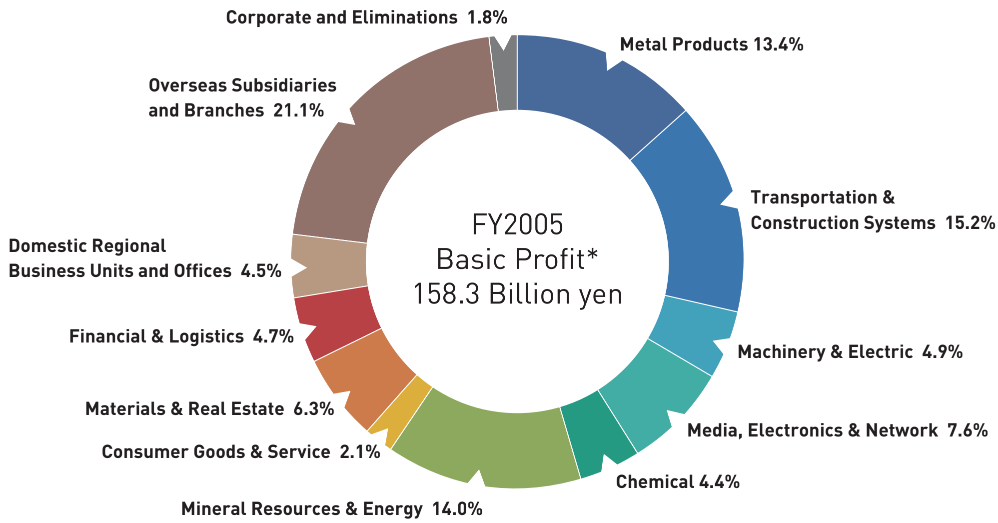
OVERVIEW OF OPERATIONS






AT A GLANCE

Under our four medium-term management plans from the "Reform Package" to the current "AG Plan," all of our Business Units have been strengthening core businesses and expanding earnings bases by reinforcing business portfolios and increasing profitable assets. As a result, we are steadily improving our basic profit and forming a well-balanced business portfolio which is not over-dependent on specific areas.

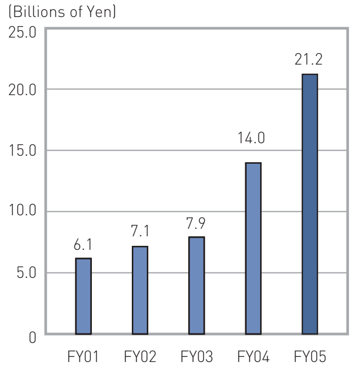


*Basic Profit = (Gross profit - Selling, general and administrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate) + Equity in earnings of associated companies, net (Tax rate was 42% for the years through fiscal year 2003, and 41% for fiscal year 2004 and after)

METAL PRODUCTS

Changes in Basic Profit

(Billions of Yen)



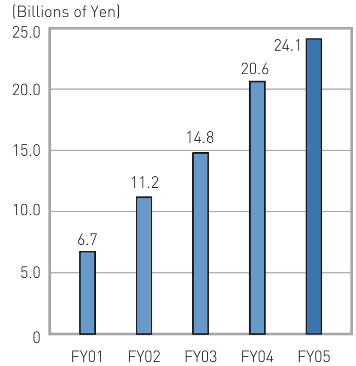
Strategic Fields

- Steel sheets business (Including steel service centers)
- Tubular products SCM
- Primary aluminum & titanium
- Metal products' processing & manufacturing for automotive-use
- Tool steel processing & trading

TRANSPORTATION & CONSTRUCTION SYSTEMS

Changes in Basic Profit

(Billions of Yen)



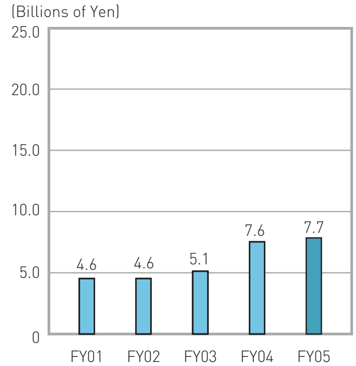
Strategic Fields

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

MACHINERY & ELECTRIC

Changes in Basic Profit

(Billions of Yen)

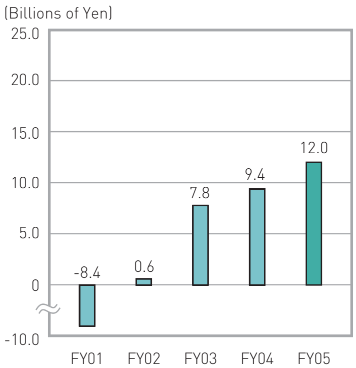


Strategic Fields

- Investments in IPP/IWPP projects
- Power plant EPC
- Investments in telecommunication projects
- Eco & energy-saving businesses
- Social & industrial infrastructure

MEDIA, ELECTRONICS & NETWORK

Changes in Basic Profit

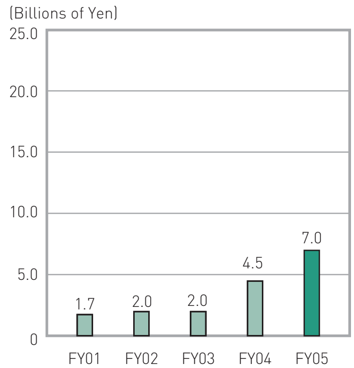


Strategic Fields

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

CHEMICAL

Changes in Basic Profit

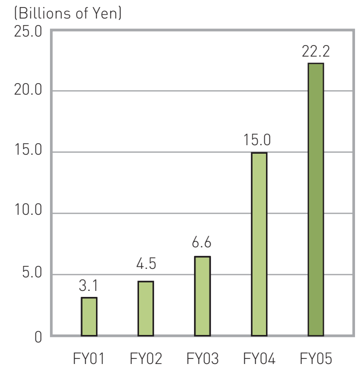


Strategic Fields

- Plastics
- Organic chemicals
- Resource-based inorganic chemicals
- Advanced technologies such as electronic & performance chemicals and battery materials
- Pharmaceuticals & medical care
- Agricultural chemicals
- Pet care

MINERAL RESOURCES & ENERGY

Changes in Basic Profit

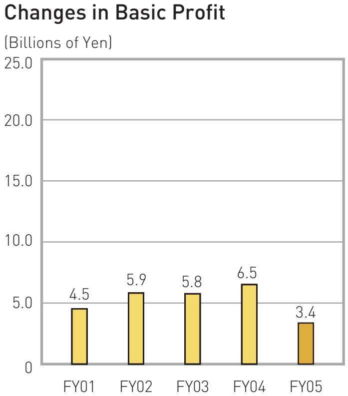


Strategic Fields

- Copper & gold
- Coal
- Oil & gas
- LNG
- Uranium
- Carbon
- Zinc
- Nickel

CONSUMER GOODS & SERVICE

Changes in Basic Profit

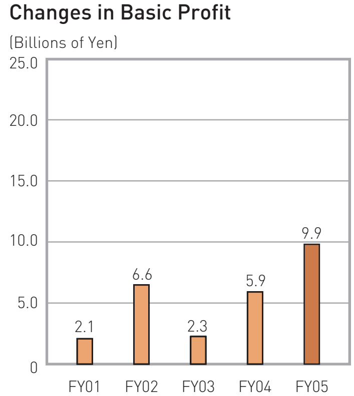


Strategic Fields

- Fresh foods
- Fertilizer
- Food supermarket
- Brand business
- Drugstore

MATERIALS & REAL ESTATE

Changes in Basic Profit

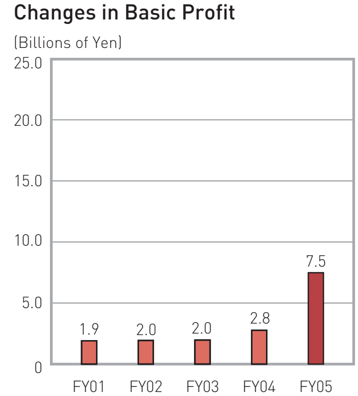


Strategic Fields

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

FINANCIAL & LOGISTICS

Changes in Basic Profit



Strategic Fields

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

METAL PRODUCTS

KENZO OKUBO
General Manager,
Metal Products Business Unit

ADVANTAGE IN BROAD VALUE CHAIN AND HIGH-VALUE-ADDED SERVICES

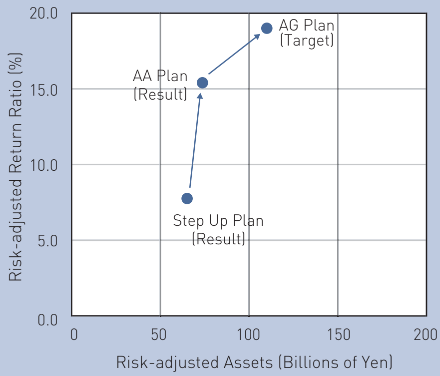
Our business covers the fields of steel products such as sheets and tubular products and other metal products including aluminum and titanium. In each field, we are expanding our value chain and developing businesses by responding to customer needs and demonstrating our innovative services.

