the same time, we used cash for strategic investments to expand our earnings base, such as for the Hartz acquisition.

Free cash flow which is net cash used in operating activities plus net cash used in investing activities, was ¥76.7 billion cash out for the fiscal year ended March 31, 2005 compared to ¥119.7 billion cash in for the fiscal year ended March 31, 2004.

Net cash provided by financing activities was ¥115.8 billion for the fiscal year ended March 31, 2005 compared to net cash used in financing activities of ¥23.6 billion for the fiscal year ended March 31, 2004. The change is attributable to the issuance of new shares in July, 2004.

As of March 31, 2005, our contractual cash obligations for the periods indicated were as follows:

	Billions of Yen						
	Payments due by period						
	Total	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years
Long-term debt	¥ 2,652.2	¥ 438.5	¥ 457.4	¥ 436.5	¥ 283.0	¥ 255.8	¥ 781.0
Operating leases	140.9	17.8	15.3	13.7	12.4	10.6	71.1
Total	¥ 2,793.1	¥ 456.3	¥ 472.7	¥ 450.2	¥ 295.4	¥ 266.4	¥ 852.1

Long-term debt includes our capital leases.

As of March 31, 2005, we had long-term financing commitments in the aggregate amount of ¥26.0 billion in connection with loans and investments in equity capital.

We enter into long-term purchase commitments in the normal course of our trading operations that provide for either fixed prices or basic purchase prices adjustable to market. Those commitments are in most instances matched with counterparty sales contracts. Long-term purchase contracts at fixed prices or at basic purchase prices adjustable to market amounted to ¥529.1 billion as of March 31, 2005. Scheduled deliveries are at various dates through 2020.

As of March 31, 2005, we have no material commitments for capital expenditures. We sold (for ¥86.0 billion) and leased back the headquarter office building (Harumi Triton Square Office Tower Y) on April 4, 2005.

In addition to our commitments discussed above, in connection with our businesses, from time to time, we incur various contingent liabilities, such as guarantees of our customers' obligations. In addition, we are, from time to time, subject to contingent liabilities arising from litigation. These contingent liabilities are discussed in detail in "10—Contingencies" and "11—Litigation" described below. Although we currently do not believe that our cash needs under such contingent liabilities will be significant, if, contrary to expectations, defaults under guarantees are substantial or there is a major adverse outcome in our litigation, such contingent liabilities may create significant new cash needs for us.

Our primary future recurring cash needs will be for working capital, capital investments in new and existing business ventures and debt service. Our growth strategy contemplates the making of investments, in the form of acquisitions, equity investments and loans. We invested ¥122.1 billion in property and equipment and made ¥148.2 billion of other investments in the fiscal year ended March 31, 2005. We are currently contemplating acquisitions of companies complementary to our existing businesses and also to related business areas in all business segments.

These investments, however, are either at a preliminary evaluation stage or are subject to a number of conditions, and accordingly, may not be completed. And we believe that our existing cash, current credit arrangements and cash flow from operations will be sufficient to meet our cash needs during the foreseeable future, although we cannot assure you that this will be the case. If our future cash flows from operations are less than we expect, we may need to incur additional debt, pursue other sources of liquidity, or modify our investment plans.

10. Contingencies

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

From time to time, we sell certain trade notes receivable to banks and other financial institutions on a recourse basis in the ordinary course of our business. In particular, we enter into such transactions when we believe holding a particular receivable may expose us to unnecessary risks, such as foreign currency exchange risks associated with a non-yen-denominated receivable matched with a yen-denominated payable. As of March 31, 2005, we were contingently liable to certain banks for the aggregate amount of ¥42.7 billion for discounted trade notes receivable (principally relating to export transactions maturing through 2006) sold to those banks on a recourse basis.

As of March 31, 2005, we were contingently liable for guarantees (continuing through 2030) in the aggregate amount of ¥80.4billion, including ¥31.0 billion relating to our associated companies and ¥5.8 billion to our employees but excluding discounted trade notes receivable sold to banks on a recourse basis as discussed above. The guarantees were primarily to enhance the credit standings of our associated companies, suppliers, buyers and employees, and in respect of the residual value on operating leases.

We also provide residual value guarantees to compensate for any potential shortfall between a specified price and actual sale proceeds on fixed dates from 2012 to 2015 in the aggregate amount of ¥11.8 billion, for some owners in relation to transportation equipment subject to operating leases. If the market value of the transportation equipment is less than the guaranteed value on the fixed date, we will be required to compensate for the shortfall. The current estimated future value of such transportation equipment is higher than the guaranteed value, and consequently there was no allowance for the liabilities under these guarantees as of March 31, 2005.

11. Litigation

In June 1996, we announced that we had incurred significant losses resulting from unauthorized copper trading by a former employee. Following the announcement, regulatory authorities in the United States and the United Kingdom conducted investigations into our copper trading activities. Several lawsuits were also brought against us, alleging, among other things, manipulation of the price of copper. We reached settlements with the regulators in the United States and the United Kingdom, and reached settlements or otherwise resolved many of the related civil lawsuits.

As of July 31, 2005, we have one class action lawsuit pending in Canada and one individual lawsuit pending in the United States related to the copper trading incident.

In October 2004, we settled one case that we brought for the purpose of recovering losses arising from the unauthorized copper trading in the United Kingdom. As of July 31, 2005, we are suing one company in Japan for the same purpose.

12. New Accounting Pronouncements

In December, 2004, FASB issued SFAS No. 123R, "Share-Based Payment," a revision to SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123R focuses primarily on transactions in which an entity exchanges its equity instruments for employee services, requires all share-based payments to employees to be recognized in earnings based on their fair values, and generally establishes standards for the accounting for transactions in which an entity obtains goods or services in share-based payment transactions. SFAS No. 123R is effective after June 30, 2005 and we do not expect the adoption of SFAS No. 123R will have a material impact on our consolidated financial statements.

In December, 2004, FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets — an amendment of APB Opinion No. 29." SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchange of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal years beginning after June 15, 2005 and we do not expect the adoption of SFAS No. 153 will have a material impact on our consolidated financial statements.

13. Quantitative and Qualitative Disclosure about Market Risk

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

Interest Rate Risk

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

Foreign Currency Exchange Rate Risk

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

Commodity Price Risk

As major participants in global commodity markets, we trade in physical precious and base metals, energy products (crude oil and refined oil products) and agricultural products (wheat, coffee, sugar and others), and utilize a variety of derivatives related to these commodities. Derivatives on those commodities are often used to hedge price movements in the underlying physical transactions. To a lesser degree, we use such instruments for trading purposes within well-defined position limits and loss limits. In addition, we are engaged in mining and oil and gas production operations, which are subject to fluctuations in commodity prices.

Equity Price Risk

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

The cost, fair value and unrealized holding net gains on our marketable equity securities as of March 31, 2005 and 2004 were as follows:

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

	Billions of Yen		Millions of U.S. Dollars
As of March 31,2005 and 2004	2005	2004	2005
Cost	¥ 151.3	¥ 164.7	$ 1,414
Fair value	337.4	300.1	3,153
Net unrealized gains	186.1	135.4	1,739

Risk Management Structure

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

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

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

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

VaR (Value-at-Risk)

VaR is a statistical measure of the potential maximum loss in the fair value of a portfolio that may result from adverse market movements in underlying risk factors, which is calculated over a defined period and within a certain confidence level. We use the VaR method to measure the market risk for certain market-sensitive commodity transactions and certain financial transactions. The following table sets forth the year-end, high, low, and average VaR figures (which are generally calculated on a three-day holding period) as of the end of each month in the fiscal year ended March 31, 2005:

VaR

	Billions of Yen			
For the years ended March 31, 2005	At year-end	High	Low	Average
	6.0	6.0	4.7	5.4

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

We periodically conduct backtesting in which estimated quantitative risks are compared with actual gains or losses to verify the accuracy of our VaR measurement model. The actual value of gains or losses never exceeded VaR in our backtesting during the twelve months ended December 31, 2004, which was the most recent period for which backtesting was conducted. Based on our backtesting, we believe our VaR model provided reasonably accurate measurements.

Consolidated Balance Sheets

Sumitomo Corporation and Subsidiaries
As of March 31, 2005 and 2004

ASSETS	Millions of Yen 2005	Millions of Yen 2004	Millions of U.S. Dollars 2005
Current assets:			
Cash and cash equivalents	¥ 453,891	¥ 415,574	$ 4,242
Time deposits	10,246	2,690	96
Marketable securities (Notes 5 and 11)	23,154	2,823	216
Receivables—trade (Notes 6, 11 and 21):			
Notes and loans	307,133	238,213	2,871
Accounts	1,355,706	1,178,006	12,670
Associated companies	84,884	151,156	793
Allowance for doubtful receivables	(11,005)	(8,851)	(103)
Inventories (Note 7)	503,767	412,340	4,708
Deferred income taxes (Note 12)	39,161	37,613	366
Advance payments to suppliers	56,878	51,541	532
Other current assets (Note 9)	271,218	140,128	2,535
Total current assets	3,095,033	2,621,233	28,926
Investments and long-term receivables (Notes 6, 11 and 21):			
Investments in and advances to associated companies (Note 8)	394,618	383,980	3,688
Other investments (Note 5)	502,658	468,986	4,698
Long-term receivables	620,835	597,461	5,802
Allowance for doubtful receivables	(45,672)	(49,957)	(427)
Total investments and long-term receivables	1,472,439	1,400,470	13,761
Property and equipment, at cost (Notes 9, 11 and 21)	1,129,655	1,157,373	10,557
Accumulated depreciation	(409,263)	(388,820)	(3,825)
	720,392	768,553	6,732
Prepaid expenses, non-current (Note 13)	94,838	98,589	886
Deferred income taxes, non-current (Note 12)	10,149	9,369	95
Goodwill and other intangible assets (Notes 3 and 10)	113,567	78,407	1,061
Other assets	26,709	35,844	250
Total (Note 19)	¥ 5,533,127	¥ 5,012,465	$ 51,711

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2005	Millions of Yen 2004	Millions of U.S. Dollars 2005
Current liabilities:			
Short-term debt (Note 11)	¥ 412,217	¥ 452,064	$ 3,852
Current maturities of long-term debt (Note 11)	438,534	330,622	4,098
Payables—trade (Note 21):			
Notes and acceptances	101,735	107,474	951
Accounts	878,952	771,092	8,215
Associated companies	18,266	22,829	171
Income taxes (Note 12)	20,226	15,890	189
Accrued expenses	60,539	61,228	566
Advances from customers	85,392	66,232	798
Other current liabilities (Notes 11, 12 and 22)	182,197	99,773	1,703
Total current liabilities	2,198,058	1,927,204	20,543
Long-term debt, less current maturities (Notes 11 and 21)	2,213,651	2,218,415	20,688
Accrued pension and retirement benefits (Note 13)	11,782	10,895	110
Deferred income taxes, non-current (Note 12)	85,708	38,797	801
Minority interests	89,037	86,306	832
Commitments and contingent liabilities (Note 22)			
Shareholders' equity (Notes 14 and 18):			
Common stock — authorized 2,000,000,000 shares; issued 1,204,608,547 and 1,064,608,547 shares in 2005 and 2004, respectively	219,279	169,439	2,049
Additional paid-in capital	238,859	189,621	2,232
Retained earnings:			
Appropriated for legal reserve	17,686	17,686	165
Unappropriated	442,630	365,894	4,137
	460,316	383,580	4,302
Accumulated other comprehensive income (loss) (Note 15)	17,083	(11,237)	160
Treasury stock, at cost: 797,043 and 773,461 shares in 2005 and 2004, respectively	(646)	(555)	(6)
Total shareholders' equity	934,891	730,848	8,737
Total	¥ 5,533,127	¥ 5,012,465	$ 51,711

Consolidated Statements of Income

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2005, 2004 and 2003

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Revenues (Note 19):				
Sales of tangible products	¥ 1,586,057	¥ 1,284,117	¥ 1,129,376	$ 14,823
Sales of services and others	463,242	424,479	408,952	4,329
Total revenues	2,049,299	1,708,596	1,538,328	19,152
Cost (Notes 9 and 20):				
Cost of tangible products sold	1,361,767	1,097,503	948,201	12,727
Cost of services and others	124,402	109,761	93,678	1,162
Total cost	1,486,169	1,207,264	1,041,879	13,889
Gross profit (Note 19)	563,130	501,332	496,449	5,263
Other income (expenses):				
Selling, general and administrative expenses (Notes 9, 10 and 13)	(437,849)	(422,363)	(406,334)	(4,092)
Settlements on copper trading litigation (Note 22)	2,815	(7,139)	192	26
Provision for doubtful receivables (Note 6)	(12,896)	(8,019)	(5,588)	(121)
Impairment losses on long-lived assets (Notes 9 and 10)	(29,548)	(5,178)	(20,371)	(276)
Gain on sale of property and equipment, net (Note 9)	11,468	13,320	3,283	107
Interest income	14,562	15,684	24,895	136
Interest expense	(23,207)	(22,058)	(30,901)	(217)
Dividends	6,386	6,934	6,373	60
Other than temporary impairment losses on securities	(8,927)	(23,237)	(66,104)	(83)
Gain on sale of marketable securities and other investments, net (Note 5)	16,339	39,557	18,979	153
Gain on issuances of stock by subsidiaries and associated companies (Note 8)	12,603	—	—	118
Equity in earnings of associated companies, net (Notes 8 and 12)	37,387	20,693	9,768	349
Other, net	(914)	(491)	(2,040)	(8)
Total other income (expenses)	(411,781)	(392,297)	(467,848)	(3,848)
Income before income taxes and minority interests in earnings of subsidiaries (Note 12)	151,349	109,035	28,601	1,415
Income taxes (Note 12)	(57,849)	(35,697)	(8,374)	(541)
Income before minority interests in earnings of subsidiaries	93,500	73,338	20,227	874
Minority interests in earnings of subsidiaries, net	(8,427)	(6,717)	(6,353)	(79)
Net income (Note 19)	¥ 85,073	¥ 66,621	¥ 13,874	$ 795
Total trading transactions* (Note 19)	¥ 9,898,598	¥ 9,197,882	¥ 9,229,576	$ 92,510
	Yen			U.S. Dollars
Net income per share of common stock (Note 18):				
Basic	¥ 72.83	¥ 62.66	¥ 13.04	$ 0.68
Diluted	72.82	61.31	13.00	0.68

