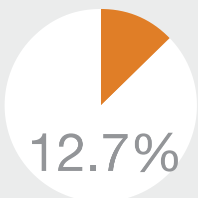
Overview of Operations

At a Glance

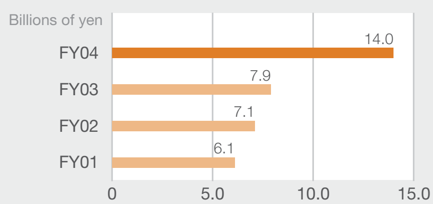
Under our three previous medium-term management plans—the Reform Package, the Step Up Plan, and the AA Plan—all of our Business Units strove to expand their earnings bases by reorganizing their asset portfolios and increasing profitable assets. As a result, we achieved steady improvements in our basic 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

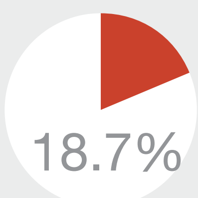


Strategic Fields

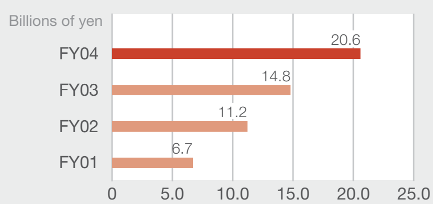
- Steel sheet business (Including steel service centers)
- Steel pipes SCM
- Primary aluminum
- Metal products' processing & manufacturing for automotive-use
- Construction steel products
- Tool steel processing & trading

Transportation & Construction Systems

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

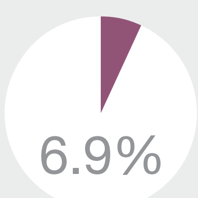


Strategic Fields

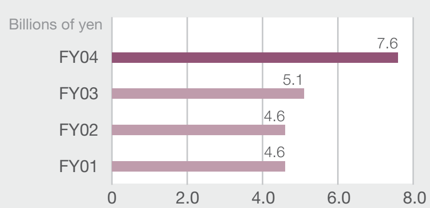
- Automobile-related value chain
- Ships
- Construction equipment
- Aircraft & transportation leasing

Machinery & Electric

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

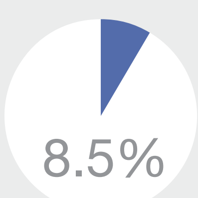


Strategic Fields

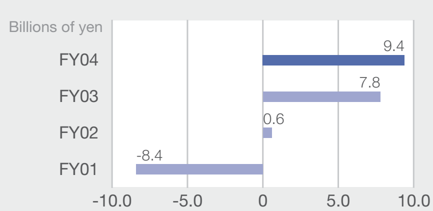
- Investments in IPP/IWPP projects
- Power plant EPC
- Telecommunication operator
- Industrial infrastructure
- Energy-saving & eco businesses

Media, Electronics & Network

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit



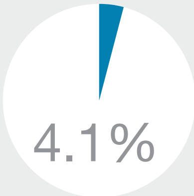
Strategic Fields

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

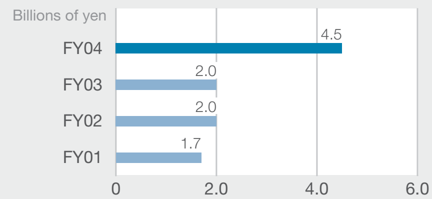
Basic Profit = (Gross profit - Selling, general and adminstrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate)
+ Equity in earnings of associated companies, net
(Tax rate was 42% for the years through fiscal year 2003, and 41% for fiscal year 2004 and after)

Chemical

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

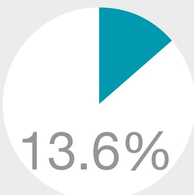


Strategic Fields

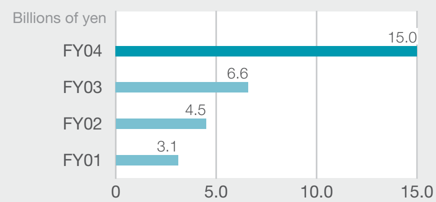
- Aromatics & derivatives
- Olefins
- Electronic & performance chemicals, battery materials
- Agricultural chemicals
- Pharmaceuticals & medical care
- Pet care