In Japan and overseas, we are expanding our steel service centers in terms of both number and scale of operations. These centers provide processing and storage of steel sheets used in automobiles, home appliances, and building materials. As for tubular products, we are utilizing Tubular Information Management System (TIMS), a proprietary supply chain management (SCM) system for oil and gas major companies, worldwide, and further expanding our network.

Furthermore, to meet new demand for automobile parts, we are broadly expanding our processing and manufacturing businesses in the areas of steel sheets, tubular products, forged parts, and tool steel, and enhancing our services to customers.

NET INCOME AND BASIC PROFIT

RISK-ADJUSTED RETURN RATIO AND RISK-ADJUSTED ASSETS



Business Environment and AG Plan Policies and Strategies

In the steel and aluminum industries, we anticipate favorable demand both domestically and internationally, despite concerns about raw material and energy prices as well as the supply and demand situation in China. Especially given the trend of high crude oil and gas prices over the medium-term, demand for energy-related items such as tubular products and steel plates is expected to remain favorable. We also expect strong trend in exports of high-quality steel sheets from Japan, driven by the expansion of the automobile and home appliances industries in China and Southeast Asia.

In this environment, we will aim to broaden our earnings base through a proactive increase of profitable risk-adjusted assets. In addition to reinforcing our operations in each field and location, we will expand our business base and value chain through M&A activities, boost added value and strengthen our competitiveness.

In our tubular products SCM business, which provides total service covering areas of supply, inventory control, processing, inspection, transportation, and maintenance, we will further expand our overseas network as well as reinforce fabricating facilities and enhance our capabilities as a total service provider to oil and gas major companies. In Japan, meanwhile, we will further reinforce our business base through expanding our nationwide sales network centering on two main subsidiaries located in the Kanto and Kansai regions.

In steel sheets, we will capture demand precisely and continue reinforcing and expanding our steel service centers operation. Furthermore, in Japan, we will strive to work on the construction materials field, and in Southeast Asia, we will develop our galvanized steel manufacturing business. Thus, we will expand our value chain.

In China and other regions where the proactive advancement of automobile manufacturers continues, we will promote our automobile parts processing and sales business aiming to offer a broader range of products and finely-tuned services, covering not only steel sheets but also tubular products, forged parts, and tool steel. We will also focus on exporting railway-related materials including wheels and rails to the U.S. and Asia.

In nonferrous metals, we will aim to acquire equity stake in aluminum smelters and participate in smelting projects. As for titanium, demand for which is growing from the aircraft industry, we established a new department and aim to increase the trading volume capturing demand throughout the world.

In October 2005, we acquired Tanimoto Steel Corporation, which operates steel service centers in Osaka (Headquarters), Chiba and Hiroshima, with a total annual processing capacity of 600,000 tons. The company also owns a steel sheets secondary processing company and a steel furniture manufacturing and sales company, and is broadly developing its steel sheets processing business in Japan.

Our tubular products SCM business, centered on oil country tubular goods for oil and gas major companies, is currently operating in 10 countries worldwide by exploiting our proprietary system "TIMS" and are steadily expanding its network. The photo is one of the operations for the North Sea Oil Field.

PERFORMANCE HIGHLIGHTS

(Billions of Yen)

	FY01	FY02	FY03	FY04	**FY05**
Gross Profit	36.6	37.2	42.0	49.9	**65.4**
Equity in Earnings of Associated Companies	1.1	1.9	0.6	3.3	**4.1**
Net Income	4.5	6.3	7.6	13.3	**18.9**
Basic Profit	6.1	7.1	7.9	14.0	**21.2**
Total Assets	314.1	344.1	390.4	472.6	**662.8**

	AA Plan (Results)	**AG Plan (Target)**
Risk-adjusted Assets (at end of FY04 and FY06)	75.0	**111.0**
Risk-adjusted Return Ratio (two-year average)	15.4%	**19.0%**

Fiscal Year 2005 Performance and Fiscal Year 2006 Outlook (Final Year of the AG Plan)

In fiscal year 2005, seeking to expand our earnings base, we completed the acquisition of Tanimoto Steel Corporation, which was one of the largest steel service centers operators in Japan. We also acquired Sofuku Co., Ltd., a manufacturer of steel for construction. In addition, we reached an agreement with Kobe Steel, Ltd., to jointly establish a steel service center and invest in Kobe Steel's steel plate fusing operations. Overseas, we established new steel service centers in Dubai (United Arab Emirates), Danang (Vietnam), and Dalian (China), and increased our annual processing capacity in Japan and overseas to 7.2 million tons.

In tubular products, we obtained a large order to supply large-diameter welded tubular products, which will be used for an undersea gas pipeline at an LNG plant in Qatar.

With respect to stainless steel, we acquired KG Specialty Steel Inc., the largest stainless steel wholesaler in the U.S., from Kanematsu USA Inc., integrated their operations into our operating company in 2006, and made a new start as Summit Stainless Steel, LLC.

To take in new demand for automobile parts and other items, in China, we established new tool steel processing and sales operations in Foshan (Guangdong Province) and Dalian, in addition to our existing operations in Shanghai. Furthermore, in Poland, we established a manufacturing and sales company for forged parts used in automobile engine drives and engines.

In fiscal year 2005, gross profit of the Metal Products Business Unit reached ¥65.4 billion, up ¥15.5 billion from the previous year. Net income grew ¥5.6 billion, to ¥18.9 billion year on year. The increase was mainly due to favorable overall trading in steel pipes, steel plates, and nonferrous metals, and contributions by new business acquisitions.

In fiscal year 2006, we will steadily implement our strategies of the AG Plan. We will continue broadening our business bases in tubular products SCM and automobile parts, as well as promoting building of a tool steel distribution network in China. In addition, we will reinforce and expand our steel sheets construction materials business centered on the acquired Tanimoto Steel Group and Sofuku, maximizing synergies between them.

Under the AG Plan, we expect a ¥36.0 billion increase in risk-adjusted assets, to ¥110.0 billion, by the end of fiscal year 2006 through new business acquisitions in both Japan and overseas. We anticipate an average risk-adjusted return ratio of 19.0% during the term of the AG Plan.

TRANSPORTATION & CONSTRUCTION SYSTEMS

KAZUO OHMORI
General Manager,Transportation & Construction Systems Business Unit

EXTENSIVE VALUE CHAIN IN AUTOMOBILE-RELATED BUSINESS

Our main areas of focus are automobiles, ships, aircraft, and railways, as well as construction equipment. We are expanding our midstream activities into operations both upstream and downstream.

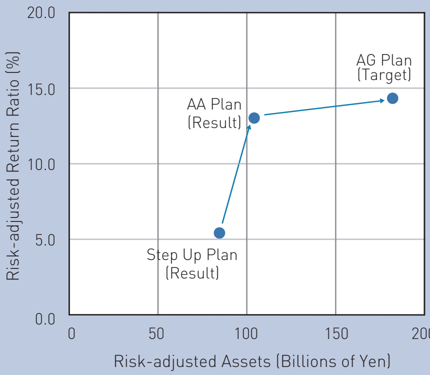
In the automobile-related business, we are building an extensive value chain covering parts manufacturing, dealerships, and finance. As for automobile finance businesses, we are operating in 11 countries, and Sumisho Auto Leasing Corporation (SAL) is the second-largest in Japan, while P.T. Oto Multiartha ranks among the top three in Indonesia.