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

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

Consolidated Statements of Shareholders' Equity and Comprehensive Income

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2005, 2004 and 2003

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Common stock:				
Balance, beginning of year	¥ 169,439	¥ 169,439	¥ 169,439	$ 1,583
Issuance of common stock	49,840	—	—	466
Balance, end of year	¥ 219,279	¥ 169,439	¥ 169,439	$ 2,049
Additional paid-in capital:				
Balance, beginning of year	¥ 189,621	¥ 189,548	¥ 189,548	$ 1,772
Issuance of common stock	49,199	—	—	460
Gain on sale of treasury stock	39	73	—	0
Balance, end of year	¥ 238,859	¥ 189,621	¥ 189,548	$ 2,232
Retained earnings:				
Balance, beginning of year	¥ 383,580	¥ 325,467	¥ 320,106	$ 3,585
Net income	85,073	66,621	13,874	795
Cash dividends	(9,070)	(8,508)	(8,513)	(85)
Effect of the change in the reporting period of affiliates	733	—	—	7
Balance, end of year	¥ 460,316	¥ 383,580	¥ 325,467	$ 4,302
Accumulated other comprehensive income (loss) (Note 15):				
Balance, beginning of year	¥ (11,237)	¥ (64,993)	¥ (20,750)	$ (105)
Other comprehensive income (loss), net of tax	28,274	53,756	(44,243)	264
Effect of the change in the reporting period of affiliates	46	—	—	1
Balance, end of year	¥ 17,083	¥ (11,237)	¥ (64,993)	$ 160
Treasury stock:				
Balance, beginning of year	¥ (555)	¥ (749)	¥ (376)	$ (5)
Disposition (purchase) of treasury stock, net	(91)	194	(373)	(1)
Balance, end of year	¥ (646)	¥ (555)	¥ (749)	$ (6)
Total	¥ 934,891	¥ 730,848	¥ 618,712	$ 8,737
Comprehensive income (loss):				
Net income	¥ 85,073	¥ 66,621	¥ 13,874	$ 795
Other comprehensive income (loss), net of tax (Note 15)	28,274	53,756	(44,243)	264
Comprehensive income (loss)	¥ 113,347	¥ 120,377	¥ (30,369)	$ 1,059

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

Consolidated Statements of Cash Flows

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2005, 2004 and 2003

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Operating activities:				
Net income	¥ 85,073	¥ 66,621	¥ 13,874	$ 795
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	77,967	81,177	71,817	729
Provision for doubtful receivables	12,896	8,019	5,588	121
Impairment losses on long-lived assets	29,548	5,178	20,371	276
Gain on sale of property and equipment, net	(11,468)	(13,320)	(3,283)	(107)
Other than temporary impairment losses on securities	8,927	23,237	66,104	83
Gain on sale of marketable securities and other investments, net	(16,339)	(39,557)	(18,979)	(153)
Gain on issuances of stock by subsidiaries and associated companies	(12,603)	—	—	(118)
Equity in earnings of associated companies, less dividends received	(33,238)	(17,395)	(7,954)	(311)
Changes in operating assets and liabilities, excluding effect of acquisitions and divestitures:				
Increase in receivables	(245,975)	(108,271)	(39,720)	(2,299)
Increase in inventories	(90,807)	(3,449)	(31,151)	(849)
Increase in payables	139,720	62,027	31,110	1,306
(Increase) decrease in prepaid expenses	28,883	(6,258)	(39,622)	270
Other, net	6,585	3,745	(1,117)	62
Net cash provided by (used in) operating activities	(20,831)	61,754	67,038	(195)
Investing activities:				
Expenditures for property and equipment	(122,062)	(148,212)	(90,432)	(1,141)
Proceeds from sale of property and equipment	60,768	79,938	38,163	568
Acquisition of available-for-sale securities	(20,183)	(28,700)	(75,177)	(189)
Proceeds from sale of available-for-sale securities	30,268	122,959	59,222	283
Proceeds from maturities of available-for-sale securities	834	4,298	7,709	8
Acquisition of held-to-maturity securities	(1,932)	(2,435)	(8,384)	(18)
Proceeds from maturities of held-to-maturity securities	3,632	13,064	14,693	34
Acquisition of other investments	(148,182)	(55,376)	(32,024)	(1,385)
Proceeds from sale of other investments	63,958	22,959	70,492	598
Increase in loans receivable	(135,603)	(74,804)	(141,724)	(1,267)
Collection of loans receivable	220,017	123,724	94,397	2,056
Net decrease (increase) in time deposits	(7,348)	514	3,187	(69)
Net cash provided by (used in) investing activities	(55,833)	57,929	(59,878)	(522)
Financing activities:				
Net decrease in short-term debt	(56,911)	(175,757)	(153,214)	(532)
Proceeds from issuance of long-term debt	267,816	466,572	545,600	2,503
Repayment of long-term debt	(193,647)	(305,663)	(343,529)	(1,810)
Proceeds from issuance of common stock	98,625	—	—	922
Cash dividends paid	(9,070)	(8,508)	(8,513)	(85)
Capital contribution from minority interests	862	549	3,040	8
Proceeds from securities lending activities	10,349	—	—	97
Acquisition of treasury stock	(2,199)	(775)	(373)	(21)
Net cash (used in) provided by financing activities	115,825	(23,582)	43,011	1,082
Effect of exchange rate changes on cash and cash equivalents	(844)	(4,885)	(2,539)	(7)
Net increase in cash and cash equivalents	38,317	91,216	47,632	358
Cash and cash equivalents, beginning of year	415,574	324,358	276,726	3,884
Cash and cash equivalents, end of year	¥ 453,891	¥ 415,574	¥ 324,358	$ 4,242

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

Notes to Consolidated Financial Statements

Sumitomo Corporation and Subsidiaries
For the years ended March 31, 2005, 2004 and 2003

1. Description of Business

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

The Companies conduct business through nine industry-based business segments and two sets of regional operations (domestic and overseas) that correspond to the operating segments monitored by the chief operating decision makers (see Note 19). The Companies' industry-based business segments are:

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

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

"Trading" as used in the following descriptions of the Companies' industry-based business segments represents sales transactions where the business segment acts as a principal or an agent. See revenue recognition discussed in Note 2 (o).

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

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

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

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

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

Mineral Resources & Energy— The Mineral Resources & Energy Business Unit segment develops and trades various mineral and energy sources including coal, iron ore, non-ferrous metal, noble metal, petroleum, natural gas and liquefied natural gas (LNG). This segment also trades ferrous and non-ferrous raw materials, petroleum products, liquefied petroleum gas (LPG), solar and storage batteries, carbon products and nuclear fuels. In addition, this segment engages in retail sales of electricity in Japan. This segment consists of the Mineral Resources Division and two Energy Divisions.

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

Materials & Real Estate— The Materials & Real Estate Business Unit segment engages in trading, marketing and distribution of raw materials and other products such as cement, timber, wood-chips, paper pulp, used paper and tires, and in manufacturing and sale of ready-mixed concrete and building materials. This segment is also engaged in a variety of real estate activities relating to office buildings and commercial and residential real property. This segment consists of the Materials & Supplies Division and the Construction & Real Estate Division.

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

2. Summary of Significant Accounting Policies

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

(a) Principles of Presentation and Consolidation

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into United States dollars for the year ended March 31, 2005 is included solely for the convenience of readers and has been made at the rate of ¥107 = U.S.$1, the approximate exchange rate prevailing at the Federal Reserve Bank of New York on March 31, 2005. Such translation should not be construed as a representation that the Japanese yen amounts have been, or could in the future be converted into United States dollars at that or any other rate.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company and most of its subsidiaries' accounting records are maintained principally in accordance with accounting practices prevailing in the countries of domicile. Adjustments to those records have been made to present these consolidated financial statements in accordance with U.S. GAAP. The significant adjustments include those relating to the accounting for the valuation of certain investment securities, impairment losses on long-lived assets and loans receivable, pension costs, accrual of certain expenses and losses, derivative instruments and hedging activities, leases, business combinations, and deferred taxes.

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

During the fiscal year ended March 31, 2005, some associated companies changed their reporting periods to March 31. The effect of change was charged directly to the accompanying Consolidated Statements of Shareholders' Equity and Comprehensive Income classified as "Effect of the change in the reporting period of affiliates."

The Companies also consolidate variable interest entities for which they are the primary beneficiary, in accordance with FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities ("FIN 46R")."

(b) Cash Equivalents

The Companies consider highly liquid investments, including short-term time deposits, with an original maturity of three months or less, to be cash equivalents.

(c) Foreign Currency Translation

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

(d) Inventories

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

(e) Marketable Securities and Other Investments

SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" requires all investments in debt and marketable equity securities to be classified as either trading, available-for-sale, or held-to-maturity securities. As of March 31, 2005 and 2004, all of the Companies' investments in debt securities and marketable equity securities are classified as either (i) trading securities, which are accounted for at fair value with unrealized gains and losses included in earnings, (ii) available-for-sale securities, which are accounted for at fair value with unrealized gains and losses excluded from earnings and reported in a separate component of accumulated other comprehensive income (loss), net of related taxes in the accompanying consolidated balance sheets, or (iii) held-to-maturity securities, which are accounted for at amortized cost. Those securities that mature or are expected to be sold in one year are classified as current assets.

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

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

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

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

The cost of securities sold is determined based on the average cost of all the shares of such security held at the time of sale.

Non-marketable securities held as investments are carried at cost. Management semi-annually assesses the result of the underlying companies, the performance of the underlying companies relative to plan, industry conditions, financial condition and prospects and determines whether any events or changes in circumstances that might have a significant adverse effect on fair value are identified. When events or changes in circumstances that might have a significant adverse effect on fair value are identified, management assesses whether the fair value of the investment has declined below its carrying amount. If a decline in fair value below cost is judged to be other than temporary, after considering the period of time that the estimated fair value has been below the carrying amount of the investment, the carrying value of the investment is written down to its estimated fair value. Fair value is determined based on analysis of discounted estimated cash flows, valuation models based on revenues, profitability and net worth, market value of comparable companies, and other valuation approaches.

(f) Allowance for Doubtful Receivables

An allowance for doubtful receivables is maintained at the level which, in the judgment of management, is adequate to provide for probable losses that can be reasonably estimated. Management considers individual customers' risk factors such as historical performance, recent developments, changes in original terms, internal risk-ratings, industry trends, and other specific factors applicable to the customer as well as general risk factors including, but not limited to, sovereign risk of the country where the customer resides.

The Companies maintain a specific allowance for impaired loans. A loan is considered impaired pursuant to SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." Pursuant to SFAS No. 114, a loan is impaired if it is probable that the Companies will not collect all principal and interest due. An impairment allowance is recognized equal to the difference between the loan's book value and either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's market price if available, or the fair value of collateral if the loan is collateral dependent. In addition to the specific allowance, an allowance is established for probable losses that are not individually identified but are expected to have occurred that are inherent in portfolios of similar loans. This allowance for losses is based on relevant observable data that include, but are not limited to, historical experience, delinquencies, loan stratification by portfolio, and when applicable, geography, collateral type, and size of the loan balance. Past due balances are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(g) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed principally under the declining-balance method for assets in Japan, and under the straight-line method for assets located outside Japan, over their estimated useful lives.

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

(h) Impairment of Long-Lived Assets

Long-lived assets and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows without interest expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair values are determined based on market values, appraisal or discounted future cash flows based on realistic assumptions less costs to sell.

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

(i) Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquired entity over the net of the amount assigned to assets acquired and liabilities assumed. SFAS No. 141, "Business Combinations" requires that all business combinations are accounted for by the purchase method. Under SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill is not amortized and instead requires annual impairment testing thereof at least annually. Intangible assets with a definite useful life to be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144. All intangible asset determined to have an indefinite useful life is not amortized, but instead is tested for impairment based on fair value at least annually until its life would be determined to no longer be indefinite.

Goodwill and intangible assets not subject to amortization are tested for impairment at the reporting unit level at least annually, or more often if events or circumstances, such as adverse changes in the business climate, indicate that there may be impairment.

(j) Stock Option Plan

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

SFAS No. 123, "Accounting for Stock-Based Compensation," amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123," defines a fair value based method of accounting for stock options. This statement gives entities a choice of recognizing related compensation expense by adopting the new fair value method or continuing to measure compensation using the intrinsic value approach under Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation." The Company chose to continue using the intrinsic-value-based method of accounting prescribed by APB Opinion No. 25 for fixed-plan stock options. Under this method, compensation expense is recorded on the date of grant only if the market price of the underlying common stock exceeds the exercise price on the date of grant. No compensation expense was incurred for the years ended March 31, 2005, 2004 and 2003.

Had compensation expense for the Company's stock option plans been determined consistent with SFAS No. 123, as amended, the Companies' net income and net income per share for the years ended March 31, 2005, 2004 and 2003 would have been as follows:

		Millions of Yen			Millions of U.S. Dollars
		2005	2004	2003	2005
Net income:	As reported	¥ 85,073	¥ 66,621	¥ 13,874	$ 795
	Deduct: Total stock-based compensation cost determined under fair value method for all awards, net of related tax effects	(22)	(21)	(19)	(0)
	Pro forma	¥ 85,051	¥ 66,600	¥ 13,855	$ 795

		Yen			U.S. Dollars
		2005	2004	2003	2005
Basic net income per share:	As reported	¥ 72.83	¥ 62.66	¥ 13.04	$ 0.68
	Pro forma	72.81	62.64	13.02	0.68
Diluted net income per share:	As reported	72.82	61.31	13.00	0.68
	Pro forma	72.81	61.29	12.98	0.68

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

	2005	2004	2003
Expected life	4.5 years	4.5 years	4.5 years
Risk-free rate	0.97%	0.36%	0.32%
Expected volatility	39.23%	43.56%	45.84%
Expected dividend yield	0.96%	0.91%	0.92%

(k) Income Taxes

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

(l) Derivative Instruments and Hedging Activities

The Companies account for derivatives and hedging activities in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities," as amended, which requires that all derivative instruments be recorded on the accompanying consolidated balance sheets at their respective fair values. The Companies utilize derivative instruments to manage interest rate risk, foreign currency risk and the risk of the price fluctuation of commodity inventories and trading commitments. The primary derivative instruments used by the Companies include foreign exchange forward contracts, currency swaps, interest rate swaps and commodity future contracts.

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

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

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

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

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

(n) Net Income per Share

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

(o) Revenue Recognition

The Companies recognize revenue when it is realized or realizable and earned. The Companies consider revenue realized or realizable and earned when it has persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, the sales price is fixed or determinable, and collectibility is reasonably assured.

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

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

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

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

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

Revenue from sales of tangible products

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

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

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

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

Revenue from sales of services and others

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

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

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

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

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

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

(p) Issuance of Stock by Subsidiaries and Associated Companies

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

(q) Capitalized Software Costs

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

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

(r) New Accounting Standards

In December, 2004, FASB issued SFAS No. 123R, "Share-Based Payment," a revision to SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123R focuses primarily on transactions in which an entity exchanges its equity instruments for employee services, requires all share-based payments to employees to be recognized in earnings based on their fair values, and generally establishes standards for the accounting for transactions in which an entity obtains goods or services in share-based payment transactions. SFAS No. 123R is effective after June 30, 2005 and the Companies do not expect the adoption of SFAS No. 123R will have a material impact on the Companies' consolidated financial statements.

In December, 2004, FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets — an amendment of APB Opinion No. 29." SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchange of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal years beginning after June 15, 2005 and the Companies do not expect the adoption of SFAS No. 153 will have a material impact on the Companies' consolidated financial statements.

(s) Reclassifications

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

3. Business Combinations

On May 27, 2004, the Company and Sumitomo Corporation of America, its U.S. subsidiary, entered into an agreement to purchase JWC Hartz Holdings, Inc., the holding company of The Hartz Mountain Corporation ("Hartz"), a U.S. pet supplies company, from J. W. Childs Equity Partners II, L.P., for approximately $400 million. The purchase was consummated on June 21, 2004. After this purchase, Hartz merged with JWC Hartz Holdings, Inc. As of March 31, 2005, the Company had a 96.3% ownership of the voting shares of Hartz, including a 56.3% ownership interest held directly by Sumitomo Corporation of America.