Mineral Resources & Energy

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

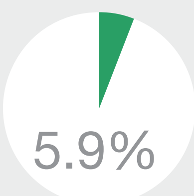


Strategic Fields

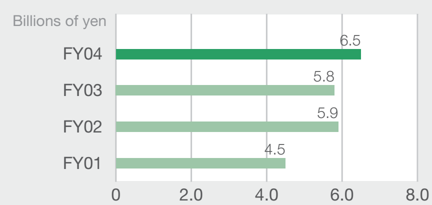
- Copper & gold
- Coal
- Oil & gas
- LNG
- Carbon

Consumer Goods & Service

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

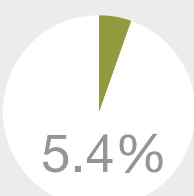


Strategic Fields

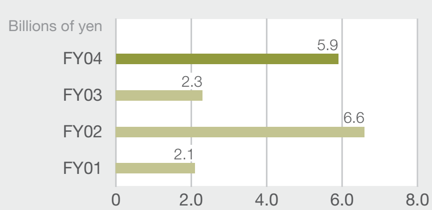
- Fresh foods
- Fertilizer
- Food supermarket
- Lifestyle-related business
- Drugstore

Materials & Real Estate

Ratio to Total Basic Profit (FY04)



Changes in Basic Profit

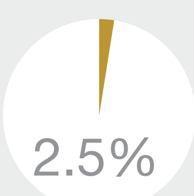


Strategic Fields

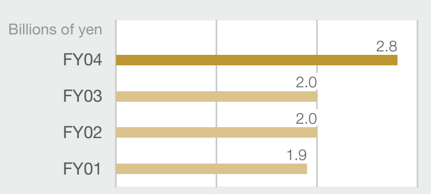
- Tires
- Lumber & building materials
- Ready-mixed concretes
- Real estate funds & urban redevelopment projects
- Office buildings & retail facilities leasing
- Condominium sales

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

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.

Kenzo Okubo
General Manager,
Metal Products Business Unit

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

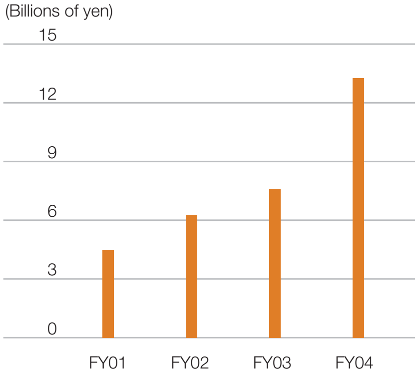
(Billions of yen)

	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

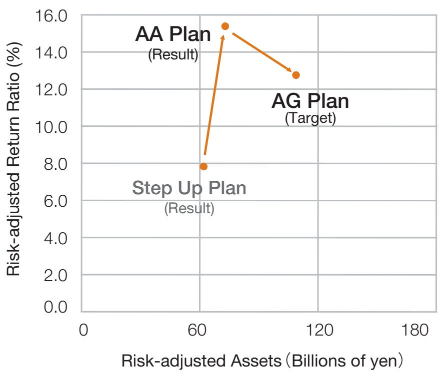
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	75.0	112.0
Risk-adjusted Return Ratio (two-year average)	15.4%	12.9%

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

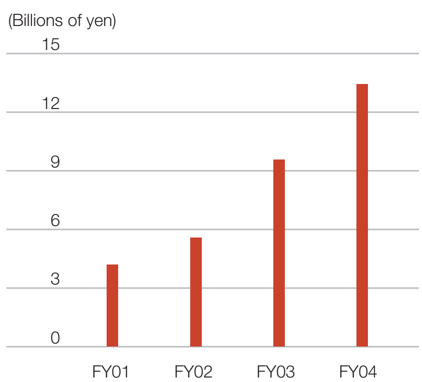
(Billions of yen)

	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

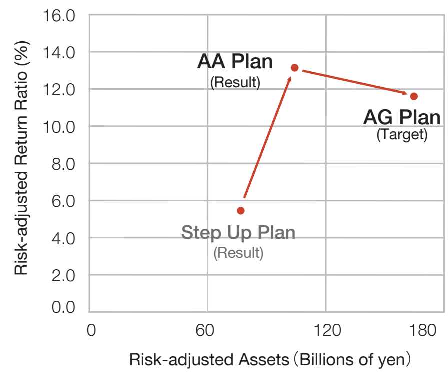
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	105.0	165.0
Risk-adjusted Return Ratio (two-year average)	13.0%	11.5%

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%.