In the ships business, we are the only integrated trading company having equity stake in a shipbuilding company—Oshima Shipbuilding Co., Ltd. We are also engaged in the ship-owning and operating business as well. In the aircraft field, we mainly operate a leasing business but also have investments in the aerospace area.

In the construction equipment business, we lead all other Japanese trading companies in terms of transaction volume, and are particularly strong overseas, mainly in Komatsu products.

NET INCOME AND BASIC PROFIT

RISK-ADJUSTED RETURN RATIO AND RISK-ADJUSTED ASSETS



Business Environment and AG Plan Policies and Strategies

The automobile markets, mainly in China, India, and ASEAN countries are expected to expand, while the construction equipment markets, mainly in North America and Europe are expected to remain bright, on a parallel with expectations of steady market growth in Japan. We also anticipate robust new shipbuilding demand due to a strong maritime market. However, intensifying competition in the automobile finance, construction equipment, and aircraft industries requires attention.

In this business climate, we have set the AG Plan period as a time to strengthen our position in readiness for further growth in the post-AG Plan period. We will focus on expanding and reinforcing businesses in which we hold a competitive advantage, while establishing additional earnings bases by accelerating our entry into new areas. Through this two-pronged approach, we will strengthen our business base and form a well-balanced business portfolio allowing medium- to long-term growth while benefiting from the favorable operating environment.

In the automobile business, we will strengthen and expand our finance and distribution businesses, operating in around 30 countries worldwide. In addition, we will promote the building of business bases in the areas such as automotive parts manufacturing and the consulting services of SC-ABeam Automotive Consulting. In Japan, we will be agile in developing car rental and used-car auction businesses, spearheaded by Sumisho Auto Leasing.

In the construction equipment business, we will strengthen distribution networks and enter new markets through M&A activities to expand the distribution business of Komatsu products, which we operate presently in such market as North America, Spain, China, Russia, and Ukraine. We will also reinforce and expand our rental operations in Japan and overseas, while establishing operations in new business fields peripheral to the construction equipment business.

In our ship owning and aircraft leasing businesses, we will expand our asset portfolios and strengthen our earning power. At the same time, we will promote our container and aircraft engine leasing businesses, as well as the repair business for aircraft-related equipment.

We will also expand our businesses in the supply of railway passenger cars, the development of transportation projects such as railway systems or automated people-mover systems for airports, railway car manufacturing, and locomotive and freight car leasing.

Toyota Ly Thuong Kiet, a dealership we operate in Ho Chi Minh City, Vietnam. We are actively promoting TOYOTA dealership business in Vietnam where expansion of the automobile market is expected.

LNG carrier with a capacity of 154,200m³. We concluded an agreement with a major European LNG trading company for a long-term 20-year time charter of a same type of the above ship. In the charter business of ships, we are actively promoting diversification of the type of ships.

PERFORMANCE HIGHLIGHTS

(Billions of Yen)

	FY01	FY02	FY03	FY04	FY05
Gross Profit	78.4	86.2	98.6	113.3	**127.5**
Equity in Earnings of Associated Companies	1.4	1.6	2.9	3.8	**4.0**
Net Income	4.2	5.6	9.6	13.5	**19.8**
Basic Profit	6.7	11.2	14.8	20.6	**24.1**
Total Assets	740.5	764.9	793.0	871.5	**1,037.0**

	AA Plan (Results)	AG Plan (Target)
Risk-adjusted Assets (at end of FY04 and FY06)	105.0	**183.0**
Risk-adjusted Return Ratio (two-year average)	13.0%	**14.2%**

Fiscal Year 2005 Performance and Fiscal Year 2006 Outlook (Final Year of the AG Plan)

In fiscal year 2005, we made SAL, our core subsidiary, into a wholly owned subsidiary, allowing more flexible M&A initiatives in preparation for business expansion. In alliance with Nikko antfactory K.K., we also established an investment fund specializing in the automobile distribution field.

In the construction equipment field, we strengthened our operations in Canada, by increasing the number of locations for rentals and also by entering into the parts business for forest machines through M&A activities

In the shipping sector, a joint venture among Sumitomo Corporation, Mitsui O.S.K. Lines, Ltd., and LNG Japan Corporation concluded a long-term, 20-year time charter contract with Suez LNG Trading S.A. in Luxembourg for the building of a liquefied natural gas carrier starting in 2009.

In the aircraft sector, we entered into engine leasing in addition to our existing commercial aircraft leasing. We aim to meet the diverse needs of the airline industry and strategically diversify our assets in the leasing business.

As for the railway passenger car field, a Taiwanese manufacturer, in which Sumitomo Corporation and Nippon Sharyo, Ltd., have an equity stake, received an order for 160 commuter railway electric cars in Taiwan. Also in alliance with Nippon Sharyo, we received an order from Virginia Railway Express in the U.S. for 61 cars.

In fiscal year 2005, the Transportation & Construction Systems Business Unit reported gross profit of ¥127.5 billion, up 12.5% year over year, and net income of ¥19.8 billion, up ¥6.3 billion, stemming from strong performances by our ships business and automobile finance business in Asia.

In fiscal year 2006, we will pursue further expansion of our automobile-related businesses in ASEAN countries, India, and China, where we expect strong market growth. In the construction equipment business, we will endeavor to expand our overseas sales and leasing operations. In automotive parts manufacturing, KIRIU Corporation, which produces brake discs, will advance its operations overseas. We also aim to acquire new parts manufacturers in areas requiring technology that is advanced but not easily rendered obsolete.

Under the AG Plan, we plan to increase risk-adjusted assets by ¥78.0 billion, to ¥183.0 billion by the end of fiscal year 2006 through making SAL a wholly owned subsidiary and expanding our automobile finance operations in Asia. We anticipate an average risk-adjusted return ratio of 14.2% during the term of the AG Plan.

MACHINERY & ELECTRIC

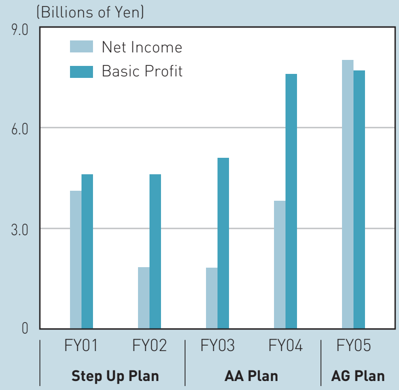
DEMONSTRATING OUR STRENGTH IN POWER PLANT EPC, ESPECIALLY IN ASIA

We are promoting the broadening of our earnings base through the optimal combination of trade and investments in the fields of electric power; power plant engineering, procurement, and construction (EPC); telecommunications; eco and energy-saving businesses; and social and industrial infrastructure.

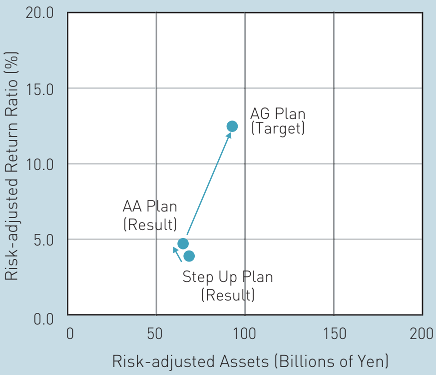
Especially in power plant EPC projects in Asia, we have demonstrated our strong capabilities in project organization and execution including finance and risk management. We boast an unrivalled track record for EPC projects offering the most comprehensive handling capabilities among Japan's integrated trading companies, with a total power generation capacity handled to date of around 42,000 megawatts. We are aggressively expanding overseas electric power projects using the expertise acquired through power plant EPC, and had a retained power generation capacity of around 2,800 megawatts at the end of fiscal year 2005.