Hartz produces and sells pet supplies, with six manufacturing facilities in the U.S. and Brazil and three distribution centers in North America. This purchase provides the Companies an entry into the U.S. pet supplies business and a base for further development of that business in Japan, Europe, and the Americas, taking advantage of the Companies' international distribution and sourcing capabilities.

The consolidated financial statements for the year ended March 31, 2005 include the operating results of Hartz from the date of purchase.

In connection with this purchase, ¥4,458 million ($42 million), ¥14,060 million ($131 million) and ¥10,701 million ($100 million) were assigned to intangible assets subject to amortization, intangible assets not subject to amortization and goodwill, respectively. The intangible assets subject to amortization consist primarily of sales licenses of ¥3,409 million ($32 million) with an amortization period of 15 years. The intangible assets not subject to amortization consist of trademarks of ¥14,060 million ($131 million).

The following table summarizes the estimated fair values of the assets purchased and liabilities assumed at the date of purchase.

	Millions of Yen	Millions of U.S. Dollars
Current assets	¥ 11,472	$ 107
Property and equipment	6,315	59
Goodwill and other intangible assets	29,219	273
Other assets	1,931	18
Total assets purchased	48,937	457
Current liabilities	(6,026)	(56)
Total liabilities assumed	(6,026)	(56)
Net assets purchased	¥ 42,911	$ 401

Pro forma results of operations for the above business combination have not been presented because the effects were not material to the Companies' consolidated financial statements.

For the year ended March 31, 2005, other than Hartz acquisition, the Companies made additional business acquisitions of an aggregate purchase amount of ¥36,548 million ($342 million) with respect to nine companies, including operations such as the exclusive distributor in Japan for a German luxury chenille fabrics brand, the manufacturing and sales of automotive parts, the rights to oil fields in the British waters of the North Sea, and a cinema complex business. In connection with these business combinations, ¥7,742 million ($72 million), ¥3,195 million ($30 million) and ¥1,824 million ($17 million) were recognized in import and sales licenses, other intangible assets and goodwill, respectively.

The Companies recognized preliminary estimates with respect to the value of the underlying net assets of the above acquisitions in determining amounts of goodwill. The amount of goodwill may be adjusted upon completion of the purchase price allocation.

4. Cash Flow Information

Supplemental disclosure of cash flow information for the years ended March 31, 2005, 2004 and 2003 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Cash paid during the year for:				
Interest	¥ 22,178	¥ 21,825	¥ 30,139	$ 207
Income taxes	34,884	25,487	20,720	326
Non-cash investing and financing activities:				
Capital lease obligations incurred	13,155	9,865	9,558	123
Fair value of securities transferred to employee pension trust	—	9,505	5,069	—
Acquisition of subsidiaries:				
Fair value of assets acquired	137,063	48,398	27,519	1,281
Fair value of liabilities assumed	62,191	38,566	29,775	581
Minority interests assumed	1,250	1,318	(4,883)	12
Cash paid, net	(73,622)	(8,514)	(2,627)	(688)

5. Marketable Securities And Other Investments

Marketable securities and other investments as of March 31, 2005 and 2004 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Marketable securities-current:			
Trading	¥ 5,183	¥ 237	$ 48
Available-for-sale	15,461	477	144
Held-to-maturity	2,510	2,109	24
	¥ 23,154	¥ 2,823	$ 216

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Other investments:			
Available-for-sale	¥ 338,905	¥ 301,403	$ 3,167
Held-to-maturity	7,711	9,812	72
Non-marketable securities and other investments	156,042	157,771	1,459
	¥ 502,658	¥ 468,986	$ 4,698

(a) Marketable Equity Securities and All Debt Securities

Information regarding each category of securities classified as trading, available-for-sale and held-to-maturity as of March 31, 2005 and 2004 is as follows (excluding non-marketable securities and other investments discussed below):

	Millions of Yen			
As of March 31, 2005:	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	¥ 5,183	¥ —	¥ —	¥ 5,183
Available-for-sale:				
Equity securities	151,294	187,827	1,736	337,385
Debt securities	16,949	32	—	16,981
Held-to-maturity	10,221	54	—	10,275
	¥ 183,647	¥ 187,913	¥ 1,736	¥ 369,824

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

As of March 31, 2005:	Millions of U.S. Dollars Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Trading	$ 48	$ —	$ —	$ 48
Available-for-sale:				
Equity securities	1,414	1,755	16	3,153
Debt securities	158	0	—	158
Held-to-maturity	96	1	—	97
	$ 1,716	$ 1,756	$ 16	$ 3,456

Debt securities classified as available-for-sale securities and held-to-maturity securities mainly consist of Japanese government and municipal bonds and corporate debt securities. Gross unrealized losses on marketable securities that had been in a continuous unrealized loss position for twelve months or longer as of March 31, 2005 were immaterial.

The carrying values of debt securities classified as available-for-sale and held-to-maturity as of March 31, 2005 and 2004 are summarized by contractual maturities as follows:

	Millions of Yen				Millions of U.S. Dollars	
	2005		2004		2005	
	Available -for-sale	Held-to -maturity	Available -for-sale	Held-to -maturity	Available -for-sale	Held-to -maturity
Due in one year or less	¥ 15,461	¥ 2,510	¥ 477	¥ 2,109	$ 144	$ 24
Due after one year through five years	1,022	7,498	738	9,009	9	70
Due after five years through ten years	5	170	15	791	0	2
Due after ten years	493	43	521	12	5	0
Total	¥ 16,981	¥ 10,221	¥ 1,751	¥ 11,921	$ 158	$ 96

Proceeds from sales and gross realized gains and losses on available-for-sale securities for the years ended March 31, 2005, 2004 and 2003 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Proceeds from sales	¥ 30,268	¥ 122,959	¥ 59,222	$ 283
Gross realized gains	¥ 15,811	¥ 42,985	¥ 12,437	$ 148
Gross realized losses	343	2,522	2,741	3
Net realized gains	¥ 15,468	¥ 40,463	¥ 9,696	$ 145

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

(b) Non-Marketable Securities and Other Investments

Other investments as of March 31, 2005 and 2004 included investments in non-traded, unassociated companies, and others, amounting to ¥156,042 million ($1,459 million) and ¥157,771 million. As of March 31, 2005 and 2004, investments in non-traded securities of unassociated companies, and others carried at cost were ¥136,903 million ($1,279 million) and ¥144,625 million, respectively. If there is decline in the fair value of an investment below its carrying amount that is determined to be other than temporary, the investment is written down to its fair value. As of March 31, 2005, investments with aggregate cost of ¥129,932 million ($1,214 million) were not evaluated for fair value because no events or changes in circumstances that might have a significant adverse effect on the fair value were identified in the impairment evaluation, and estimation of fair value is not practicable.

6. Receivables

Receivables by operating segment as of March 31, 2005 and 2004 are summarized as follows:

	Millions of Yen				
As of March 31, 2005:	Notes and loans receivable	Accounts receivable	Receivables for associated companies	Long-term receivables	Total
Metal Products	¥ 58,187	¥ 187,255	¥ 15,174	¥ 12,146	¥ 272,762
Transportation & Construction Systems	10,464	189,444	22,753	238,001	460,662
Machinery & Electric	13,655	69,806	709	257,886	342,056
Media, Electronics & Network	1,337	99,953	2,758	37,560	141,608
Chemical	18,724	104,374	1,373	5,144	129,615
Mineral Resources & Energy	22,066	140,062	6,437	44,883	213,448
Consumer Goods & Service	14,490	57,121	228	34,683	106,522
Materials & Real Estate	19,307	71,787	1,986	15,250	108,330
Financial & Logistics	30,239	52,448	113	15,104	97,904
Others	118,664	383,456	33,353	34,089	569,562
	307,133	1,355,706	84,884	694,746	2,442,469
Less: Allowance for doubtful receivables	(1,923)	(8,552)	(530)	(45,672)	(56,677)
Total	¥ 305,210	¥ 1,347,154	¥ 84,354	¥ 649,074	¥ 2,385,792

	Millions of Yen				
As of March 31, 2004:	Notes and loans receivable	Accounts receivable	Receivables for associated companies	Long-term receivables	Total
Metal Products	¥ 48,917	¥ 155,271	¥ 9,571	¥ 12,992	¥ 226,751
Transportation & Construction Systems	12,058	157,227	25,289	246,378	440,952
Machinery & Electric	14,581	78,692	7,213	224,401	324,887
Media, Electronics & Network	1,682	103,083	6,028	88,280	199,073
Chemical	19,365	89,514	1,709	2,849	113,437
Mineral Resources & Energy	7,847	91,675	1,171	52,789	153,482
Consumer Goods & Service	17,314	55,586	156	35,038	108,094
Materials & Real Estate	16,789	67,011	2,213	15,061	101,074
Financial & Logistics	20,270	83,501	686	20,792	125,249
Others	79,390	296,446	97,120	15,149	488,105
	238,213	1,178,006	151,156	713,729	2,281,104
Less: Allowance for doubtful receivables	(1,537)	(6,444)	(870)	(49,957)	(58,808)
Total	¥ 236,676	¥ 1,171,562	¥ 150,286	¥ 663,772	¥ 2,222,296

As of March 31, 2005:	Millions of U.S. Dollars Notes and loans receivable	Accounts receivable	Receivables for associated companies	Long-term receivables	Total
Metal Products	$ 544	$ 1,750	$ 142	$ 113	$ 2,549
Transportation & Construction Systems	98	1,771	212	2,224	4,305
Machinery & Electric	128	652	7	2,410	3,197
Media, Electronics & Network	12	934	26	351	1,323
Chemical	175	975	13	48	1,211
Mineral Resources & Energy	206	1,309	60	420	1,995
Consumer Goods & Service	136	534	2	324	996
Materials & Real Estate	180	671	19	143	1,013
Financial & Logistics	283	490	1	141	915
Others	1,109	3,584	311	319	5,323
	2,871	12,670	793	6,493	22,827
Less: Allowance for doubtful receivables	(18)	(80)	(5)	(427)	(530)
Total	$ 2,853	$ 12,590	$ 788	$ 6,066	$ 22,297

The following analysis of activity in the allowance for credit losses for the years ended March 31, 2005, 2004 and 2003 encompasses allowance for receivables.

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Balance, beginning of year	¥ 58,808	¥ 85,947	¥ 93,805	$ 550
Provision for allowance for doubtful receivables	12,896	8,019	5,588	121
Charge-off	(14,990)	(34,896)	(12,991)	(139)
Foreign currency translation adjustments	(37)	(262)	(455)	(0)
Balance, end of year	56,677	58,808	85,947	530
Less: Current portion	(11,005)	(8,851)	(9,762)	(103)
Long-term portion	¥ 45,672	¥ 49,957	¥ 76,185	$ 427

As of March 31, 2005 and 2004, the total gross amount of long-term receivables considered impaired was ¥62,586 million ($585 million) and ¥74,052 million, respectively, and the related valuation allowance provided as at each year-end was ¥44,140 million ($413 million) and ¥47,848 million, respectively. The amount of long-term receivables considered impaired, for which no allowance for doubtful receivable was provided, was ¥1,142 million ($11 million) and ¥1,149 million as of March 31, 2005 and 2004, respectively.

The average investment in impaired receivables for the years ended March 31, 2005 and 2004 was ¥68,325 million ($639 million) and ¥89,480 million, respectively.

The Companies recognize interest income on impaired loans on a cash basis. Interest income on impaired loans recognized for the years ended March 31, 2005, 2004 and 2003 was not material.

7. Inventories

Major segments that hold inventories are Transportation & Construction Systems, Overseas Subsidiaries and Branches, Materials & Real Estate, and Metal Products. Real estate held for development and resale aggregated ¥62,078 million ($580 million) and ¥67,863 million as of March 31, 2005 and 2004, respectively, mainly in Materials & Real Estate.

8. Investments in and Advances to Associated Companies

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

Investments in and advances to associated companies as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Investments in common stock	¥ 320,707	¥ 267,712	$ 2,997
Advances	73,911	116,268	691
Total	¥ 394,618	¥ 383,980	$ 3,688

Investments in common stock in the above include goodwill amounting to ¥47,588 million ($445 million) and ¥56,274 million as of March 31, 2005 and 2004, respectively. The number of associated companies were 230 and 217 and weighted average ownership percentages for those associated companies were approximately 31% and 35% as of March 31, 2005 and 2004, respectively. Investments in common stock of certain associated companies as of March 31, 2005 and 2004 included marketable securities of public associated companies with carrying amounts of ¥72,286 million ($676 million) and ¥42,055 million, respectively, with corresponding aggregate quoted market values of ¥118,205 million ($1,105 million) and ¥70,685 million, respectively.

Summarized combined financial information of associated companies accounted for by the equity method as of March 31, 2005 and 2004 and for the years ended March 31, 2005, 2004 and 2003 are presented below:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Current assets	¥ 1,436,634	¥ 1,155,561	$ 13,427
Property and equipment, net	889,724	805,973	8,315
Other assets	1,131,020	1,041,161	10,570
Total assets	¥ 3,457,378	¥ 3,002,695	$ 32,312
Current liabilities	¥ 1,520,532	¥ 1,500,908	$ 14,211
Non-current liabilities	1,008,257	866,395	9,423
Shareholders' equity	928,589	635,392	8,678
Total liabilities and shareholders' equity	¥ 3,457,378	¥ 3,002,695	$ 32,312

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Gross profit	¥ 479,725	¥ 364,467	¥ 308,955	$ 4,483
Net income	¥ 110,452	¥ 58,344	¥ 24,226	$ 1,032

The three major associated companies accounted for by the equity method which are contained in the above summarized combined financial information are Sumisho Lease Co., Ltd. (approximately 36.2% owned), Jupiter Telecommunication Co., Ltd. (approximately 26.4% owned), and P.T. Newmont Nusa Tenggara (economic interest approximately 30.5% owned). The following summarized financial information for these three associated companies has been presented due to the relative significance of these entities to the Company's operations.

Sumisho Lease Co., Ltd.

Sumisho Lease Co., Ltd.'s summarized financial information as of March 31, 2005 and 2004 and for the years ended March 31, 2005, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Current assets	¥ 467,428	¥ 393,000	$ 4,369
Property and equipment, net	29,889	40,295	279
Other assets	745,233	741,370	6,965
Total assets	¥ 1,242,550	¥ 1,174,665	$ 11,613
Current liabilities	¥ 862,011	¥ 869,493	$ 8,056
Non-current liabilities	247,544	187,511	2,314
Shareholders' equity	132,995	117,661	1,243
Total liabilities and shareholders' equity	¥ 1,242,550	¥ 1,174,665	$ 11,613

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Revenues	¥ 153,742	¥ 136,397	¥ 118,265	$ 1,437
Net income	¥ 16,991	¥ 10,425	¥ 8,346	$ 159

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

Jupiter Telecommunication Co., Ltd.