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.

Michio Ogimura

General Manager,
Machinery & Electric Business Unit

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

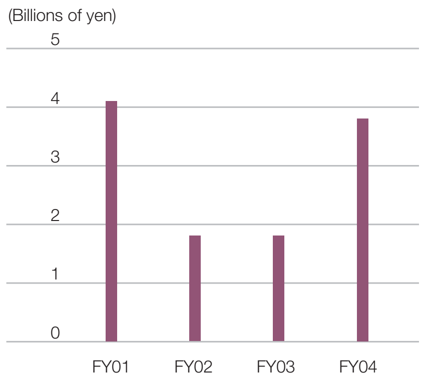
(Billions of yen)

	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

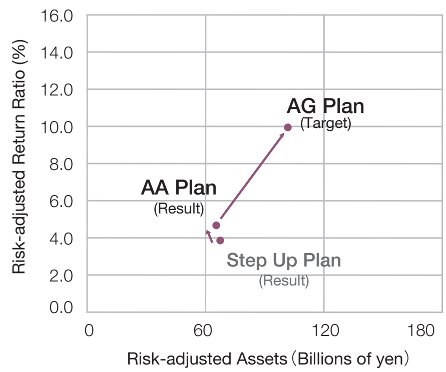
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	66.0	102.0
Risk-adjusted Return Ratio (two-year average)	4.7%	10.0%

CBK Hydropower Plant in the Philippines

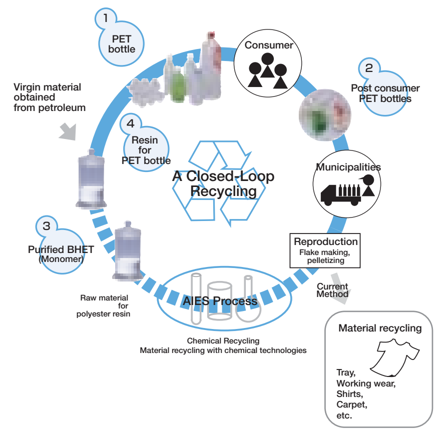
Net Income



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

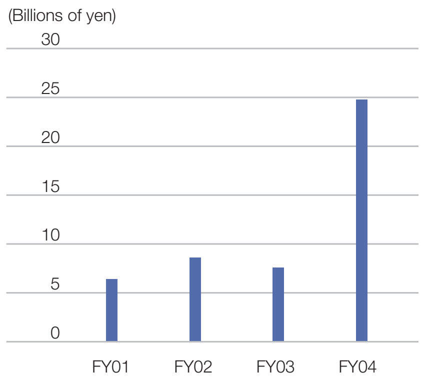
(Billions of yen)

	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

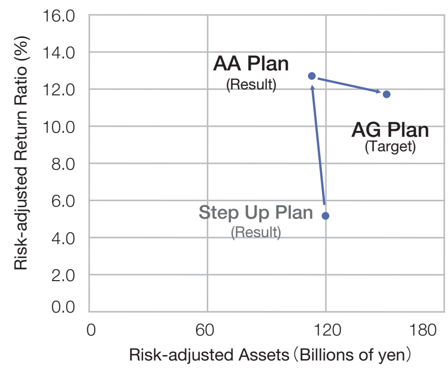
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	113.0	151.0
Risk-adjusted Return Ratio (two-year average)	12.8%	11.8%

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%.

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.

Nobuo Kitagawa
General Manager,
Chemical Business Unit

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.