SHUJI HIROSE
General Manager,
Machinery & Electric Business Unit

NET INCOME AND BASIC PROFIT



RISK-ADJUSTED RETURN RATIO AND RISK-ADJUSTED ASSETS



Business Environment and AG Plan Policies and Strategies

The expansion of electric power demand and the progress of deregulation within the electric power industry are accelerating mainly in emerging and developing countries; however, we are steadily increasing our business opportunities, despite the country risks of developing countries and construction risks in EPC projects. Meanwhile, in spite of declining demand for fixed-line phones, the telecommunications market is expanding worldwide with continued growth in broadband communications and mobile phones. Moreover, increasingly strengthening environmental regulations and the enhancement of various subsidy programs have provided business opportunities in eco and energy-saving projects.

Under these circumstances, we are strengthening and expanding our earnings base in line with a strategy of procuring sustained orders for EPC projects and project development and management mainly in infrastructure-related projects, aiming to be a "functional organization that contributes to society through the advancement of key infrastructure."

As for overseas electric power projects, we will concentrate on independent power producer (IPP) and independent water and power producer (IWPP) projects, particularly those in Asia, the Middle East, and the U.S., aiming to increase our retained power generation capacity to 6,300 megawatts by 2010. We will also strive to enhance our capabilities in EPC projects to obtain new orders in Asian, Middle Eastern, and other countries.

In the telecommunications field, we will expand our existing businesses while developing mobile phone businesses as well as making new investments in areas peripheral to the mobile phone market in emerging and developing countries.

In the eco and energy-saving businesses, we will contribute to the global environmental protection by pursuing eco businesses, including energy service, recycling and waste treatment, solar and wind-generated power, and district cooling. We will also seek to expand business opportunities in growth areas.

In the social and industrial infrastructure projects, we aim to broaden the earnings bases of domestic subsidiaries as well as take a multifaceted approach to infrastructure-related businesses in Japan and overseas.

As for the domestic electric power business, we will concentrate on securing and developing competitive power sources aiming to establish a retail power supply capability of 500 megawatts.

Bahrain's Hidd IWPP, for which we have acquired operating rights. We are building a new desalination plant (60MIGPD*) in addition to the existing power & desalination plant (965MW + 30MIGPD) and will carry out power & water production and operation for the next 20 years.

*MIGPD: Million Imperial Gallons Per Day

We established SC Hiroshima Energy Corporation to provide energy services to Hiroshima Elpida Memory, Inc. Equipped with a gas engine cogeneration system (33MW) fueled by natural gas, we will provide electricity and heat for the next 15 years.

PERFORMANCE HIGHLIGHTS

(Billions of Yen)

	FY01	FY02	FY03	FY04	**FY05**
Gross Profit	30.6	28.6	28.2	32.2	**29.3**
Equity in Earnings of Associated Companies	0.5	0.7	1.0	1.3	**4.2**
Net Income	4.1	1.8	1.8	3.8	**8.0**
Basic Profit	4.6	4.6	5.1	7.6	**7.7**
Total Assets	421.5	451.2	435.7	457.4	**475.4**

	AA Plan (Results)	**AG Plan (Target)**
Risk-adjusted Assets (at end of FY04 and FY06)	66.0	**94.0**
Risk-adjusted Return Ratio (two-year average)	4.7%	**12.4%**

Fiscal Year 2005 Performance and Fiscal Year 2006 Outlook (Final Year of the AG Plan)

In fiscal year 2005, in terms of IPP/IWPP projects, we obtained operating rights to the Hidd IWPP project in Bahrain and the Birecik hydropower plant in Turkey, as well as acquired the proprietary firm and operation management firm of the CBK hydropower plant in the Philippines. In power plant EPC, we made good progress in construction of the Tanjung Bin and Jimah power plants in Malaysia, and the Tanjung Jati B (TJB) coal-fired thermal power plant in Indonesia.

In the telecommunications field, we enterd mobile phone operator, wireless broadband and mobile phone content distribution businesses in Russia.

In the eco and energy-saving businesses, we commenced an energy service supplying electricity and heat to Hiroshima Elpida Memory, Inc., and in Kashima City, Ibaraki Prefecture, we began construction of a wind power plant.

In fiscal year 2005, the Machinery & Electric Business Unit reported gross profit of ¥29.3 billion, down ¥2.9 billion year on year. However, net income rose ¥4.2 billion, to ¥8.0 billion, mainly contributed by earnings from electric power projects in Asia, the U.S., and the Middle East.

By the end of fiscal year 2006, we aim to increase our overseas retained power generation capacity to 3,700 megawatts through increased involvement in IPP and IWPP projects mainly in the Middle East and Asia. As for the TJB power plant project in Indonesia, we aim to complete construction in fiscal year 2006, whereupon we will conduct a leasing operation. We aim to obtain orders for large-scale EPC projects in Southeast Asia, India, and Eastern Europe. In telecommunications, we will pursue investment opportunities in new markets, and in the eco and energy-saving businesses, we will promote development of our energy supply service, clean energy, and PET bottle recycling businesses.

Under the AG Plan, we expect to increase risk-adjusted assets by ¥28.0 billion, to ¥94.0 billion, by the end of fiscal year 2006, focusing on the electric power and telecommunications businesses. We also anticipate an average risk-adjusted return ratio of 12.4% for the term of the AG Plan.

MEDIA, ELECTRONICS & NETWORK

INDUSTRY-LEADING COMPANIES FORM SOLID EARNINGS BASE

We have a solid earnings base built in the fields of media, electronics, and network.

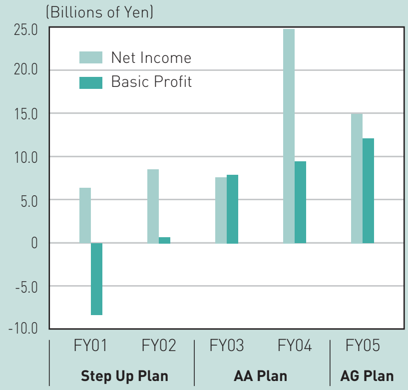
In the media field, we provide both infrastructure and content services, with Jupiter Telecommunications Co., Ltd. (J:COM), a cable TV operator, Jupiter TV Co., Ltd. (JTV), a multichannel television programming and content provider, which both boast the largest scale operations in Japan, and film-related businesses.

In the network field, our business activities center on Sumisho Computer Systems Corporation (SCS), an IT solutions provider, and MS Communications Co., Ltd. (MSCOM), Japan's largest seller of mobile phones.

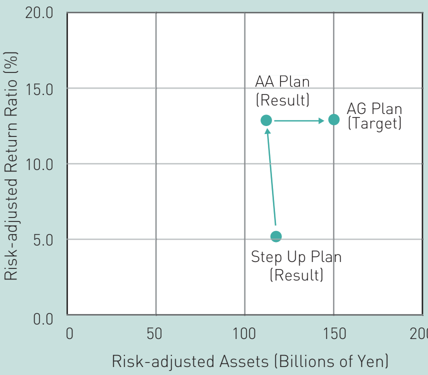
In the electronics field, we are aggressively expanding our businesses, mainly with the Sumitronics Group (STX), which is the largest Japanese EMS (electronics manufacturing services) provider.

SHINGO YOSHII
General Manager,
Media, Electronics & Network Business Unit

NET INCOME AND BASIC PROFIT



RISK-ADJUSTED RETURN RATIO AND RISK-ADJUSTED ASSETS



Business Environment and AG Plan Policies and Strategies

In the media, electronics, and network fields, we are trying to turn rapid changes in the business environment into opportunities, in order to further expand our businesses.

In the media field, where fusion of broadcasting and telecommunications is continuing, we are establishing a firm footing as an "integrated media company" by further strengthening our value chain, which spans from content production and procurement, to distribution through various forms of infrastructure.

J:COM will promote wide area operations through alliances and M&As with neighboring operators. At the same time, it will also expand community-based services, and new services such as video-on-demand (VOD), taking advantage of technological innovation.

JTV will bring new services in response to innovations in digital and broadband broadcasting technologies, in addition to enriching its contents and further developing their multi-use.

In the film business, we will boost our performance by strengthening our cineplex business, and by developing a value chain linking movie content production, distribution, and DVD sales, and, maximize synergies among group companies.

In the network field, we will strengthen our capability to provide integrated solutions by upgrading the technology of SCS and by pursuing strategic alliances. We aim to establish the leading position in the IT solutions industry.