Jupiter Telecommunication Co., Ltd. ("Jupiter")'s summarized financial information as of March 31, 2005 and December 31, 2003, and for the years ended March 31, 2005, December 31, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Current assets	¥ 52,379	¥ 19,063	$ 489
Property and equipment, net	255,412	244,227	2,387
Other assets	167,007	158,587	1,561
Total assets	¥ 474,798	¥ 421,877	$ 4,437
Current liabilities	¥ 36,786	¥ 32,784	$ 344
Non-current liabilities	213,385	292,324	1,994
Shareholders' equity	224,627	96,769	2,099
Total liabilities and shareholders' equity	¥ 474,798	¥ 421,877	$ 4,437

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Revenues	¥ 165,492	¥ 143,159	¥ 116,631	$ 1,547
Net income (loss)	¥ 10,301	¥ 5,351	¥ (7,543)	$ 96

Jupiter is a Multiple System Operator (MSO) in Japan that provides multi-channel broadcasting, internet, and telephony services. As of March 31, 2005, the Company held an approximately 26.4% interest in Jupiter, which includes an approximately 18.0% interest indirectly held through LMI/Sumisho Super Media, LLC ("Super Media"), a holding company that owns shares in Jupiter. Super Media is 32.4%-owned by the Company and 67.6%-owned by Liberty Media International, Inc. ("LMI"). In March 2005, Jupiter issued 1,091,500 common shares at ¥80,000 ($748) per share, or ¥87,320 million ($816 million) in total, in an initial public offering. As a result of this offering, the Companies recognized a gain of ¥12,603 million ($118 million), related to the difference between the Companies' book value per share in the investment and the price at which shares were sold to third parties, classified as "Gain on issuances of stock by subsidiaries and associated companies" and recognized deferred income taxes of ¥5,167 million ($48 million) on the gain.

The Company and LMI have an agreement whereby the Company is obligated to contribute substantially all of its remaining ownership interest in Jupiter to Super Media within six months of Jupiter's initial public offering on the Jasdaq Securities Exchange. Super Media will dissolve five years after the launch date of the public offering unless the Company and LMI agree otherwise. To facilitate the settlement of shares offered through over-allotment, the Company has an agreement with Nikko Citigroup Limited to lend them certain of its Jupiter common shares until April 21, 2005. The carrying amount of these common shares as of March 31, 2005 was ¥4,490 million ($42 million).

P.T. Newmont Nusa Tenggara

P.T. Newmont Nusa Tenggara ("PTNNT")'s summarized financial information as of December 31, 2004 and 2003 and for the years ended December 31, 2004, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Current assets	¥ 45,693	¥ 31,406	$ 427
Property and equipment, net	182,212	207,432	1,703
Other assets	8,028	9,090	75
Total assets	¥ 235,933	¥ 247,928	$ 2,205
Current liabilities	¥ 59,363	¥ 99,567	$ 555
Non-current liabilities	101,667	88,889	950
Shareholders' equity	74,903	59,472	700
Total liabilities and shareholders' equity	¥ 235,933	¥ 247,928	$ 2,205

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Revenues	¥ 116,015	¥ 73,404	¥ 63,949	$ 1,084
Net income	¥ 24,160	¥ 11,656	¥ 4,287	$ 226

PTNNT, an Indonesian corporation holds a Contract of Work ("COW") issued by the Indonesian government, under which it explores on and develops on an exclusive basis mineral resources within certain defined areas in Sumbawa and Lombok, Nusa Tenggara Barat, Indonesia.

PTNNT is 80%-owned by Nusa Tenggara Partnership V.O.F. ("NTP"), a general partnership organized under the laws of the Netherlands, and 20%-owned by P.T. Pukuafu Indah ("PTPI").

NTP is 43.75%-owned by Nusa Tenggara Mining Corporation, an approximately 74.3%-owned subsidiary of the Company, and 56.25%-owned by Newmont Indonesia Limited ("NIL"), a subsidiary of Newmont Mining Corporation ("Newmont"), both U.S. corporations. Both the Company and Newmont have significant participating rights in the NTP business and unanimous approval is needed for vital NTP decisions.

PTPI owns a 20% "carried interest," as its capital interest, in PTNNT totaling ¥14,244 million ($133 million) as of March 31, 2005. NTP funded this carried interest and PTPI agreed to assign 70% of its rights to dividends for PTNNT to repay the carried interest, including interest thereon, pursuant to an agreement with NIL. Including its share of this carried interest, the Company's economic interest in PTNNT amounted to approximately 30.5% as of March 31, 2005.

Under the COW, a portion of NTP must be offered for sale to the Indonesian government or to Indonesian nationals. If this offer is accepted, the effect of this provision, combined with the effect of the repayment of the carried interest, could potentially reduce NTP's economic interest in PTNNT to 49%, and that of the Company's to approximately 15.9%.

For the year ended March 31, 2005, Newmont applied FIN 46R and consolidated PTNNT. As such, NTP accounted for its 94% investment in PTNNT under the equity method of accounting. PTNNT's summarized financial information is included in the summarized combined financial information of associated companies accounted for by equity method as of March 31, 2005 and 2004 and for the years ended March 31, 2005, 2004 and 2003.

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

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Management and secondment fee, received	¥ 3,879	¥ 3,851	¥ 3,175	$ 36
Interest income	3,001	3,487	2,289	28
Interest expense	706	699	904	7

9. Property and Equipment

Property and equipment, including property and equipment under capitalized operating leases (see Note 21) as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Land and land improvements	¥ 204,089	¥ 279,605	$ 1,907
Buildings, including leasehold improvements	342,455	375,544	3,201
Machinery and equipment	537,134	466,901	5,020
Projects in progress	11,691	21,998	109
Mining rights	34,286	13,325	320
Total	1,129,655	1,157,373	10,557
Less: Accumulated depreciation	(409,263)	(388,820)	(3,825)
Property and equipment, net	¥ 720,392	¥ 768,553	$ 6,732

Depreciation expense for the years ended March 31, 2005, 2004 and 2003 was ¥64,548 million ($603 million), ¥71,063 million and ¥63,972 million, respectively.

For the years ended March 31, 2005 and 2004, wholly-owned subsidiaries of the Company sold a part of their office buildings and recognized a gain amounting to approximately ¥12.8 billion ($120 million) and ¥12 billion, respectively, which were included in "Gain on sale of property and equipment, net" in the accompanying Consolidated Statements of Income.

In accordance with Emerging Issues Task Force ("EITF") Issue No. 04-02, "Whether Mineral Rights are Tangible or Intangible Assets", FASB Staff Positions ("FSP") FAS 141-1, FAS 142-1 and FAS 142-2, mineral rights were reclassified from other intangible assets to tangible assets in the accompanying Consolidated Balance Sheets.

The Companies sold and leased back the corporate headquarters building (Harumi Triton Square Office Tower Y) at April 4, 2005 in a transaction accounted for as sale and operating leaseback. The net carrying amount of this building as of March 31, 2005 was ¥84,983 million ($794 million), and this amount was included as an asset held for sale in "Other current assets" in the accompanying Consolidated Balance Sheet.

The Companies assess the potential impairment of all material long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Certain assets, primarily real estate held for rent in Yokohama, was deemed to be impaired in the year ended March 31, 2005, and certain assets, including aircraft and real estate, was deemed to be impaired in the year ended March 31, 2004 reflecting the continued weak market conditions for real estate in Japan. The losses recognized from the impairment of such assets for the years ended March 31, 2005, 2004 and 2003 were applicable to the following segments:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Metal Products	¥ 156	¥ —	¥ —	$ 1
Transportation & Construction Systems	418	1,659	—	4
Machinery & Electric	42	—	—	0
Mineral Resources & Energy	1,670	—	—	16
Consumer Goods & Service	938	—	—	9
Materials & Real Estate	12,736	650	20,371	119
Domestic Regional Business Units and Offices	—	627	—	—
Overseas Subsidiaries and Branches	659	—	—	6
Corporate and Eliminations	865	2,242	—	8
Total	¥ 17,484	¥ 5,178	¥ 20,371	$ 163

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

10. Goodwill and Other Intangible Assets

(a) Intangible Assets

The components of intangible assets subject to amortization as of March 31, 2005 and 2004 are as follows:

	Millions of Yen			Millions of U.S. Dollars		
	2005			2005		
	Gross amount	Accumulated amortization	Net carrying value	Gross amount	Accumulated amortization	Net carrying value
Software	¥ 60,242	¥ 31,000	¥ 29,242	$ 563	$ 290	$ 273
Sales licenses and trademarks	37,905	9,108	28,797	354	85	269
Other	5,413	1,213	4,200	51	11	40
Total	¥ 103,560	¥ 41,321	¥ 62,239	$ 968	$ 386	$ 582

	Millions of Yen		
	2004		
	Gross amount	Accumulated amortization	Net carrying value
Software	¥ 50,423	¥ 22,074	¥ 28,349
Sales licenses and trademarks	20,463	7,631	12,832
Other	1,772	348	1,424
Total	¥ 72,658	¥ 30,053	¥ 42,605

Intangible assets subject to amortization acquired during the year ended March 31, 2005 aggregated ¥36,243 million ($339 million), primarily consisting of software of ¥11,648 million ($109 million), import and sales license of a German luxury chenille fabric brand of ¥7,742 million ($72 million) and sales license of pet care products in the U.S.A, of ¥3,409 million ($32 million). During the year ended March 31, 2004 such acquisitions aggregated was ¥18,051 million, primarily consisting of software of ¥13,820 million. The weighted-average amortization periods for software, sales licenses and trademarks, and other are five years, fourteen years and fifteen years, respectively. Aggregate amortization expense for the years ended March 31, 2005 and 2004 was ¥13,419 million ($126 million) and ¥10,114 million, respectively. Estimated amortization expenses for the next five years ending March 31 are: ¥13,634 million ($127 million) in 2006, ¥12,341 million ($115 million) in 2007, ¥9,367 million ($88 million) in 2008, ¥5,804 million ($54 million) in 2009, and ¥3,544 million ($33 million) in 2010, respectively.

The components of intangible assets not subject to amortization as of March 31, 2005 and 2004 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Leaseholds on land	¥ 16,944	¥ 28,213	$ 158
Trademarks	13,454	—	126
Other	555	421	5
Total	¥ 30,953	¥ 28,634	$ 289

In accordance with SFAS No.142, these intangible assets were tested for impairment for the years ended March 31, 2005 and 2004. During the year ended March 31, 2005, the Companies recognized impairment losses of ¥11,772 million ($110 million), and these amounts were included in “Impairment losses on long-lived assets” in the accompanying Consolidated Statements of Income. Impairment losses recorded for the year ended March 31, 2005 were primarily related to a leasehold on land of real estate for rent in Yokohama of ¥10,851 million ($101 million), the amount of which was based on appraised value. This impaired asset was included in the Materials & Real Estate Business Unit segment.

(b) Goodwill

The following table shows changes in the carrying amount of goodwill by operating segment for the years ended March 31, 2005 and 2004:

	Millions of Yen				
As of March 31, 2005:	Balance, beginning of year	Acquisition	Impairment losses	Foreign currency translation adjustments and other	Balance, end of year
Transportation & Construction Systems	¥ 819	¥ —	¥ —	¥ 42	¥ 861
Media, Electronics & Network	2,885	928	—	—	3,813
Chemical	—	4,445	—	(192)	4,253
Consumer Goods & Service	—	896	—	—	896
Overseas Subsidiaries and Branches	3,464	7,737	(292)	(357)	10,552
Total	¥ 7,168	¥ 14,006	¥ (292)	¥ (507)	¥ 20,375

	Millions of Yen			
As of March 31, 2004:	Balance, beginning of year	Acquisition	Foreign currency translation adjustments and other	Balance, end of year
Transportation & Construction Systems	¥ 765	¥ —	¥ 54	¥ 819
Media, Electronics & Network	—	2,885	—	2,885
Overseas Subsidiaries and Branches	4,304	—	(840)	3,464
Total	¥ 5,069	¥ 2,885	¥ (786)	¥ 7,168

	Millions of U.S. Dollars				
As of March 31, 2005:	Balance, beginning of year	Acquisition	Impairment losses	Foreign currency translation adjustments and other	Balance, end of year
Transportation & Construction Systems	$ 8	$ —	$ —	$ 0	$ 8
Media, Electronics & Network	27	9	—	—	36
Chemical	—	42	—	(2)	40
Consumer Goods & Service	—	8	—	—	8
Overseas Subsidiaries and Branches	32	72	(3)	(3)	98
Total	$ 67	$ 131	$ (3)	$ (5)	$ 190

In accordance with SFAS No. 142, these goodwill were tested for impairment for the years ended March 31, 2005 and 2004. During the year ended March 31, 2005, the Companies recognized impairment loss of ¥292 million ($3 million), and this amount was included in "Impairment losses on long-lived assets" in the accompanying Consolidated Statements of Income.

11. Short-term and Long-term Debt

Short-term debt as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen				Millions of U.S. Dollars
	2005		2004		2005
		Weighted average interest rate		Weighted average interest rate	
Loans, principally from banks	¥ 299,943	2.93%	¥ 206,601	2.47%	$ 2,803
Commercial paper	112,274	0.79	245,463	0.10	1,049
	¥ 412,217		¥ 452,064		$ 3,852

The interest rates represent weighted average rates in effect as of March 31, 2005 and 2004 though the range of the interest rates varies by borrowing currency.

The Companies have line of credit agreements available for immediate borrowing with syndicates of domestic and foreign banks, totaling $1,050 million with foreign banks and ¥350,000 million ($3,271million) with domestic banks. All of these lines of credit were unused as of March 31, 2005.

Long-term debt as of March 31, 2005 and 2004 and interest rates as of March 31, 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Weighted average interest rate	1.56%	1.46%	
Secured long-term debt:			
Banks and insurance companies, maturing serially through 2018, principally 1.54% to 6.00%	¥ 249,182	¥ 102,609	$ 2,329
Bonds payable in Indonesian rupee due,			
2004, fixed rate	—	3,840	—
2006, fixed rate 13.37%	3,390	3,840	32
2007, fixed rate 13.12%	4,520	—	42
Unsecured long-term debt:			
Banks and insurance companies, maturing serially through 2025, principally 0.07% to 4.90%	1,739,810	1,785,767	16,260
Bonds payable in Euro due,			
2005, fixed rate 5.15%	42,313	40,888	396
Bonds payable in Japanese yen due,			
2004, fixed rate	—	80,086	—
2005, fixed rate	—	10,121	—
2006, fixed rates 1.45% to 1.51%	20,000	20,000	187
2007, fixed and floating rates 1.86% to 2.26%	20,778	20,958	194
2008, fixed rate 0.84%	14,054	14,019	131
2010, fixed rates 0.81% to 2.07%	30,600	30,181	286
2011, fixed rates 0.82% to 1.28%	31,815	11,529	297
2012, fixed and floating rates 1.07% to 2.00%	30,197	19,670	282
2013, fixed and floating rates 1.08% to 1.97%	40,601	39,734	380
2014, fixed and floating rates 1.51% to 2.52%	30,592	20,221	286
2017, floating rate 2.70%	10,089	—	94
Various notes and bonds, maturing serially through 2018, fixed rates 0.08% to 4.02%	159,992	140,344	1,495
Capital lease obligations	58,375	44,169	546
Other	165,877	161,061	1,550
	2,652,185	2,549,037	24,787
Less: Current maturities	(438,534)	(330,622)	(4,099)
	¥ 2,213,651	¥ 2,218,415	$ 20,688

Annual maturities of long-term debt as of March 31, 2005 are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2006	¥ 438,534	$ 4,099
2007	457,397	4,275
2008	436,498	4,079
2009	282,983	2,645
2010	255,791	2,391
2011 and thereafter	780,982	7,298
Total	¥ 2,652,185	$ 24,787

Most of short-term and long-term loans from banks contain certain covenants. The banks may, under certain conditions, require the Companies to provide collateral (or additional collateral) or guarantors. The banks may treat any collateral as collateral for all indebtedness to such banks. Several of the loan agreements require maintenance of certain financial ratios and minimum levels of tangible net worth. Default provisions of certain agreements grant certain rights of possession to the banks. The borrower may be required to make early repayments of outstanding amounts under some agreements, principally with government-owned financial institutions, if the lender concludes that the borrower is able to repay the outstanding amount through improved earnings or from the proceeds of an equity or debt offering, and makes such prepayment request. Certain agreements provide that the banks may require the borrower to receive bank approval prior to the payment of dividends and other appropriations of earnings, before presentation to the shareholders. The Companies have not been asked to make any such prepayment during the years ended March 31, 2005, 2004 and 2003 and currently do not anticipate any prepayment request.