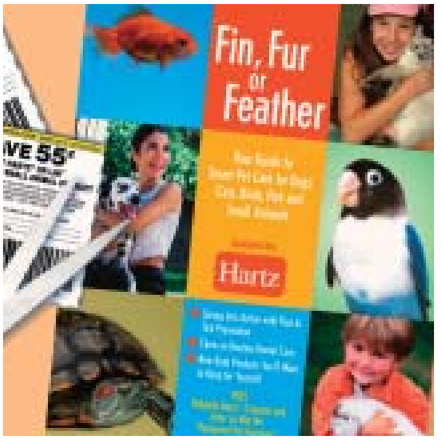
In addition, we aim to advance our pet supplies business by strengthening and expanding the business base of The Hartz Mountain Corporation (Hartz) in the U.S. and to enter the markets in Japan, Asia and Europe.

Performance Highlights

(Billions of yen)

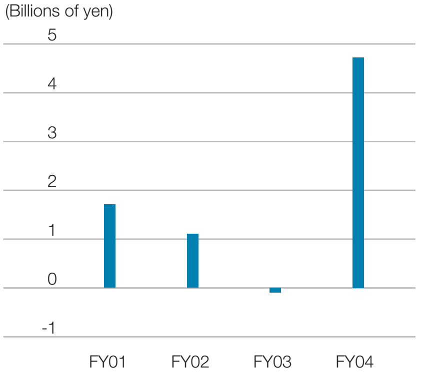
	FY01	FY02	FY03	FY04
Gross Profit	25.5	23.6	22.8	28.5
Net Income	1.7	1.1	-0.1	4.7
Basic Profit	1.7	2.0	2.0	4.5
Total Assets	204.8	186.5	174.9	217.2

	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%

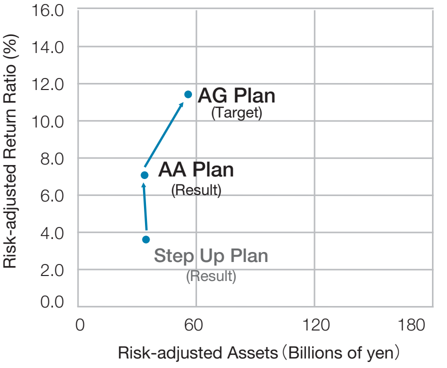


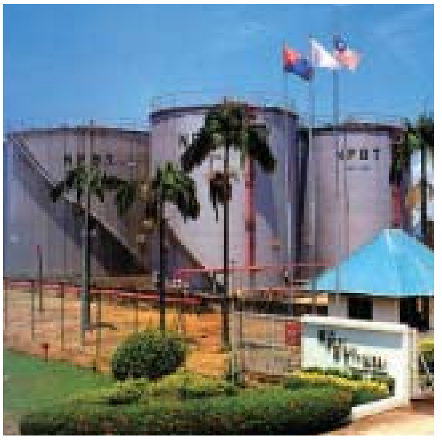
The Hartz Mountain Corporation

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.

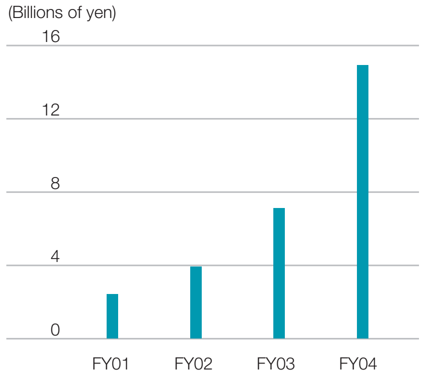
Performance Highlights

(Billions of yen)

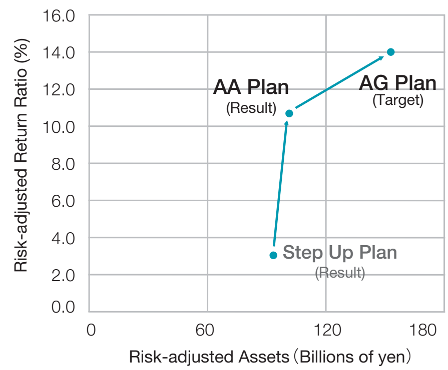
	FY01	FY02	FY03	FY04
Gross Profit	30.1	31.6	27.1	35.2
Net Income	2.4	3.9	7.1	14.9
Basic Profit	3.1	4.5	6.6	15.0
Total Assets	266.7	309.5	345.7	497.1

	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%

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.


Open pit of the Cerro Verde Copper Mine in Peru


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%.