In the mobile communication business, sales of mobile phones are expected to show firm growth due to continuous demand for handsets with higher functionality and the introduction of number portability. MSCOM will broaden its earnings base by pursuing M&As.

In the Internet-related business, we will combine company-wide expertise and resources in the fields of media, retail, and logistics, in order to expand our businesses.

In the electronics field, as outsourcing in the manufacturing of computer peripherals and digital home appliances is accelerating, we expect further market expansion for the EMS business. STX seeks to maintain its position as the No. 1 Japanese EMS provider by reinforcing its function, through alliances with device designing companies.

As for the electronic materials business, we will expand sales of semiconductor silicon. In addition, we will expand sales of leading-edge technologies and materials such as blue LEDs and carbon nanotubes, and try to develop their new applications. We will also strengthen our capabilities and services including processing.

Jupiter Shop Channel is Japan's largest TV shopping channel, providing 24-hour shopping programs to over one in three households available to watch TV in Japan. Each week, Jupiter Shop Channel offers nearly 700 items, which were well-screened from all over the world by our dedicated specialist buyers in various product fields.

In July 2005, United Cinemas acquired Japan AMC Theatres, Inc. and increased the number of operating theatres by four to 15 theatres with 161 screens nationwide as of March 2006. We will further promote development of new theatres. In October 2006, a new theatre in Toyosu (Koto ward, Tokyo) is scheduled to open.

PERFORMANCE HIGHLIGHTS

(Billions of Yen)

	FY01	FY02	FY03	FY04	**FY05**
Gross Profit	41.9	40.9	40.8	44.1	**47.2**
Equity in Earnings of Associated Companies	-10.2	-1.9	3.8	6.0	**10.3**
Net Income	6.3	8.5	7.5	24.8	**14.9**
Basic Profit	-8.4	0.6	7.8	9.4	**12.0**
Total Assets	291.4	339.2	375.0	375.0	**441.7**

	AA Plan (Results)	**AG Plan (Target)**
Risk-adjusted Assets (at end of FY04 and FY06)	113.0	**151.0**
Risk-adjusted Return Ratio (two-year average)	12.8%	**12.9%**

Fiscal Year 2005 Performance and Fiscal Year 2006 Outlook (Final Year of the AG Plan)

In fiscal year 2005, in the media field J:COM promoted a switch to digital broadcasting, enhanced value-added services such as VOD and high definition broadcasting, and increased its number of subscribers. J:COM also solidly strengthened its business base by acquiring neighbor cable TV operators. JTV greatly improved its results, mainly due to expanded sales of Jupiter Shop Channel Co., Ltd., a TV shopping company. In addition, while strengthening our earnings base through acquisition of a cineplex operator by United Cinemas Co., Ltd. (UC), we made Asmik Ace Entertainment, Inc., a movie producer and distributor, into a subsidiary.

In the network field, SCS merged with Sumisho Electronics Co., Ltd., strengthened software development, system integration and marketing capabilities, and formed a structure that can realize one-stop solutions. Furthermore, MSCOM acquired Calsonic Communication Co., Ltd., and became the largest mobile phone wholesaler/retailer by sales in the Japanese market.

In the electronics field, we broadened our EMS business in China. We also expanded our semiconductor silicon and high-luminosity white LED businesses.

In fiscal year 2005, the results of major group companies showed strong performances, and gross profit increased by 7.0% from the previous year to ¥47.2 billion. Net income was ¥14.9 billion, down about ¥10 billion since the profit from J:COM's IPO was recorded during the previous year. However, basic profit showed continued growth.

In fiscal year 2006, we will pursue further expansion of our businesses including M&As, mainly at J:COM, JTV, UC, and MSCOM. SCS will concentrate management resources in growing areas and strengthen its cost-competitiveness. In addition, we will strengthen the e-commerce business including business development with NEC Biglobe, Ltd. In the EMS business, we will expand our business particularly in digital home appliances, and in the electronic materials business, we will seek and develop new materials, and widen our service range.

During the AG Plan, we expect risk-adjusted assets to increase by ¥38.0 billion to ¥151.0 billion by the end of fiscal year 2006, mainly in the media field.

We also anticipate average risk-adjusted return ratio to improve to 12.9%.

CHEMICAL

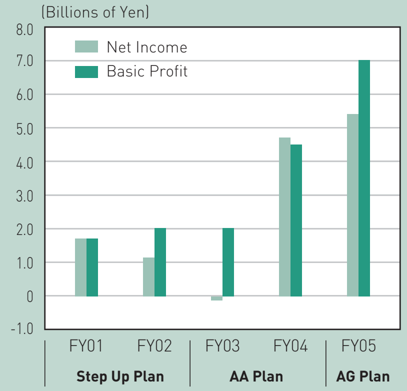
EXPANSION OF GLOBAL BUSINESS IN A WIDE-RANGING FIELD

Our businesses are global in both trading and investments covering the three business areas of (1) basic chemicals, such as plastics (polyethylene, polyvinyl chloride pipes, etc.), 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) and battery materials; and (3) life sciences, in fields such as pharmaceuticals, medical care, agricultural chemicals, antibiotics, and pet supplies.

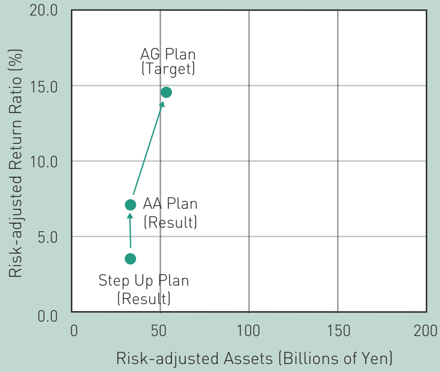
In the organic chemicals field, we possess and utilize our own ships and tank facilities, and trade olefin, for which our trading volume in Asia is top class in the industry. Furthermore, in the international trade of sulfuric acid, we boast the top global share at around 60%.

YOSHIYUKI MATSUOKA
General Manager,
Chemical Business Unit

NET INCOME AND BASIC PROFIT



RISK-ADJUSTED RETURN RATIO AND RISK-ADJUSTED ASSETS



Business Environment and AG Plan Policies and Strategies

In basic chemicals, we expect the market to retain an overall high level of stability due to the current price trends for products made from crude oil and other natural resources. However soaring transportation costs is an area of concern.

Under these circumstances, we will pursue investments aimed at securing internationally competitive supply sources, as well as strengthen our logistics functions and increase our competitiveness by further investing in ships and tank facilities. Furthermore, we will concentrate on upgrading our functions in trading, and strengthening alliances with strategic partners. We will also tie up with leading Japanese processing manufacturers and enter the field of automotive parts and die molds.

In electronic and performance chemicals, transaction is expanding due to increased demand for mobile phones and digital home appliances. Nonetheless, we anticipate a more severe environment due to price competition among manufacturers and competition for raw materials and resources. We aim to expand our product lineup, centering on electronic performance materials such as materials for semiconductors, circuit boards, and electronic components, and materials related to batteries. At the same time, we will upgrade our functions in the supply chain management type one-stop product supply business, and contract manufacturing businesses. In addition, we will promote investments aimed at securing new raw materials and technologies, and proactively engage in the emissions credit business.

In life science, we will aim for the expansion of business bases in the fields of pharmaceuticals, agricultural chemicals, and pet supplies.

In the pharmaceuticals field, we will promote the in-house development of new drugs, strengthen collaboration with universities, and develop the generic drug business, where market expansion is expected in the near future. In addition, we plan to expand businesses on pharmaceuticals-related intellectual property rights (IPR) by going one step further from providing intermediate services, and obtaining our own IPRs. In China, we will export and promote the domestic sales of pharmaceuticals manufactured by Henan Topfond Pharmaceutical Co., Ltd.

In agricultural chemicals, we will continue to secure our own product line and expand our end-user sales networks, thereby strengthening our value chain.

In the pet supplies business, we will strengthen and expand our business base in the U.S. of The Hartz Mountain Corporation (Hartz), which we acquired in fiscal year 2004, through the development of new products, and strengthening sales in the Japanese market.