The Companies have been in compliance with all of the short-term borrowing and long-term debt obligation covenants for the years ended March 31, 2005, 2004 and 2003.

Pledged assets

The following table summarizes the book value of assets pledged as collateral for short-term debt, other current liabilities and long-term debt, including current maturities of long-term debt of the Companies as of March 31, 2005:

	Millions of Yen	Millions of U.S. Dollars
Marketable securities and investments	¥ 58,932	$ 551
Trade receivables and long-term receivables	226,456	2,116
Property and equipment, net	93,325	872
	¥ 378,713	$ 3,539

Such collateral secured the following obligations:

	Millions of Yen	Millions of U.S. Dollars
Short-term debt	¥ 9,317	$ 87
Other current liabilities	10,349	97
Long-term debt, including current maturities of long-term debt	282,369	2,639
	¥ 302,035	$ 2,823

Trust receipts issued under customary import financing arrangements give recipient banks a security interest in the merchandise imported and/or the accounts receivable or sales proceeds resulting from the sale of such merchandise. The Companies repay the related notes and acceptances payable at the maturity dates without applying the sales proceeds to specific notes or acceptances. The large number of transactions makes it impracticable to determine the aggregate amounts of assets covered by outstanding trust receipts.

12. Income Taxes

The Company is subject to a national corporate tax of 30%, an inhabitant tax of 6.21% and a deductible business tax between 7.56% and 10.08%, which in the aggregate resulted in a statutory income tax rate of approximately 41%, 42% and 42% for the years ended March 31, 2005, 2004 and 2003, respectively. On March 24, 2003, the Japanese Diet approved the Amendments to Local Tax Law, which reduce statutory business income tax rates from 9.6% to 7.2%. Accordingly, the Company's effective business tax rate was lowered from 10.08% to 7.56%. Consequently, the Company's aggregate statutory income tax rate was reduced approximately 41%, effective for fiscal years beginning on or after April 1, 2004. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Income before income taxes and minority interests in earnings of subsidiaries for the years ended March 31, 2005, 2004 and 2003 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Domestic	¥ 76,638	¥ 75,948	¥ (5,874)	$ 716
Foreign	74,711	33,087	34,475	698
Total	¥ 151,349	¥ 109,035	¥ 28,601	$ 1,414

Income tax provision (benefit) for the years ended March 31, 2005, 2004 and 2003 is as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Current:				
Domestic	¥ 17,538	¥ 15,697	¥ 18,650	$ 164
Foreign	17,613	9,047	9,730	165
Deferred:				
Domestic	16,016	11,184	(19,435)	150
Foreign	6,682	(231)	(571)	62
Total	¥ 57,849	¥ 35,697	¥ 8,374	$ 541

The reconciliation between taxes calculated at the statutory income tax rate in Japan and the Companies' effective income tax provision for the years ended March 31, 2005, 2004 and 2003 is summarized as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Income before income taxes and minority interests in earnings of subsidiaries	¥ 151,349	¥ 109,035	¥ 28,601	$ 1,414
Tax provision computed at statutory income tax rate	¥ 62,053	¥ 45,795	¥ 12,012	$ 580
Increases (decreases) in tax due to:				
Expenses not deductible for tax purposes	3,183	2,014	2,368	30
Tax effect on undistributed earnings of associated companies and corporate joint ventures	(977)	(2,037)	(870)	(9)
Changes in valuation allowance	865	(6,083)	(1,241)	8
Difference in statutory tax rate of foreign subsidiaries	(7,081)	(4,978)	(5,377)	(66)
Effect of change in enacted tax rate	—	(132)	1,447	—
Other—net	(194)	1,118	35	(2)
Total effective tax provision	¥ 57,849	¥ 35,697	¥ 8,374	$ 541

Total income taxes recognized for the years ended March 31, 2005, 2004 and 2003 are allocated as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Income before income taxes and minority interests in earnings of subsidiaries	¥ 57,849	¥ 35,697	¥ 8,374	$ 541
Shareholders' equity:				
Net unrealized holding gains (losses) on securities available-for-sale	22,176	54,899	(19,794)	207
Foreign currency translation adjustments	507	3,854	(709)	5
Net unrealized gains (losses) on derivatives	(386)	257	85	(4)
Total income taxes	¥ 80,146	¥ 94,707	¥ (12,044)	$ 749

The tax effects of temporary difference that give rise to significant components of deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Assets:			
Net operating loss carry forwards	¥ 46,445	¥ 85,290	$ 434
Investment securities	37,929	14,202	355
Inventories and long-lived assets	40,960	32,543	383
Allowance for doubtful receivables	12,457	14,634	116
Accrued pension and retirement benefits	8,732	7,568	82
Accrual and other	9,752	13,005	91
Gross deferred tax assets	156,275	167,242	1,461
Less: Valuation allowance	(10,559)	(10,641)	(99)
Deferred tax assets, less valuation allowance	145,716	156,601	1,362
Liabilities:			
Investment in marketable securities	(75,584)	(53,579)	(706)
Deferred gain on sales of property for tax purposes	(43,926)	(41,518)	(411)
Securities contributed to the Trust	(22,944)	(23,119)	(215)
Undistributed earnings of subsidiaries and associated companies	(27,754)	(17,024)	(259)
Installment sales	(560)	(1,834)	(5)
Other	(12,209)	(11,358)	(114)
Gross deferred tax liabilities	(182,977)	(148,432)	(1,710)
Net deferred tax assets (liabilities)	¥ (37,261)	¥ 8,169	$ (348)

Deferred income taxes at March 31, 2005 and 2004 are reflected in the accompanying Consolidated Balance Sheets as follows:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Assets:			
Deferred income taxes	¥ 39,161	¥ 37,613	$ 366
Deferred income taxes, non-current	10,149	9,369	95
Liabilities:			
Other current liabilities	(863)	(16)	(8)
Deferred income taxes, non-current	(85,708)	(38,797)	(801)
Net deferred tax assets (liabilities)	¥ (37,261)	¥ 8,169	$ (348)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2005. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The net change in the total valuation allowance for the years ended March 31, 2005, 2004 and 2003 was a decrease of ¥82 million ($1 million), a decrease of ¥3,342 million and a decrease of ¥1,240 million, respectively.

The valuation allowance primarily relates to valuation allowance for deferred tax assets associated with net operating loss carryforwards incurred by certain foreign subsidiaries. The Company has performed an analysis for each of these subsidiaries to assess their ability to realize such deferred tax assets. Considering scheduled reversals of deferred tax liabilities, projections for future taxable income, historical performance, tax planning strategies, market conditions and other factors, as appropriate, management believes it is more likely than not that these subsidiaries will realize their respective deferred tax assets (principally net operating loss carry forwards) net of existing valuation allowance, as of March 31, 2005.

During the year ended March 31, 2004, the Company reversed a valuation allowance for deferred tax assets, amounting to ¥4,481 million, related to tax loss carryforwards of Nusa Tenggara Mining Corporation ("NTMC"), an approximately 74.3%-owned subsidiary of the Company, and deferred tax assets relating to NTMC's share of accumulated losses of the Batu Hijau project through its investment in the Nusa Tenggara Partnership (see Note 8). This reversal was based on the Company's projection of PTNNT earnings, which were calculated with reference to copper and gold prices under current market conditions. The Company considered that it was more likely than not that the deferred tax assets will be realized and a valuation allowance was no longer necessary.

As of March 31, 2005 and 2004, the Company has not provided a deferred tax liability on the undistributed earnings of its foreign subsidiaries and foreign corporate joint ventures because the Company does not intend to repatriate those unremitted earnings in the foreseeable future. A deferred tax liability will be recognized when the Company no longer plans to permanently reinvest the undistributed earnings. As of March 31, 2005 and 2004, the amounts of undistributed earnings of such foreign subsidiaries and foreign corporate joint ventures on which a deferred tax liability has not been recognized in the accompanying consolidated financial statements totaled to ¥180,556 million ($1,687 million) and ¥134,546 million, respectively. Calculation of the unrecognized deferred tax liability is not practicable.

As of March 31, 2005, the Companies have aggregate net operating loss carryforwards of ¥104,935 million ($981 million), which may be used as a deduction in the determination of taxable income in future periods. If not utilized, such loss carryforwards expire as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2006	¥ 3,666	$ 34
2007	1,612	15
2008	1,690	16
2009	1,725	16
2010	5,440	51
2011 and thereafter	90,802	849
Total	¥ 104,935	$ 981

13. Accrued Pension and Retirement Benefits

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

Net periodic pension costs of the Company's pension plans for the years ended March 31, 2005, 2004 and 2003 include the following components:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Service cost — benefits earned during the year	¥ 4,223	¥ 3,722	¥ 3,305	$ 39
Interest cost on projected benefit obligation	3,167	3,680	4,038	30
Expected return on plan assets	(3,295)	(2,637)	(2,673)	(31)
Net amortization	5,706	8,093	4,648	54
Net periodic pension cost	¥ 9,801	¥ 12,858	¥ 9,318	$ 92

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

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Change in benefit obligations:			
Projected benefit obligations, beginning of year	¥ 158,352	¥ 147,475	$ 1,480
Service cost	4,223	3,722	39
Interest cost	3,167	3,680	30
Actuarial (gain) loss	(10,832)	8,947	(101)
Benefits paid	(5,622)	(5,472)	(53)
Projected benefit obligations, end of year	149,288	158,352	1,395
Change in plan assets:			
Fair value of plan assets, beginning of year	162,405	144,719	1,518
Actual return on plan assets	(5,426)	30,642	(51)
Employer contribution	4,299	9,505	40
Benefits paid from plan assets	(5,617)	(5,461)	(52)
Divestitures*	—	(17,000)	—
Fair value of plan assets, end of year	155,661	162,405	1,455
Funded status	6,373	4,053	60
Unrecognized actuarial loss	76,892	84,709	718
Prepaid cost for retirement benefits	¥ 83,265	¥ 88,762	$ 778

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

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

Because the fair value of plan assets exceeded the accumulated benefit obligations as of March 31, 2005 and 2004, an additional minimum liability for retirement benefits in accumulated other comprehensive income (loss) was not recognized. Prepaid cost for retirement benefits as of March 31, 2005 and 2004 is included in "Prepaid expenses, non-current" in the accompanying consolidated balance sheets.

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

The Company's funding policy is based on a number of factors including the tax deductibility of contributions, the Plans' funded status, actuarial calculations and other considerations. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future. Also, the Company may contribute certain marketable equity securities, or cash to an employee retirement benefit trust in order to maintain a sufficient level of funding at the end of fiscal year.

The asset allocations are as follows:

	2005	2004
	Actual allocation	Actual allocation
Equity securities	64%	66%
Debt securities	34%	30%
Cash	2%	4%
Total	100%	100%

The Company sets investment policies, strategies and target allocation for the Plans and oversees the investment allocation process, which includes selecting investment managers, commissioning periodic asset-liability studies, setting long-term strategic targets and monitoring asset allocations. The target allocations are guidelines, not limitations, and occasionally the Company will approve an allocation above or below a target allocation. As of March 31, 2005 and 2004, the actual allocations are almost the same level as the target allocations.

Assumptions used for the years ended March, 31 2005, 2004 and 2003 in determining costs for the Plans and the funded status information shown above are principally as follows:

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

	2005	2004	2003
Discount rate	2.0%	2.5%	3.0%
Expected long-term rate of return on plan assets	3.0%	3.0%	3.0%
Rate of expectable salary increase	3.0%	3.0%	3.0%

Weighted average assumptions used to determine the benefit obligations

	2005	2004
Discount rate	2.5%	2.0%
Rate of expectable salary increase	3.0%	3.0%

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

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

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Accumulated benefit obligations, end of year	¥ 144,975	¥ 153,274	$ 1,355

The employer's contributions expected to be paid to the Plans for the year ending March 31, 2006 is ¥8,650 million ($81 million).

Benefits expected to be paid in the future are as follows:

Year ending March 31,	Millions of Yen	Millions of U.S. Dollars
2006	¥ 6,536	$ 61
2007	6,878	64
2008	7,192	67
2009	7,317	68
2010	7,564	71
2011 - 2015	39,634	371
Total	¥ 75,121	$ 702

Most of the subsidiaries have unfunded retirement benefit plans and/or funded pension plans. Employees, other than directors, are entitled to, under most circumstances, upon mandatory retirement at normal retirement age or earlier termination of employment, lump-sum retirement benefits based on compensation at the time of retirement, years of service and other factors. As of March 31, 2005 and 2004, the benefit obligation of subsidiaries under these plans were ¥39,636 million ($370 million) at a discount rate of mainly 2.8% and at an expectable salary increase rate of mainly 1.8% and ¥32,653 million at a discount rate of mainly 2.5% and at an expectable salary increase rate of mainly 1.5%, which were approximately equal to the aggregated fair value of plan assets and accrued pension and retirement benefits.

The total amounts charged to income by subsidiaries for the years ended March 31, 2005, 2004 and 2003 were ¥4,489 million ($42 million), ¥4,932 million and ¥3,746 million, respectively.

In addition to unfunded retirement benefit plans or funded pension plans, certain domestic subsidiaries and associated companies also participate in a multiemployer defined benefit pension plan, recognizing the required contributions for a period as net pension cost and recognizing any contributions due and unpaid as a liability. The total amount of the domestic subsidiaries' contributions to the plan for the years ended March 31, 2005, 2004 and 2003 were ¥823 million ($8 million), ¥1,431 million and ¥1,589 million, respectively.

14. Shareholders' Equity

(a) Common Stock and Additional Paid-in Capital

Under the Commercial Code of Japan ("the Code"), at least 50% of the proceeds of certain issues of common shares, including exercise of warrants, shall be credited to the common stock account. The remainder of the proceeds shall be credited to the additional paid-in capital. The Code permits, upon approval of the Board of Directors, transfer of amounts from additional paid-in capital to the common stock account.

(b) Appropriated for Legal Reserve

The Code provides that at least 10% of all cash dividend payments and bonuses to directors, made as an appropriation of retained earnings applicable to each fiscal period, shall be appropriated as a legal reserve until an aggregate amount of additional paid-in capital and legal reserve equals 25% of common stock. The legal reserve may be used to eliminate or reduce a deficit, transferred to common stock, or transferred to retained earnings until an aggregate amount of additional paid-in capital and the legal reserve equals 25% of common stock, by resolution of the shareholders.