Yoshi Morimoto
General Manager,
Consumer Goods & Service Business Unit

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.

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

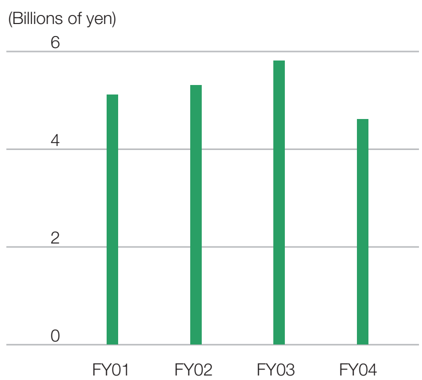
(Billions of yen)

	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

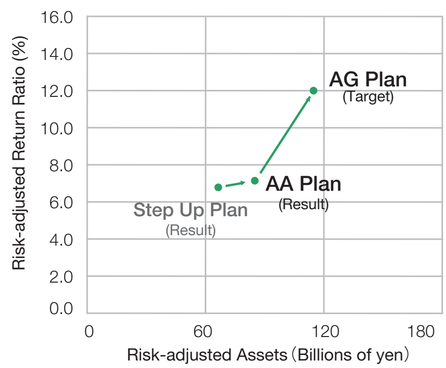
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	85.0	115.0
Risk-adjusted Return Ratio (two-year average)	7.1%	12.0%

Newly opened Summit Higashi-Terakata Store

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

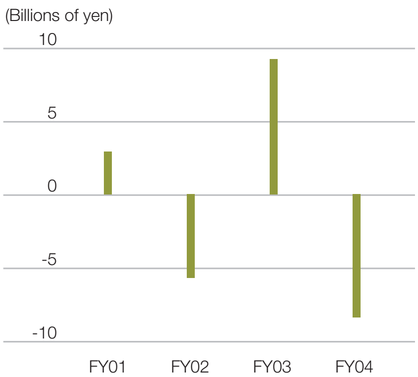
(Billions of yen)

	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

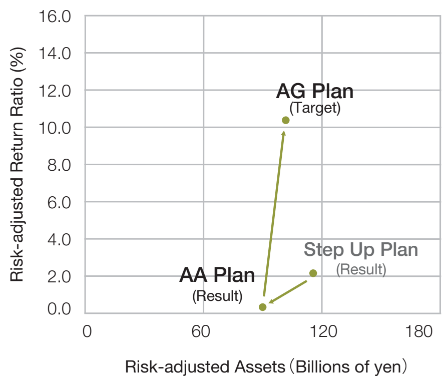
	AA Plan (Results)	AG Plan (Targets)
Risk-adjusted Assets (at end of FY04 and FY06)	95.0	106.0
Risk-adjusted Return Ratio (two-year average)	0.3%	10.3%

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%.

Tadahiko Mizukami
General Manager,
Financial & Logistics Business Unit

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.

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%.

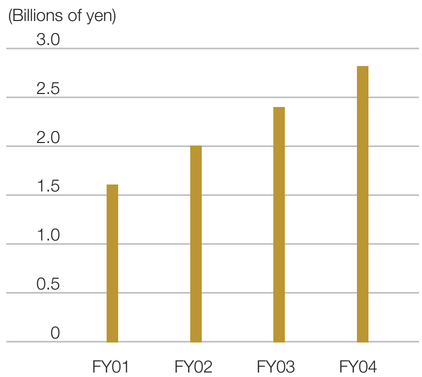
Performance Highlights

(Billions of yen)

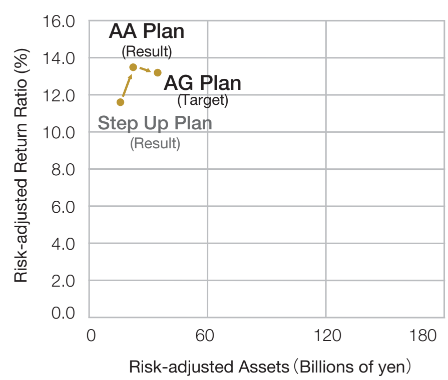
	FY01	FY02	FY03	FY04
Gross Profit	14.5	15.5	15.7	17.0
Net Income	1.6	2.0	2.4	2.8
Basic Profit	1.9	2.0	2.0	2.8
Total Assets	154.2	161.5	193.5	232.8

	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.