The Reno (Nevada) plant of Cantex, a U.S.-based subsidiary that manufactures and sells PVC pipes. Cantex's financial results have improved significantly owing to enhanced profitability following a review of its management strategies, as well as rising demand. We will continue strengthening Cantex's earnings base.

In fiscal year 2005, we acquired an equity stake in Henan Topfond Pharmaceutical, which is listed on the Shanghai Stock Exchange. The company exports bulk pharmaceuticals and pharmaceutical intermediates to Europe, the U.S. and Asia as well as Japan. In addition, by utilizing their sales network in China, we will aim for a full-scale entry to the fast-growing Chinese pharmaceuticals market.

PERFORMANCE HIGHLIGHTS

(Billions of Yen)

	FY01	FY02	FY03	FY04	**FY05**
Gross Profit	25.5	23.6	22.8	28.5	**35.5**
Equity in Earnings of Associated Companies	0	0	0.9	0.4	**0.8**
Net Income	1.7	1.1	-0.1	4.7	**5.4**
Basic Profit	1.7	2.0	2.0	4.5	**7.0**
Total Assets	204.8	186.5	174.9	217.2	**243.2**

	AA Plan (Results)	**AG Plan (Target)**
Risk-adjusted Assets (at end of FY04 and FY06)	34.0	**54.0**
Risk-adjusted Return Ratio (two-year average)	7.1%	**14.5%**

Fiscal Year 2005 Performance and Fiscal Year 2006 Outlook (Final Year of the AG Plan)

In fiscal year 2005, under the environment of expanding global demand in the basic chemicals field, trading of basic raw materials for petroleum chemicals showed a strong performance. We have also expanded our global network through the acquisition of a petroleum chemicals product trading company. In addition, Cantex Inc., our U.S. subsidiary that manufactures PVC pipes, posted record-high earnings owing to tighter management and an upturn in the U.S. plastic pipe market.

In Japan, we merged three trading subsidiaries—Sumitomo Shoji Plastics Co., Ltd., Sumitomo Shoji Chemicals Co., Ltd., and Sumisho Chemicals & Plastics Nagoya Co., Ltd.—and formed the new Sumitomo Shoji Chemicals, establishing a structure to facilitate further broadening of our earnings base. We will further promote the pursuit of efficiency and the deepening of group management in a wide range of fields, including plastics, organic chemicals, and electronic and performance chemicals.

In fiscal year 2005, increased profit from the new Sumitomo Shoji Chemicals and strong results by Cantex both contributed to gross profit of ¥35.5 billion, up ¥7.0 billion from the previous year, and net income of ¥5.4 billion, up ¥0.7 billion year over year.

In fiscal year 2006, in the basic chemicals field, we will promote cooperation with our acquired U.S. petrochemical trading company, and pursue synergies and further expand our global network. We will also strive to strengthen the earnings base of Cantex.

In the electronic and performance chemicals field, we will focus on realizing the emissions credit business in Indonesia and China, as well as new technology related businesses such as fuel cell catalysts and nanofibers.

In the life science field, as for pharmaceuticals, we will enter the generic anti-cancer drugs development business through Medisa Shinyaku Inc., a joint venture with Sawai Pharmaceutical Co., Ltd. In China, we will expand operations in the local pharmaceutical market centering on Henan Topfond. In addition, in pet supplies, we will support efforts by Hartz to streamline its procurement processes, and focus on expanding sales of its products in Japan.

During the AG Plan period, we plan to increase risk-adjusted assets by ¥20.0 billion, to ¥54.0 billion, by the end of fiscal year 2006 through strategic investments in each field. This figure includes the aforementioned stake in Henan Topfond. We anticipate an average risk-adjusted return ratio of 14.5% during the same period.

MINERAL RESOURCES & ENERGY

MICHIHISA SHINAGAWA
General Manager,
Mineral Resources & Energy Business Unit

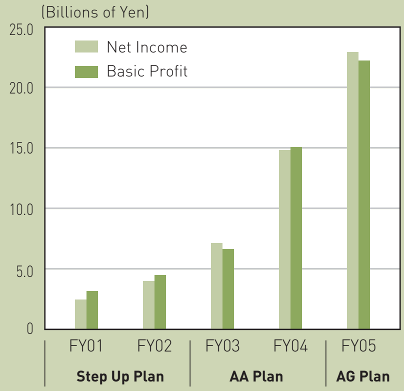
REINFORCING OUR WELL-BALANCED MINERAL RESOURCE PORTFOLIO

With upstream mineral resource interests in the four mainstay areas of copper, coal, oil, and liquefied natural gas (LNG), our business ranges from upstream to downstream activities. One of our characteristic features is our well-balanced portfolio not over-dependent on any specific resource. Our equity copper production capacity is approximately 120 thousand tons per year, largest among peers, and we are the sole trading company with equity interest in a gold mine.

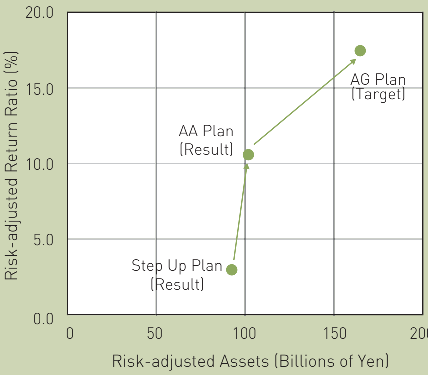
In midstream and downstream fields, we are the top importer as a trading company of copper concentrate to Japan, and LNG Japan Corporation, in which we have a 50% equity stake, handles roughly 30% of annual LNG contractual import volume to Japan. In addition, we are the largest player among peers in the carbon business and are engaged in nationwide LPG (liquefied petroleum gas) retail distribution.

We are also actively promoting development of new energy and clean energy businesses.

NET INCOME AND BASIC PROFIT



RISK-ADJUSTED RETURN RATIO AND RISK-ADJUSTED ASSETS



Business Environment and AG Plan Policies and Strategies

Economic growth in the BRICs, particularly in China, has resulted in increased demand for oil, and a tightening of supply and demand on a global scale for key mineral resources such as coal, iron ore, and copper, which leads us to believe that current high commodity prices may not be temporary phenomena. In addition, the increasing impact of speculative funds on the markets requires attention. Meanwhile, sustained high oil prices are expected to encourage development of alternative energy.

Under this environment, we are accelerating strategic investments to expand business activities both qualitatively and quantitatively. Keeping in mind that entry premiums for resource projects are at a record high level, we will continue our efforts to increase our equity production and reserves where we identify opportunities that meet our hurdle rate. We will aim to expand our earnings base and secure income stability by further strengthening our well-balanced portfolio of upstream interests through scaling up our existing mainstay areas of copper, coal, oil, and LNG as well as developing other strategic resources such as gold, uranium, nickel, and zinc. In our midstream and downstream fields, we will strengthen our capabilities and build up value chains by increasing our participation in manufacturing and overseas sales operations.

In the fields of copper and gold, we intend to enhance our stable long-term earnings base by maintaining our top position in terms of equity copper production capacity and copper concentrate trading.

As for coal operations, we continue our efforts to expand our existing upstream projects mainly in Australia and to promote new projects. We also aim to develop new import sources mainly in Russia and China, and maximize our trading profit.

In oil, we intend to continue acquiring upstream interests and increase our equity production and reserves. In addition, we will expand our global trading and pursue synergies with our upstream interests.

With regards to gas, we will promote the development of the Tangguh LNG project in Indonesia while seeking new sources. In addition, we will strengthen gas sales operations in the U.S. and China.

In the carbon business, we will further broaden our earnings through making new investments in Japan and overseas utilizing our trading base as one of the top industry players.

In the field of new energy and clean energy, we are developing our businesses in the procurement of raw materials for solar cells, fuel-cells for hybrid cars and bio-fuels.

Chile's Ojos del Salado Copper Mine produces approximately 90,000 tons of copper concentrate annually (about 28,000 tons of copper contained). Exploration activities have been conducted in the surrounding area and are expected to grow into new mines.

In October 2005, through Osaka Gas Summit Resources Co., Ltd , we acquired an equity stake in Idemitsu Snorre Oil Development Co., Ltd., which operates oil and gas development and production business in the Norwegian North Sea.