(c) Unappropriated Retained Earnings and Dividends

Retained earnings available for dividends under the Code is based on the amount recorded in the Company's general accounting records maintained in accordance with accounting principles generally accepted in Japan. The U.S. GAAP adjustments included in the accompanying consolidated financial statements but not recorded in the general accounting records, as explained under "Summary of Significant Accounting Policies" in Note 2, have no effect in determining retained earnings available for dividends under the Code.

The Code limits the amount of retained earnings available for dividends. Retained earnings of ¥154,177 million ($1,441 million) and ¥148,392 million, shown by the Company's accounting records as of March 31, 2005 and 2004, respectively, exclusive of the amount previously appropriated for legal reserve, were not restricted by the limitations under the Code.

The Code permits transfers, upon shareholder approval, of a portion of unappropriated retained earnings available for dividends to common stock without issuance of any shares.

Dividends are approved by the shareholders at the meeting held subsequent to the statutory fiscal period to which the dividends are payable to shareholders. Interim dividends are approved by the Board of Directors for the interim six-month period. Dividends are reported in the accompanying Consolidated Statements of Shareholders' Equity and Comprehensive Income when approved.

The Board of Directors intends to recommend to the shareholders, at the general meeting to be held on June 24, 2005, the declaration of a cash dividend to shareholders of record as of March 31, 2005 of ¥7 ($0.07) per share for a total of ¥8,427 million ($79 million).

(d) Stock Option Plan

The Company has stock option plans for directors, executive officers of the Company, and corporate officers under the Company's qualification system. Under the plans, each stock option granted entitles the recipient to acquire 1,000 shares of common stock at an exercise price equal to the greater of (i) 105% of the average closing market price of the Company's common stock on the Tokyo Stock Exchange for the calendar month before the grant date (excluding days when there were no transactions), or (ii) the closing market price of the Company's common stock on the Tokyo Stock Exchange on the grant date (or the closing market price on the day immediately preceding such date, if there were no transactions on such date).

The options granted vested 100% at grant date. The options granted are exercisable starting April 1 of the fiscal year after the fiscal year in which they are granted. They are exercisable for four years and three months from that date. The Company recognized no compensation expense related to the fixed price stock option plans for the years ended March 31, 2005, 2004 and 2003, because no options were granted at a price below the market price on grant date.

On June 22, 2004, the shareholders authorized the issue of new stock options up to 184,000 shares of common stock before the next shareholders meeting. Options for 181,000 shares were granted under this authorization. The Board intends to propose to the shareholders at the general meeting to be held on June 24, 2005, the authorization of an additional issue of new stock options for up to 177,000 shares of common stock.

The following table summarizes information about stock option activity for the years ended March 31, 2005, 2004 and 2003:

	2005			2004		2003	
	Number of shares	Weighted average exercise price	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		Yen	U.S. Dollars		Yen		Yen
Outstanding, beginning of year	487,000	¥ 798	$ 7	391,000	¥ 890	301,000	¥ 1,003
Granted	181,000	873	8	167,000	632	159,000	729
Exercised	48,000	738	7	—	—	—	—
Cancelled or expired	90,000	818	8	71,000	910	69,000	1,012
Outstanding, end of year	530,000	826	8	487,000	798	391,000	890
Options exercisable, end of year	357,000	¥ 803	$ 8	320,000	¥ 885	232,000	¥ 1,000

The following table summarizes information about stock options outstanding and exercisable as of March 31, 2005:

	Outstanding				Exercisable		
Exercisable price range	Number of shares	Weighted average exercise price	Weighted average exercise price	Weighted average remaining life	Number of shares	Weighted average exercise price	Weighted average exercise price
Yen		Yen	U.S. Dollars			Yen	U.S. Dollars
¥ 601 — 800	220,000	¥ 672	$ 6	2.84	220,000	¥ 672	$ 6
801 — 1,000	242,000	869	8	3.39	69,000	858	8
1,001 — 1,200	68,000	1,171	11	0.25	68,000	1,171	11
	530,000	¥ 826	$ 8	2.76	357,000	¥ 803	$ 8

15. Other Comprehensive Income (Loss)

Changes in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2005, 2004 and 2003 are as follows:

	Millions of Yen			Millions of U.S. Dollars
	2005	2004	2003	2005
Net unrealized holding gains (losses) on securities available-for-sale:				
Balance, beginning of year	¥ 70,108	¥ (9,377)	¥ 21,076	$ 655
Adjustment for the year	28,543	79,485	(30,453)	267
Balance, end of year	¥ 98,651	¥ 70,108	¥ (9,377)	$ 922
Foreign currency translation adjustments:				
Balance, beginning of year	¥ (80,896)	¥ (54,797)	¥ (40,885)	$ (756)
Adjustment for the year	755	(26,099)	(13,912)	7
Balance, end of year	¥ (80,141)	¥ (80,896)	¥ (54,797)	$ (749)
Net unrealized gains (losses) on derivatives:				
Balance, beginning of year	¥ (449)	¥ (819)	¥ (941)	$ (4)
Adjustment for the year	(978)	370	122	(9)
Balance, end of year	¥ (1,427)	¥ (449)	¥ (819)	$ (13)
Total accumulated other comprehensive income (loss):				
Balance, beginning of year	¥ (11,237)	¥ (64,993)	¥ (20,750)	$ (105)
Adjustment for the year	28,320	53,756	(44,243)	265
Balance, end of year	¥ 17,083	¥ (11,237)	¥ (64,993)	$ 160

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

2005:

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding gains on securities available-for-sale:			
Unrealized holding gains arising during the year	¥ 62,481	¥ (27,133)	¥ 35,348
Reclassification adjustment for gains included in net income	(11,762)	4,957	(6,805)
Adjustment for the year	50,719	(22,176)	28,543
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	708	(436)	272
Reclassification adjustment for losses included in net income	554	(71)	483
Adjustment for the year	1,262	(507)	755
Net unrealized losses on derivatives:			
Unrealized losses arising during the year	(2,460)	782	(1,678)
Effect of the change in the reporting period of affiliates	78	(32)	46
Reclassification adjustment for losses included in net income	1,018	(364)	654
Adjustment for the year	(1,364)	386	(978)
Other comprehensive income	¥ 50,617	¥ (22,297)	¥ 28,320

2004:

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding gains on securities available-for-sale:			
Unrealized holding gains arising during the year	¥ 174,138	¥ (71,131)	¥ 103,007
Reclassification adjustment for gains included in net income	(39,754)	16,232	(23,522)
Adjustment for the year	134,384	(54,899)	79,485
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	(22,062)	(3,854)	(25,916)
Reclassification adjustment for gains included in net income	(183)	—	(183)
Adjustment for the year	(22,245)	(3,854)	(26,099)
Net unrealized gains on derivatives:			
Unrealized gains arising during the year	162	(66)	96
Reclassification adjustment for losses included in net income	465	(191)	274
Adjustment for the year	627	(257)	370
Other comprehensive income	¥ 112,766	¥ (59,010)	¥ 53,756

2003:

	Millions of Yen		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding losses on securities available-for-sale:			
Unrealized holding losses arising during the year	¥ (92,777)	¥ 36,946	¥ (55,831)
Reclassification adjustment for losses included in net income	42,530	(17,152)	25,378
Adjustment for the year	(50,247)	19,794	(30,453)
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	(17,370)	709	(16,661)
Reclassification adjustment for losses included in net income	2,749	—	2,749
Adjustment for the year	(14,621)	709	(13,912)
Net unrealized gains on derivatives:			
Unrealized losses arising during the year	(335)	137	(198)
Reclassification adjustment for losses included in net income	542	(222)	320
Adjustment for the year	207	(85)	122
Other comprehensive loss	¥ (64,661)	¥ 20,418	¥ (44,243)

2005:

	Millions of U.S. Dollars		
	Pretax amount	Tax (expense) or benefit	Net-of-tax amount
Net unrealized holding gains on securities available-for-sale:			
Unrealized holding gains arising during the year	$ 584	$ (253)	$ 331
Reclassification adjustment for gains included in net income	(110)	46	(64)
Adjustment for the year	474	(207)	267
Foreign currency translation adjustments:			
Aggregated adjustment for the year resulting from translation of foreign currency financial statements	7	(4)	3
Reclassification adjustment for losses included in net income	5	(1)	4
Adjustment for the year	12	(5)	7
Net unrealized losses on derivatives:			
Unrealized losses arising during the year	(23)	7	(16)
Effect of the change in the reporting period of affiliates	1	(0)	1
Reclassification adjustment for losses included in net income	9	(3)	6
Adjustment for the year	(13)	4	(9)
Other comprehensive income	$ 473	$ (208)	$ 265

16. Derivatives and Hedging Activities

Risk management policy

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

Foreign currency exchange rate risk management

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

Interest rate risk management

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

Commodity price risk management

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

Fair-value hedges

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

Cash-flow hedges

Cash-flow hedges are hedges that use derivatives to offset the variability of expected future cash flows. The Companies use interest rate swaps to hedge the variability of cash flows related to floating-rate borrowings. The Companies record changes in the fair value of the interest rate swaps in other comprehensive income (loss) as a separate component of shareholders' equity. Such amounts are released to earnings contemporaneously when the hedged item affects earnings. For the year ended March 31, 2005, net derivative losses of ¥654 million ($6 million), net of related income tax benefit of ¥364 million ($3 million), were reclassified into earnings. For the year ended March 31, 2004, net derivative losses of ¥274 million, net of related income tax benefit of ¥191 million, were likewise reclassified. As of March 31, 2005, the amount that was expected to be reclassified into earnings, net of the related tax benefit, within the next fiscal year was ¥635 million ($6 million).

Derivatives not designated as hedges

SFAS No. 133 specifies criteria that must be met in order to apply hedge accounting. For example, hedge accounting is not permitted for hedged items that are remeasured with the changes in fair-value attributable to the hedged risk reported currently in earnings. The Companies use derivatives to hedge exposures when it makes economic sense to do so, including circumstances in which the hedging relationship does not qualify for hedge accounting.

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

Earnings effects of derivatives

For the years ended March 31, 2005, 2004 and 2003, the amount of hedge ineffectiveness recognized on fair-value hedges was gains of ¥3 million ($0 million), losses of ¥2 million and gains of ¥6 million, respectively. There were no gains or losses excluded from the assessment of hedge effectiveness for the years ended March 31, 2005, 2004 and 2003.

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

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

17. Financial Instruments

In accordance with the requirements of SFAS No. 107, “Disclosures about Fair Value of Financial Instruments,” the Companies have provided the following fair value estimates and information about valuation methodologies.

Quoted market prices, where available, are used to estimate fair values of financial instruments. However, quoted market prices are not available for a substantial portion of the Companies’ financial instruments, and, therefore, fair values for such financial instruments are estimated using discounted cash flow analysis or other valuation techniques as deemed appropriate.

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

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

Marketable Securities and Other Investments

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

Non-Current Trade Receivables and Advances to Associated Companies

The fair values of non-current trade receivables including long-term loans receivable, except for loans with floating rates whose carrying amount approximates fair value, are estimated by discounted cash flow analysis, using interest rates currently being offered for loans or accounts receivable with similar terms to borrowers or customers of similar credit quality and remaining maturities.

Long-Term Debt

The fair values of long-term debt, except for debt with floating rates whose carrying amount approximates fair value, are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities.

Guarantee of Third Party Debt

As a result of the adoption of FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,” the fair values of financial guarantees are estimated based on the premiums received or receivables by guarantors in an arm’s length transactions with unrelated parties (see Note 22).

Interest Rate Swaps, Currency Swap Agreements and Currency Option Contracts

The fair values of interest rate swaps, currency swap agreements and currency option contracts are estimated by obtaining quotes from brokers and other appropriate valuation techniques based on information available to the Companies.

Foreign Exchange Forward Contracts

The fair values of foreign exchange forward contracts are estimated based on market prices for contracts with similar terms.

The estimated fair values of certain financial instruments and derivative financial instruments as of March 31, 2005 and 2004 were as follows:

	Millions of Yen			Millions of U.S. Dollars		
As of March 31, 2005:	Notional amount	Carrying amount	Fair value	Notional amount	Carrying amount	Fair value
Financial Assets:						
Non-current trade receivables and advances to associated companies, less allowance for doubtful receivables	¥ —	¥ 669,716	¥ 674,267	$ —	$ 6,259	$ 6,302
Financial Liabilities:						
Long-term debt, including current maturities	—	2,652,185	2,664,913	—	24,787	24,906
Derivative Financial Instruments (Assets):						
Interest rate swaps	819,758	32,467	32,467	7,661	303	303
Currency swap agreements, and currency options	129,197	7,995	7,995	1,207	75	75
Foreign exchange forward contracts	100,874	1,490	1,490	943	14	14
Derivative Financial Instruments (Liabilities):						
Interest rate swaps	125,821	298	298	1,176	3	3
Currency swap agreements, and currency options	38,683	1,870	1,870	362	17	17
Foreign exchange forward contracts	410,412	7,173	7,173	3,836	67	67

	Millions of Yen		
As of March 31, 2004:	Notional amount	Carrying amount	Fair value
Financial Assets:			
Non-current trade receivables and advances to associated companies, less allowance for doubtful receivables	¥ —	¥ 693,513	¥ 701,183
Financial Liabilities:			
Long-term debt, including current maturities	—	2,549,037	2,561,723
Derivative Financial Instruments (Assets):			
Interest rate swaps	757,677	30,597	30,597
Currency swap agreements, and currency options	101,824	6,259	6,259
Foreign exchange forward contracts	208,210	4,604	4,604
Derivative Financial Instruments (Liabilities):			
Interest rate swaps	168,639	2,454	2,454
Currency swap agreements, and currency options	17,818	1,405	1,405
Foreign exchange forward contracts	223,527	9,031	9,031

The Companies' global orientation in a variety of businesses with diverse customers and suppliers reduces concentrations of credit risks. The Companies deal with selected international financial institutions, with a certain credit rating or higher from the international statistical credit rating agency, in order to mitigate the credit risk exposure of derivatives with off-balance-sheet risk. Credit risk represents the possibility that the counterparties may be unable to perform under the terms of the agreements. Management does not expect any material losses as a result of counterparty default on financial instruments. Credit risk is managed through the credit line approved by management and by monitoring the counterparties periodically. The Companies require collateral to the extent considered necessary. There was no major customer comprising more than 10% of the sales transactions with the Companies for the years ended March 31, 2005, 2004 and 2003.