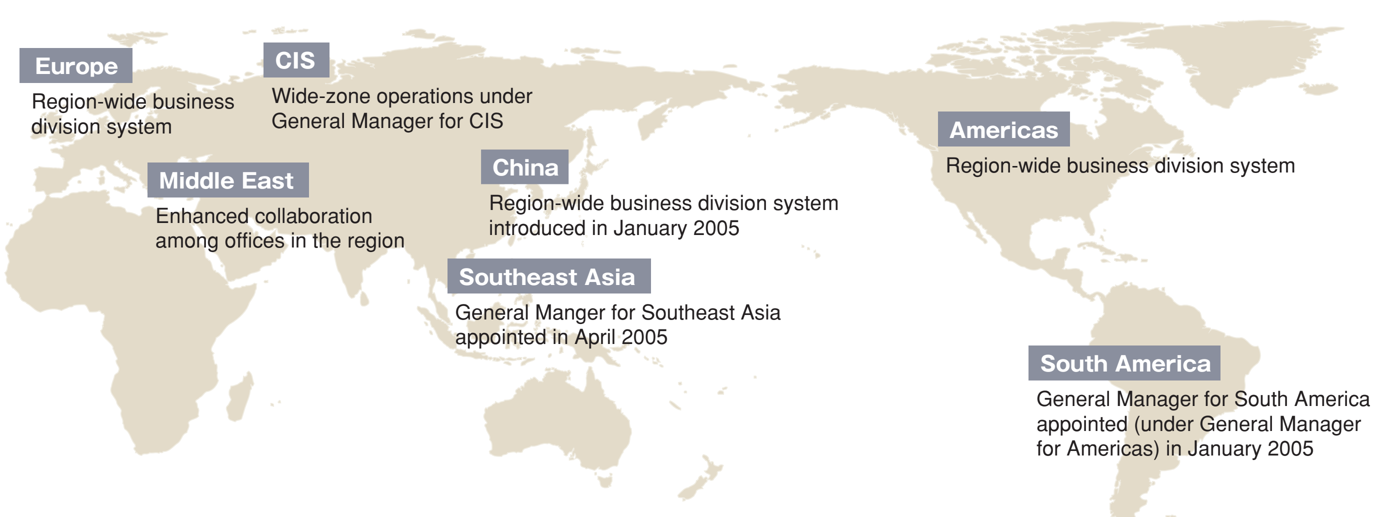
Our growth strategy, which follows from the AA Plan to the AG Plan, is to expedite expansion of our earnings base on a global scale. The objectives to achieve this are to reinforce mutual ties under a common strategy between Business Units and regional organizations so that total benefits reaped are 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.

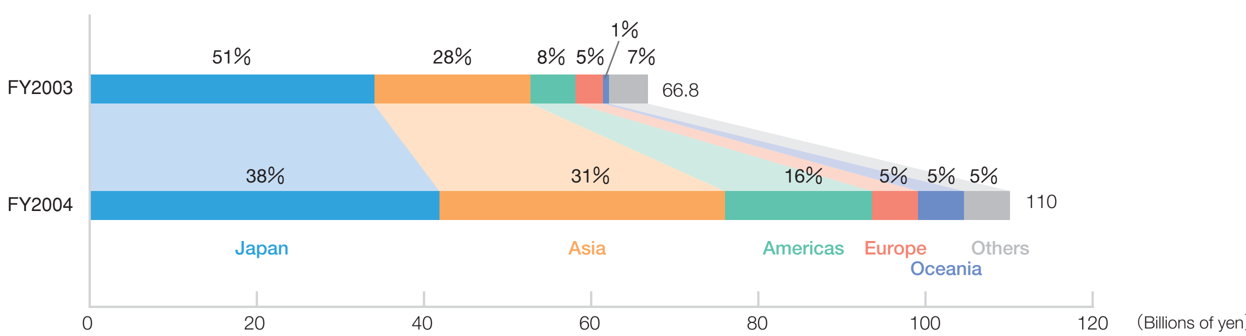
The Neryungri Coal Mine in Russia which we financed to increase coking coal production

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.