(Credit: Idemitsu Snorre Oil Development Co., Ltd.)

PERFORMANCE HIGHLIGHTS

(Billions of Yen)

	FY01	FY02	FY03	FY04	**FY05**
Gross Profit	30.1	31.6	27.1	35.2	**48.7**
Equity in Earnings of Associated Companies	1.7	2.2	6.0	10.1	**11.6**
Net Income	2.4	3.9	7.1	14.9	**22.9**
Basic Profit	3.1	4.5	6.6	15.0	**22.2**
Total Assets	266.7	309.5	345.7	497.1	**618.2**

	AA Plan (Results)	**AG Plan (Target)**
Risk-adjusted Assets (at end of FY04 and FY06)	103.0	**165.0**
Risk-adjusted Return Ratio (two-year average)	10.6%	**17.4%**

Fiscal Year 2005 Performance and Fiscal Year 2006 Outlook (Final Year of the AG Plan)

In fiscal year 2005, we jointly invested with Sumitomo Metal Mining Co., Ltd. in Chile's Ojos del Salado Copper Mining project operated by Phelps Dodge Corporation, the world's largest private sector copper mining company.

In addition, we started production at the Pogo Gold Mine in Alaska and the Rolleston Coal Mine in Australia.

In the area of oil, we formed a business alliance with Osaka Gas Co., Ltd. and jointly invested in an oil wells located in the Norwegian North Sea.

Predicting a shortage in future uranium supply, we are the first trading company to invest in a uranium mine development project (West Mynkuduk Deposit in Kazakhstan owned by Kazakhstan's national atomic company), and we have obtained the right to market the product in Japan.

In fiscal year 2005, the Mineral Resources & Energy Business Unit posted gross profit of ¥48.7 billion, up ¥13.5 billion year-on-year. Several factors contributed to this good result, including a strong performance by our coal business in Australia, acquisition of North Sea oil field interests, and earnings from gas fields in the Gulf of Mexico. Net income amounted to ¥22.9 billion, a substantial year-on-year gain of ¥8.0 billion.

In fiscal year 2006, we will maintain stable operation at the Batu Hijau Copper and Gold Mine in Indonesia, and plan to increase production at Peru's Cerro Verde Copper Mine and Pogo Gold Mine. In coal, we will focus on maintaining and uplifting our operations at existing coal mines and developing already-owned mining rights in Australia. In addition, we are seeking new investment opportunities in Russia and China. We plan to continue investing in producing oil fields where we expect contributions to our profits in the short- to medium-term, as well as other undeveloped interests. Meanwhile, we will develop the uranium mine in Kazakhstan and pursue new opportunities in nickel and zinc mines. In the LPG field, where restructuring and consolidation are taking place, we will broaden our business base through M&A activities.

Throughout the AG Plan, we anticipate a ¥62.0 billion increase in risk-adjusted assets to ¥165.0 billion by the end of fiscal year 2006, mainly from acquisition of upstream resource interests. We expect an average risk-adjusted return ratio of 17.4% during the same period.

CONSUMER GOODS & SERVICE

YOSHI MORIMOTO
General Manager,
Consumer Goods & Service Business Unit

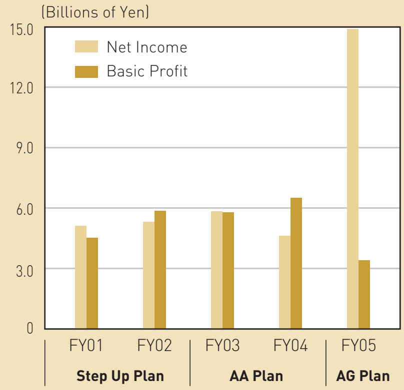
BUILDING AN EARNINGS BASE FROM DOWNSTREAM TO UPSTREAM WITH A MAIN FOCUS ON FOOD

We leverage downstream operating bases to promote synergies upstream in the areas of food, clothing, and housing.

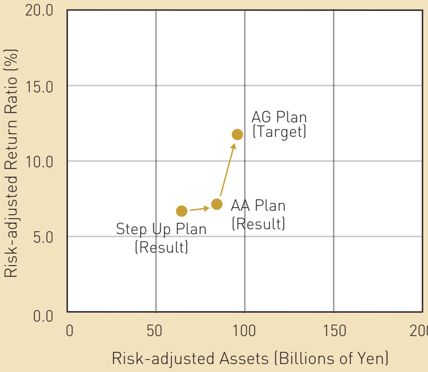
In the area of food, our supermarket business in the Tokyo metropolitan area, driven by Summit Inc., is one pillar of earnings. Our food business benefits from our integrated business model encompassing production, sale, and quality control with top priority placed on safety and reliability. Sumifru Corporation, which imports and sells fruits and vegetables, has about 20% share for imported bananas in Japan. Our other food-related products cover fresh meat, vegetables, fertilizer, sugar, grain, and cooking oil.

In other areas, we operate a drugstore chain, brand-related businesses mainly in apparel and accessories, and an interior business. We also manufacture and sell side-curtain airbag cushions for automobiles.

NET INCOME AND BASIC PROFIT



RISK-ADJUSTED RETURN RATIO AND RISK-ADJUSTED ASSETS



Business Environment and AG Plan Policies and Strategies

Demand is rising for high-value-added products and services. One of the factors is the recovering trend in personal consumption on the back of an upturn in the Japanese economy. Growing consumer interest in healthy and safe food, and the trend for stronger preference toward genuine products and brand-name products are also having effects. However, competition has intensified in the areas of food, clothing, and housing due to diversified tastes and the sharp discerning eye of consumers, combined with deregulation.

Under these circumstances, we will strengthen our earning power by concentrating on strategic areas and accelerating the pace of strategic investment, striving to build a stable earnings base that is resistant to external factors.

In our food business, where securing safety and reliability is top priority, we will expand our earnings base by focusing mainly on fresh fruit and vegetables, and fresh meat. With regard to fresh fruit, we will establish a system that manages the processing, logistics, and sale of our products and build a solid value chain. As for processed foods, we will offer enhanced convenience to customers by providing various product lines including fresh meat such as pork, chicken and beef.

In the fertilizer business, we will stabilize and expand our existing earnings base. We will also broaden our business base through M&A activities, both in Japan and overseas.

In the supermarket business, we will expand our business base mainly in the Tokyo metropolitan area through our core supermarket chains, Summit and Mammy Mart Corporation. Summit will increase its earning power by accelerating launches of new stores to between five and seven per year, which translates to a 10% annual increase in store floor space. We will also seek to form alliances with other supermarkets with which we can expect synergistic effects.

In the brand-related business, we will expand the earnings base of Montrive Corporation, which sells the German luxury line of chenille fabrics, "FEILER." Furthermore, we will develop other brand-related businesses to establish new pillars of profit. We will focus on fashion apparel, bags, jewelry, accessories, and home furnishings as strategic areas.

In the textile business, considering that demand for automobile safety products would increase, we established Sumisho Airbag Systems Co., Ltd., which manufactures and sells side-curtain airbag cushions for automobiles, and aimed for annual sales of ¥10.0 billion by fiscal year 2008.

High-speed Jacquard loom at Sumisho Airbag Systems' state-of-the-art side-curtain air bag factory in Nagasaki. The factory began shipping in January 2006, and has an annual production capacity of 1.2 million bags. We are enhancing production capacity with the aim of reaching full production at around 4 million bags per year.

Sumifru's fruit packing facility at Davao in the Philippines. Bananas are being inspected for quality in line with strict Japanese standards, divided into bunches suitably sized for retail sale, and packed for shipment. We have an established delivery system for high quality products, including chilled shipping.