18. Net Income Per Share

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the years ended March 31, 2005, 2004 and 2003 is as follows:

	Millions of Yen			Millions of U.S. Dollars
Income (Numerator)	2005	2004	2003	2005
Net income — basic	¥ 85,073	¥ 66,621	¥ 13,874	$ 795
Effect of dilutive securities:				
1.5% Japanese yen convertible debentures, due 2004	—	331	331	—
Net income — diluted	¥ 85,073	¥ 66,952	¥ 14,205	$ 795

	Number of shares		
Shares (Denominator)	2005	2004	2003
Weighted-average shares — basic	1,168,142,925	1,063,190,319	1,063,908,266
Dilutive effect of:			
Stock options	54,334	9,287	—
1.5% Japanese yen convertible debentures, due 2004	—	28,854,764	28,854,764
Weighted-average shares — diluted	1,168,197,259	1,092,054,370	1,092,763,030

	Yen			U.S. Dollars
	2005	2004	2003	2005
Net income per share:				
Basic	¥ 72.83	¥ 62.66	¥ 13.04	$ 0.68
Diluted	72.82	61.31	13.00	0.68

19. Segment Information

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

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

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

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

Information by operating segment for the years ended March 31, 2005, 2004 and 2003 are summarized as follows:

Operating Segments:

2005:	Millions of Yen				
Segment	Revenues	Gross profit	Net income	Assets	Total trading transactions*
Metal Products	¥ 238,037	¥ 49,904	¥ 13,294	¥ 472,640	¥ 1,096,556
Transportation & Construction Systems	623,313	113,263	13,500	871,470	1,571,179
Machinery & Electric	124,204	32,176	3,836	457,367	1,462,786
Media, Electronics & Network	83,789	44,089	24,846	374,977	448,783
Chemical	57,952	28,498	4,669	217,234	525,677
Mineral Resources & Energy	82,294	35,155	14,881	497,078	1,732,578
Consumer Goods & Service	327,525	98,922	4,601	325,102	776,920
Materials & Real Estate	134,053	38,672	(8,441)	606,132	385,440
Financial & Logistics	108,341	17,043	2,768	232,792	134,205
Domestic Regional Business Units and Offices	66,274	41,222	4,701	396,207	1,070,653
Overseas Subsidiaries and Branches	221,373	78,133	22,435	625,377	1,318,628
Segment Total	2,067,155	577,077	101,090	5,076,376	10,523,405
Corporate and Eliminations	(17,856)	(13,947)	(16,017)	456,751	(624,807)
Consolidated	¥ 2,049,299	¥ 563,130	¥ 85,073	¥ 5,533,127	¥ 9,898,598

2004:

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

2003:

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

2005:

Segment	Revenues	Gross profit	Net income	Assets	Total trading transactions*
	Millions of U.S. Dollars				
Metal Products	$ 2,225	$ 466	$ 124	$ 4,417	$ 10,248
Transportation & Construction Systems	5,825	1,059	126	8,145	14,684
Machinery & Electric	1,161	301	36	4,274	13,671
Media, Electronics & Network	783	412	232	3,504	4,194
Chemical	542	266	44	2,030	4,913
Mineral Resources & Energy	769	329	139	4,646	16,193
Consumer Goods & Service	3,061	925	43	3,038	7,261
Materials & Real Estate	1,253	361	(79)	5,665	3,602
Financial & Logistics	1,012	159	26	2,176	1,254
Domestic Regional Business Units and Offices	619	385	44	3,703	10,006
Overseas Subsidiaries and Branches	2,069	730	210	5,845	12,324
Segment Total	19,319	5,393	945	47,443	98,350
Corporate and Eliminations	(167)	(130)	(150)	4,268	(5,840)
Consolidated	$ 19,152	$ 5,263	$ 795	$ 51,711	$ 92,510

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

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

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

Geographic Information:

2005:

	Millions of Yen		Millions of U.S. Dollars	
	Revenues	Long-lived assets	Revenues	Long-lived assets
Japan	¥ 1,182,592	¥ 646,031	$ 11,052	$ 6,038
Asia	144,541	23,041	1,351	215
North America:				
U.S.	267,088	82,667	2,496	773
Other	90,473	12,868	846	120
Europe	249,233	101,906	2,329	952
Other	115,372	62,284	1,078	582
Total	¥ 2,049,299	¥ 928,797	$ 19,152	$ 8,680

2004:

	Millions of Yen	
	Revenues	Long-lived assets
Japan	¥ 985,172	¥ 741,741
Asia	117,667	21,330
North America:		
U.S.	194,218	29,438
Other	81,535	12,457
Europe	225,121	74,705
Other	104,883	65,878
Total	¥ 1,708,596	¥ 945,549

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

20. Foreign Exchange Gains and Losses

Transaction gains and losses resulting from translating assets and liabilities denominated in a currency other than the functional currency of the reporting entity or from settling such items are included in earnings as they arise. Net foreign currency transaction gains of ¥2,097 million ($20 million), losses of ¥3,463 million, and losses of ¥4,477 million were included in the determination of net income for the years ended March 31, 2005, 2004 and 2003, respectively.

21. Leases

Lessor

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

Net investments in direct financing leases at March 31, 2005 and 2004, included in "Receivables—trade" and "Long-term receivables" in the accompanying Consolidated Balance Sheets, are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2005	2004	2005
Gross investments in direct financing leases	¥ 201,899	¥ 219,935	$ 1,887
Unguaranteed residual value	897	2,043	8
Less: unearned income	(23,143)	(23,444)	(216)
Net investments	¥ 179,653	¥ 198,534	$ 1,679

The Companies also lease aircraft, office buildings and other industrial properties and equipment to third parties under operating leases. As of March 31, 2005 and 2004, the cost of the leased property was ¥295,184 million ($ 2,759 million) and ¥245,601 million, respectively, and the accumulated depreciation of that was ¥132,960 million ($1,243 million) and ¥104,965 million, respectively, and these are included in "Property and equipment" (see Note 9).

Future minimum lease payments to be received as of March 31, 2005 are as follows:

	Millions of Yen			Millions of U.S. Dollars		
Year ending March 31,	Direct financing leases	Operating leases	Total	Direct financing leases	Operating leases	Total
2006	¥ 60,862	¥ 46,491	¥ 107,353	$ 569	$ 434	$ 1,003
2007	43,511	32,249	75,760	407	301	708
2008	31,551	20,855	52,406	295	195	490
2009	22,660	12,617	35,277	212	118	330
2010	13,926	7,741	21,667	130	72	202
2011 and thereafter	29,389	10,435	39,824	274	98	372
Total	¥ 201,899	¥ 130,388	¥ 332,287	$ 1,887	$ 1,218	$ 3,105

Lessee

The Companies lease office space and certain other assets under cancelable and non-cancelable operating leases. Total rental expenses under such cancelable and non-cancelable leases for the years ended March 31, 2005, 2004 and 2003 were ¥28,022 million ($262 million), ¥25,411 million and ¥24,317 million, respectively. Certain lease contracts for equipment are classified as capital leases in conformity with SFAS No. 13 and are capitalized on the accompanying Consolidated Balance Sheets and included in "Property and equipment" (see Note 9).

As of March 31, 2005, the future minimum lease payments under capital lease and non-cancelable operating leases are as follows:

	Millions of Yen			Millions of U.S. Dollars		
Year ending March 31,	Capital leases	Non-cancelable operating leases	Total	Capital leases	Non-cancelable operating leases	Total
2006	¥ 22,256	¥ 17,802	¥ 40,058	$ 208	$ 166	$ 374
2007	16,758	15,358	32,116	157	143	300
2008	10,980	13,746	24,726	103	128	231
2009	5,906	12,359	18,265	55	116	171
2010	2,831	10,575	13,406	26	99	125
2011 and thereafter	3,502	71,054	74,556	33	664	697
	62,233	140,894	203,127	582	1,316	1,898
Less: amount representing interest	(3,858)			(36)		
	¥ 58,375			$ 546		

22. Commitments and Contingent Liabilities

(a) Commitments

The Companies customarily enter into long-term purchase commitments for certain items, principally ocean transport vessels and industry materials, either at fixed prices or at basic purchase prices adjustable to market. Such purchase commitments are in most instances matched with counter-party sales contracts. Long-term purchase contracts at fixed prices or at basic purchase prices adjustable to market amounted to ¥529,126 million ($4,945 million) as of March 31, 2005. Scheduled deliveries are at various dates through 2020.

The Companies also had long-term financing commitments of ¥26,029 million ($243 million) as of March 31, 2005 for loans and investments in equity capital.

(b) Guarantees

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

FIN 45 requires that the Companies recognize the fair value of guarantee and indemnification arrangements issued or modified after December 31, 2002, if these arrangements are within the scope of the Interpretation. The carrying amounts of the liabilities recognized for the Companies' obligations as a guarantor under those guarantees as of March 31, 2005 were insignificant.

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

As of March 31, 2005:	Millions of Yen	Millions of U.S. Dollars
Discounted trade notes receivable with banks	¥ 42,738	$ 400
Guarantees of indebtedness:		
Associated companies	31,042	290
Third parties	43,581	407
Employees	5,773	54
Residual value guarantees	11,770	110
Total	¥ 134,904	$ 1,261

Discounted Trade Note Receivable with Banks

The Companies are contingently liable for trade notes receivable sold to banks on a discounted basis with recourse to the Companies. These notes arise mainly from export transactions and mature through 2006. If an issuer of a note defaults on its payment, the Companies would be required to pay the banks for any loss. ¥27,587 million ($258 million) of discounted trade notes receivable outstanding as of March 31, 2005 was covered by letters of credit, whereby other banks would be required to pay for any defaults by the issuers of the notes. The Companies provided an allowance for losses of ¥74 million ($1 million) as of March 31, 2005 in "Other current liabilities" in the accompanying consolidated balance sheets for estimated losses on the discounted trade notes receivable.

Guarantees of Indebtedness for Associated Companies

The Companies provide guarantees on certain of their associated companies' borrowings from banks, payables to suppliers and other indebtedness. These guarantees mature through 2021. Guarantees with third party guarantee aggregated ¥975 million ($9 million) as of March 31, 2005. The Companies would be obligated to reimburse the banks for losses, if any, if a borrower defaults on a guaranteed loan.

Guarantees of Indebtedness for Third Parties

The Companies also provide guarantees of indebtedness for third parties. These guarantees are arranged mainly with suppliers and customers and mature through 2015. The Companies must pay if a guaranteed party defaults on a guaranteed indebtedness. Guarantees with third party guarantee aggregated ¥7,328 million ($68 million) as of March 31, 2005. Certain of these guarantees are also collateralized by borrower assets.

Guarantees of Indebtedness for Employees

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

Residual Value Guarantees

The Companies also provide residual value guarantees to owners of transportation equipment leased by third parties under operating leases to compensate for the gap between fixed prices and actual disposal proceeds on dates specified in these contracts. These specified dates ranged from years 2012 to 2015 as of March 31, 2005. If the actual disposal amount of the equipment is less than the guaranteed value on the specified date, the Companies will be required to compensate for the shortfall so long as obligations by the lessee under the contract are satisfied. The current estimated future values of such transportation equipment are higher than the guaranteed values, and, accordingly, no allowance has been provided as of March 31, 2005.

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

(c) Litigation

(1) The Copper-Related Litigation

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

As of March 31, 2005, the Company as a defendant is involved in one class action suit pending in Canada and one individual lawsuit pending against it in the U.S. The class action suit purports to represent Canadians and Canadian entities who purchased physical copper. The plaintiff asserts damages for civil conspiracy and conduct that is contrary to the Canadian Competition Act et al, in the amount of CA$40 million and punitive and exemplary damages in the amount of CA$10 million. The class action is now pending in Ontario Superior Court. The individual lawsuit in the U.S. has similar U.S. antitrust law claims, seeking at least about $355 million in damages (before trebling). In November 2003, the Wisconsin federal court granted the motion to dismiss the case filed by the Company and rendered an order dismissing the case. In March 2004, the plaintiff appealed the case to the Court of Appeals for the Seventh Circuit. The Company expects to prevail as it has valid defense to these actions and intends to vigorously defend itself. However, it is not possible to predict or determine the outcome of such litigation, and accordingly, the Company can provide no assurance that it will prevail. An unfavorable outcome could have a material adverse impact on its consolidated results of operations, liquidity and financial position.

In October 2004, the Company settled one case which it brought for the purpose of recovering losses arising from the unauthorized copper trading in the U.K. As of March 31, 2005, the Company is suing one company in Japan for the same purpose. Although in the lawsuit the Company is seeking approximately ¥27.8 billion in damages, in May 2004 the Tokyo District Court issued a judgment in favor of the defendant, and the Company has appealed to the Tokyo High Court. The suit is now pending in the High Court of Justice. No gain will be recognized in the accompanying Consolidated Financial Statements until the recoverable amount has been determined, the legal process complete, and a favorable outcome is assured.

Settlement received and related attorney fees incurred for the year ended March 31, 2005 are recognized to earnings in “Settlements on copper trading litigation” in the accompanying Consolidated Statements of Income.

(2) Other Litigation

In addition to the situation described in the preceding paragraph (1), the Companies are also involved in certain legal actions and claims incidental to its business. In the opinion of management, none of these actions or claims will have a material adverse effect on the financial position on result of operations of the Companies.

23. Subsequent Events

On April 28, 2005, the Company entered into a Share Exchange Agreement with Sumisho Auto Leasing Corporation, a majority-owned subsidiary, pursuant to which the Company will exchange shares of the Company for shares of Sumisho Auto Leasing Corporation held by minority shareholders and Sumisho Auto Leasing Corporation will become a wholly-owned subsidiary of the Company. The share exchange is expected to take place on August 2, 2005, and will be implemented in accordance with Article 358 of the Code. For each Sumisho Auto Leasing Corporation share, 5.03 shares of the Company will be allotted. In connection with the share exchange, the Company will issue 45,994,320 new shares. No allotment will be made for the 10,271,000 shares of Sumisho Auto Leasing Corporation held by the Company. There will be no increase in the Companies’ “Common stock” but there will be an increase in the Companies’ “Additional paid-in capital” on the Consolidated Balance Sheets as a result of the share exchange.

Independent Auditors' Report

The Board of Directors and Shareholders
Sumitomo Corporation :

We have audited the accompanying consolidated balance sheets of Sumitomo Corporation and subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended March 31, 2005, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Corporation and subsidiaries as of March 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of and for the year ended March 31, 2005 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into dollars on the basis set forth in note 2 of the notes to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
April 28, 2005

RISK FACTORS

Sumitomo Corporation and Subsidiaries

The factors described below may conceivably materially affect investors' decisions as risks relating to us and our subsidiaries. Unless otherwise specified, information concerning the future presented herein are forecasts based on our decisions, targets, certain premises or assumptions as of the last day (March 31, 2005) of the consolidated fiscal year and may differ materially from the actual results.

Risks Related to Our Business

The risk of our revenues and profitability fluctuating from period to period unexpectedly

Our results of operations for any quarter or year are not necessarily indicative of results to be expected in future periods. Our operating results have historically been, and we expect they will continue to be, subject to quarterly and yearly fluctuations as a result of a number of factors, including:

- changes in prevailing economic and other conditions relating to our businesses;
- variations in costs, sales prices and volume of our products and services, and the mix of products and services we offer;
- changes in customer demand and/or our supply chains, which in turn will often depend upon market conditions for the relevant products, the success of our customers' or suppliers' businesses, industry trends, and other factors;
- changes in the level of performance of our strategic investments, which in turn will affect our gains and losses on sales of such investments or may result in the write-off or impairment of such investments;
- changes in our asset prices, including equity, real estate and other assets, which in turn will affect our gains and losses on sales of such assets or may result in the write-off or impairment of such assets;
- changes in the financial and commodity markets; and
- changes in the credit quality of our customers.

As such, you should not rely on comparisons of our historical results of operations as an indication of our future performance.

The risk that we may not be able to achieve the managerial targets set forth in our medium-term business plans

As part of our efforts to strengthen our position as a leading global business enterprise, we intend to increase our profitability and our earnings base and to improve our financial strength and the efficiency and effectiveness of our operations. As part of these continuing efforts, we set and implement a medium-term business plan every two years. In the medium-term business plan, we set certain quantitative and qualitative targets and undertake efforts to achieve such targets while monitoring the status of progress. The targets are set based on the gathering and analysis of information deemed appropriate at the time of such target-setting. However, since we may not be able to always gather all the necessary information, we may not be able to achieve the targets due to changes in the operating environment and other factors.

In our business plan, we use two key management measures that we call "risk-adjusted assets" and "risk-adjusted return ratio," which are targets set for each of our industry-based business units and for our company as a whole. These targets involve a certain statistical confidence level, estimates and assumptions. Since they are different from return on assets or any other measure of performance determined in accordance with U.S. GAAP, they may not be useful to all investors in making investment decisions.

The risk that economic conditions may change adversely for our business

We undertake operations in over 70 countries, including Japan. Since we are engaged in business activities and other transactions in a broad range of industrial sectors in Japan and abroad, we are affected by not only general Japanese economic conditions but also the economic conditions of the relevant countries in which we operate and the world economy as a whole.

Recently, economic conditions in key countries for our operations, such as the United States, Russia, Indonesia and other countries in Southeast Asia, have shown signs of recovery but have been adversely impacted by events such as the continued fear of future terrorist attacks and political instability. Although China has seen continuing growth, there have been increasing concerns with respect to its ability to maintain such growth. Some emerging markets in which we operate have experienced hyperinflation, currency depreciation, and liquidity crisis and may experience them again in the future.

As such, changes in economic conditions and consumer behavior in key countries for our operations, including Japan, may adversely affect our results of operations and financial condition.

Risks associated with intense competition

The markets for many of the industries in which we are involved are intensely competitive. For many of our businesses, we are involved at all levels of the supply chain and compete with companies that are engaged in certain of the same businesses as we are, but that are more concentrated in individual business segments. We also compete with other integrated trading companies in Japan, which often establish and pursue similar strategic business plans as ours. Our competitors may have stronger relationships and associations with our current or potential customers, suppliers, counterparties and business partners. Our competitors may also have greater financial, technical, marketing, distribution, information, human and other resources than we do and may be stronger in certain of the market segments in which we operate.

In this intensely competitive environment, our results of operations will be adversely affected if we are unable to:

- anticipate and meet market trends to timely satisfy our customers' changing needs;
- maintain relationships with our customers and suppliers;
- maintain our global and regional network of associated companies and business partners;
- obtain financing to carry out our business plans on reasonable terms or at all; and
- adapt our cost structure to constantly changing market conditions so as to maintain our cost competitiveness.

Credit risk arising from customers and counterparties

We extend credit to our customers in the form of accounts receivable, advances, loans, guarantees and other means and therefore bear credit risk. Some of our customers are also companies in which we invest. In those cases, our potential exposure includes both credit risk and the investment exposure. We also enter into various swap and other derivative transactions largely as a part of our hedging activities and have counterparty payment risk on these contracts. If our customers or counterparties fail to meet their financial or contractual commitments to us, or if we fail to collect on our receivables, it could have a material adverse effect on our business, results of operations and financial condition.

We undertake efforts to manage credit risk by carrying out credit checks on customers based on our internal credit rating system, obtaining collateral or guarantees, and having a diversified customer base. We make allowances for doubtful receivables based on certain assumptions, estimates and assessments about the creditworthiness of our customers, the value of collateral we hold and other items.

However, such efforts may fail or be insufficient. Furthermore, these assumptions, estimates and assessments might be wrong. And if general economic conditions deteriorate, if other factors which were the basis for our assumptions, estimates and assessments change, or if we are adversely affected by other factors to an extent worse than anticipated, our actual losses could materially exceed our allowances.

Risks related to investment activities and our strategic business alliances

In connection with our corporate strategy and the development of our business opportunities, we have acquired or made investments in newly established or existing companies and intend to continue to do so in the future. And we sometimes extend credit, through such as credit sales, loans, and guaranties, to the companies in which we invest. As our business investments sometimes require the commitment of substantial capital resources, in some instances, we may be required to contribute additional funds. We may not be able to achieve the benefits we expect from such investments. In addition, since a substantial portion of our business investments is illiquid, we may not be able to exit from such investments at the time or in the manner we would like.

In order to curb such risk as much as possible, we in principle invest only in projects that meet the specified hurdle rate at inception of investment. At the same time, as for large, important projects that could have a major impact on the entire company, the Corporate Group has a restraining function on business segments through the Loan and Investment Committee, which analyzes project risks from an specialist view point and assesses whether or not to go ahead with them prior to the investment.

We sometimes enter into partnerships, joint ventures or strategic business alliances with other industry participants in a number of business segments, including with our competitors. In some cases, we cannot control the operations and the assets of the companies in which we invest nor can we make major decisions without the consent of other shareholders or participants or at all. Our business could be adversely affected in such cases or if we are unable to continue with one or more of our partnerships, joint ventures or strategic business alliances.

Fluctuations of interest rates, foreign currency exchange rates, and commodity prices

We rely on debt financing in the form of loans from financial institutions or the issuance of corporate bonds and commercial paper to finance our operations. We also often extend credit to our customers and suppliers in the form of loans, guarantees, advances and other financing means. For example, through several subsidiaries, we are engaged in motor vehicle financing and leasing businesses in Japan and other countries. Revenues and expenses and the fair value of our assets and liabilities arising from such business transactions, in some cases, are affected by interest rate fluctuations.

Foreign currency exchange rate fluctuations can affect the yen value of our investments denominated in foreign currencies as well as revenues and expenses and our foreign currency-denominated assets and liabilities arising from business transactions and investments denominated in foreign currencies. Exchange rate fluctuations can also affect the yen value of the foreign currency financial statements of our foreign subsidiaries. Although we attempt to reduce such interest rate fluctuations and foreign currency exchange risks, primarily by using various derivative instruments, we are not able to fully insulate ourselves from the effects of interest rate fluctuations and exchange rate fluctuations.

As a major participant in the global commodities markets, we trade in a variety of commodities, including mineral, metal, chemical, energy and agricultural products and invest in natural resource development projects. As such, we may be adversely affected by the fluctuations in the prices of the relevant commodities. Although we attempt to reduce our exposure to price volatility by hedge-selling commodities, matching the quantity and timing of buying and selling, and utilizing derivative instruments for hedging purposes, we are not able to fully insulate ourselves from the effects of commodity price movements.

Risks related to declines in Japanese real estate market or impairment loss on fixed assets, etc.

Our real estate business involves developing, renting and managing of and providing services to office buildings and commercial and residential properties in Japan, especially in the Tokyo and Osaka metropolitan areas. If the real estate market in Japan deteriorates, our results of operations and financial condition could be materially adversely affected.

Rent has started to rise in the Tokyo and Osaka metropolitan areas, and land prices too are leveling off. These trends point to a recovery in the real estate market. If land prices and rental values decline, however, we may be forced to write down the value of our properties as well as the value of land and buildings held for lease and land held for development.

In addition to real estate, our property holdings are exposed to impairment risk. As such, our business, operating results and financial condition could be adversely affected.

Risks related to continued volatility of equity markets in Japan and elsewhere

A significant portion of our investments consists of marketable equity securities, particularly those of Japanese issuers. Our results of operation and financial conditions may be adversely affected if the Japanese equity market declines in the future because we would incur impairment losses for equity securities.

Risks regarding uncertainty about pension expenses

Declines in the Japanese stock market would reduce the value of our pension plan assets, and could necessitate additional funding of the plan by us and an increase in pension expenses. This could adversely affect our results of operations and financial condition.

Concentration of risk exposure in specific fields

Some parts of our operations and businesses are concentrated in a few particular markets, entities, and regions. As a result, if these operations and businesses do not perform as we expect or if the economic conditions in these markets and regions deteriorate unexpectedly, it could have a disproportionately negative effect on our businesses and results of operations. For example, we are involved in a large copper and gold mine project, a large power plant project, the automobile lease and finance business, liquefied natural gas projects and other business activities in Indonesia. As such, risk exposure is concentrated there.

Risks stemming from restrictions on access to liquidity and capital

We rely on debt financing in the form of loans from financial institutions or the issuance of corporate bonds and commercial paper etc. to finance our operations. If financial markets are in turmoil and financial institutions reduce their lendings to us and there is a significant downgrade of our credit ratings by one or more credit rating agencies, we may not be able to access funds when we need them on acceptable terms, our access to debt capital markets may become more restricted or the cost of financing our operations through indebtedness may increase. This could adversely affect our results of operations and financial condition.

Risks regarding laws and regulations

Our operations are subject to extensive laws and regulations covering a wide range of fields in Japan and many other countries. These laws and regulations govern, among other things, tariffs and other taxation, repatriation of profits, business and investment approvals, import and export activities (including restrictions based on national security interests), antitrust and competition, commercial activities, currency exchange, distributor protection, consumer protection and environmental protection. In some of the countries in which we operate, our operations may subject us to additional or future relevant laws and regulations. Also particularly in developing countries with relatively nascent legal systems, our burden of compliance may further increase due to factors such as the lack of laws and regulations, unexpected interpretations of existing laws and regulations and changing practices of regulatory, judicial and administrative bodies. Failure to comply with current or future laws and regulations could lead to penalties and fines against us and restrictions in our operations or damage to our reputation. If that occurs, our business, results of operations and financial condition could be materially adversely affected.

Risks related to legal actions, etc.

We are party to a number of legal actions and other disputes in Japan and abroad. In performing our business, lawsuits arising incidentally and claims that do not develop into lawsuits may be brought against us.

We incurred significant losses arising from the decade-long unauthorized copper trading by a former employee, which resulted in regulatory investigations and civil lawsuits brought against us for claiming damages from us. We have already reached a settlement with regulators, and investigations have been completed. Also, many of the civil lawsuits claiming damages have already been settled or resolved. And with regard to those that are still pending, we think we can bring forward sound counterarguments. We are vigorously litigating in these lawsuits in seeking early resolutions of them. Due to the inherent uncertainty of litigation, however, it is not possible to predict the ultimate outcome of these actions at this time. There can be no assurance that we will prevail in any action or that we will not be materially adversely affected by such action in the future.

Risks regarding internal control over executives and employees and regarding management of our information and communications systems

Due to our size, as well as the diversity and geographic breadth of our activities, our day-to-day operations are necessarily decentralized. The nature of our operations requires extensive internal controls and management oversight to ensure compliance by our employees with applicable laws and regulations and our internal policies. There can be no assurance that we will succeed in preventing misconduct by our employees or that such misconduct, if it should occur, will be detected and remedied by our internal control and compliance systems. Employee misconduct could have a material adverse effect on our results of operations, expose us to legal and financial risks and compromise our reputation.

We are dependent on the proper functioning of our information and communications systems to maintain our global operations. System malfunction may result in disruptions of our operations. If we encounter any problems with respect to our current information and communications systems, our results of operations could be materially adversely affected.

There is no assurance that our risk management systems will effectively minimize various types of risks in our operations to appropriate levels.

Our extensive and diverse businesses expose us to various types of risks. We conduct our business through nine industry-based business units and two sets of regional operations, domestic and overseas. At the same time, we are expanding our business activities into new areas. Accordingly, in addition to the risks and uncertainties that we face as a whole as an integrated trading company, each of our industry-based business units and regional operations may be subject to risks inherent in or relating to each industry, market and/or geographic focus.

Our existing risk management systems, which consist of various elements from risk measurement methodology and information system to internal rule and organization structure, may not work satisfactorily with respect to various risks. Furthermore, we may have no experience or only limited experience with the risks relating to our new business activities, products and services.

In such cases, our new business activities, products and services may require the introduction of more complex management systems and additional management resources, such as human resources.
Moreover, a shortage of management resources, such as human resources, may lead to a restriction of business operation.

Corporate Information (As of March 31, 2005)

Date of Establishment: December 24, 1919

Consolidated Shareholders' Equity: ¥934.9 billion

Number of Consolidated Subsidiaries:	Overseas	410
	Domestic	196
Associated Companies: (equity method)	Overseas	150
	Domestic	80
	Total	836

Fiscal Year End: March 31

Headquarters: 1-8-11, Harumi, Chuo-ku, Tokyo 104-8610, Japan

Number of Employees: Total including Consolidated Subsidiaries 39,797
Non-Consolidated 4,643

Stock Information (As of July 1, 2005)

Stock Listings: Tokyo, Osaka, Nagoya, Fukuoka

American Depository Receipts

Ratio: 1ADR:1ORD

Exchange: OTC (Over-the-Counter)

Symbol : SSUMY

CUSIP Number: 865613103

Depository and Registrar: CITIBANK, N.A.
Shareholder Services
P.O. Box 43077
Providence, Rhode Island
02940-3077, USA

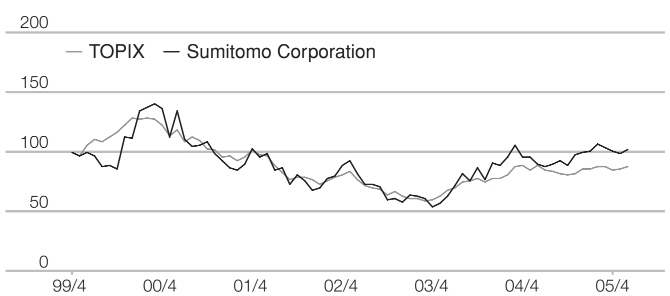
Toll Free Number: 1-877-248-4237(CITI-ADR)
Overseas Dial-In: 1-816-843-4281

e-mail: citibank@shareholders-online.com

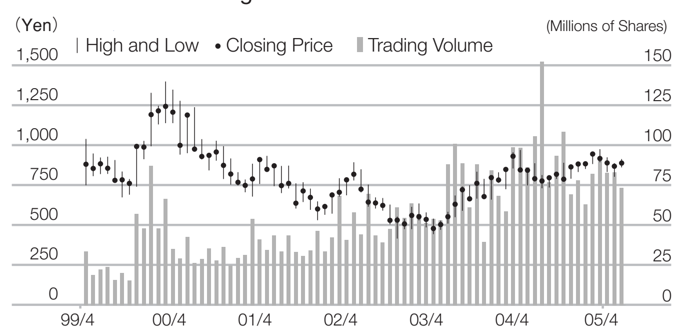
URL: http://www.citigroup.com/adr

Stock Index

Share price on April 30,1999=100



Stock Price and Trading Volume



		'04/4	5	6	7	8	9	10	11	12	'05/1	2	3	4	5	6
Stock Price (Yen)	High	972	853	889	815	805	834	892	868	888	897	953	977	926	889	915
	Low	842	750	774	732	737	791	776	792	834	853	884	895	834	804	863
Trading Volume		98,600	86,364	105,801	152,470	76,917	93,701	108,687	69,553	78,285	63,104	82,344	92,679	83,022	83,346	73,615

Note: Above stock prices and trading volume are based on Tokyo Stock Exchange data.

For further information contact:

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