PERFORMANCE HIGHLIGHTS

(Billions of Yen)

	FY01	FY02	FY03	FY04	**FY05**
Gross Profit	81.9	86.1	90.4	98.9	**98.6**
Equity in Earnings of Associated Companies	0.3	0.6	0.4	-0.3	**-0.4**
Net Income	5.1	5.3	5.8	4.6	**14.9**
Basic Profit	4.5	5.9	5.8	6.5	**3.4**
Total Assets	277.4	271.5	304.6	325.1	**368.0**

	AA Plan (Results)	**AG Plan (Target)**
Risk-adjusted Assets (at end of FY04 and FY06)	85.0	**95.0**
Risk-adjusted Return Ratio (two-year average)	7.1%	**11.7%**

Fiscal Year 2005 Performance and Fiscal Year 2006 Outlook (Final Year of the AG Plan)

In fiscal year 2005, Summit, a supermarket chain, and Sumisho Drugstores Inc., which operates Tomod's—a drugstore with prescription department—showed strong performances.

In the banana business, we reinforced our integrated supply system from production regions by expanding plantations and investing in loading facilities in the Philippines.

In the fertilizer business, we newly acquired a distributor in Western Australia and secured another earnings base for the future.

In the brand-related business, we sold our stake in Coach Japan, Inc., and realized value in good timing.

In addition, Sumisho Airbag Systems began commercial production of side-curtain airbag cushions.

In fiscal year 2005, the Consumer Goods & Service Business Unit posted gross profit of ¥98.6 billion, down ¥0.3 billion. Despite the contributions by Montrive's full-year consolidation and Summit's strong performance, the banana business decreased stemming from declining sales prices. Net income increased ¥10.3 billion year on year, to ¥14.9 billion, mainly due to value realization from Coach Japan.

In fiscal year 2006, we will strive to broaden the earnings base of our supermarket and drugstore businesses through expanding the operations of Summit and Sumisho Drugstores, respectively. As for the drugstore business, we acquired Koei Drug in June 2006 which operates a drugstore chain in southwestern Tokyo. In the food business, we recently merged two subsidiaries—SC Foods Co., Ltd., which handles processed foods, and Sumisho Fresh Meat Co., Ltd., which handles fresh meat—and formed new SC Foods Co., Ltd. In the fresh fruit business, we will further broaden our share of the domestic banana market by raising production capacity in producing regions and upgrading our sales and logistics infrastructure. In the brand-related business, we will move to establish new businesses following after Coach Japan. As a part of this strategy, we decided to acquire Barneys Japan Co., Ltd. in June 2006.

Under the AG Plan, we expect to increase risk-adjusted assets by ¥10.0 billion, to ¥95.0 billion, by the end of fiscal year 2006 through investments in banana-producing regions and new brand-related businesses. We expect an average risk-adjusted return ratio of 11.7% during the term of the AG Plan.

MATERIALS & REAL ESTATE

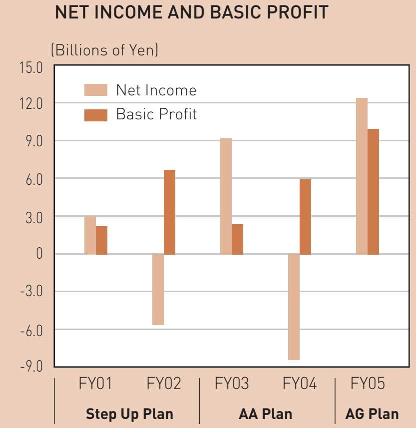
INDUSTRY LEADER IN THE MATERIALS BUSINESS; EXERTING INTEGRATED CORPORATE STRENGTH IN REAL ESTATE

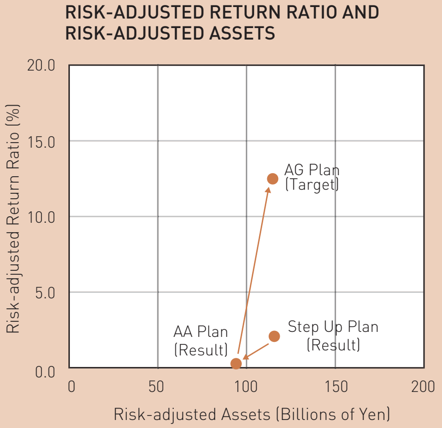
Our two main business areas are "materials and supplies" and "construction and real estate."

In the materials and supplies area, we lead the industry in multiple fields, including tires, ready-mix concrete, lumber and building materials, woodchips, and used paper. We operate the largest network of independent tire retail outlets in the U.S. Our Group companies in the areas of building-materials trading, and manufacturers of laminated lumber and insulated metal panels are industry-top.

In the construction and real estate area, we mainly focus on leasing and operation of office buildings and retail facilities, as well as the development and sale of housings, mainly condominiums. We also promote large-scale mixed-use development projects which reflect our expertise and coordination capabilities. Furthermore, we are expanding real estate revitalization businesses and real estate investment fund businesses.

HISAHIKO ARAI
General Manager,
Materials & Real Estate Business Unit





Business Environment and AG Plan Policies and Strategies

As the domestic materials sector is matured, competition continues to intensify and reorganization and consolidation may proceed. By contrast, overseas, we expect an expansion of markets and demand in various sectors. In this environment, we will enhance our supply sources and pursue downstream business development in sectors where we are competitive, seeking to further broaden our earnings base.

As for the tire business, the U.S. market for automotive replacement tires is 3.7 times that of Japan. Furthermore, it has been growing at an average annual rate of 2.0-3.0%, reflecting a growing population, longer average vehicle life, and rising annual mileage per vehicle. TBC CORPORATION, the largest retailer in the U.S., will accelerate the establishment of new retail outlets and expand its earnings base. We will also pursue synergies with Treadways Corporation, a well-established wholesaler.

In our lumber and building materials business, we will proceed with the development of forests in Russia, which acquired Forest Stewardship Council (FSC) certification, and broaden our production base. We will also reinforce earning power by pursuing synergies between Sumisho & Mitsuibussan Kenzai Co., Ltd., which trades in construction materials, SEVEN INDUSTRIES CO., LTD., which makes laminated lumber, and IG Kogyo Co., Ltd., which produces insulated metal panels. All three companies are leading players in their respective fields.
In ready-mix concrete, we will further solidify our business base and upgrade logistics functions, in an effort to secure the top position among trading companies.

In the construction and real estate business, there has been an upturn in demand for office buildings in central Tokyo, and the condominium market remains robust. However, a notable rising trend in real estate values for prime locations and the uptrend in interest rates are increasing uncertainty in these markets. Accordingly, we will further strengthen our "functional value chain," which spans from initial planning to development, sales, leasing, management, and operation. We are working proactively in mixed-use development projects incorporating offices, retail facilities, and housing. We are also focusing on real estate revitalization businesses and real estate investment fund businesses into new pillars of profits, as well as our office buildings and retail facilities leasing and condominium sales.

A logistics center of TBC CORPORATION, which we acquired in November 2005. TBC is the largest independent tire marketer in North America, selling 22 million tires annually through its own franchise outlets and wholesale network. (Results in 2005)

A redevelopment project we are promoting in the Senri Chuo area in Osaka. This project is a pioneering urban redevelopment project revitalizing existing commercial and cultural facilities while developing new high-rise condominiums as well as medical and welfare facilities.

PERFORMANCE HIGHLIGHTS

(Billions of Yen)

	FY01	FY02	FY03	FY04	**FY05**
Gross Profit	54.9	57.8	47.8	38.7	**56.2**
Equity in Earnings of Associated Companies	-0.1	0.3	0.5	0.8	**1.1**
Net Income	2.9	-5.7	9.1	-8.4	**12.4**
Basic Profit	2.1	6.6	2.3	5.9	**9.9**
Total Assets	632.5	602.8	615.3	606.1	**587.7**

	AA Plan (Results)	**AG Plan (Target)**
Risk-adjusted Assets (at end of FY04 and FY06)	95.0	**116.0**
Risk-adjusted Return Ratio (two-year average)	0.3%	**12.4%**

Fiscal Year 2005 Performance and Fiscal Year 2006 Outlook (Final Year of the AG Plan)

In fiscal year 2005, we acquired TBC which has the largest number of retail outlets in the U.S., and entered retail tire sales. In the lumber and building materials business, we began developing new forests in Russia, steadily increasing the volume of lumber handled under FSC certification. IG Kogyo acquired plant and facilities in Ibaraki Prefecture to expand its insulated metal panel business, and in the ready-mix concrete business, we expanded our operating base to eight plants by acquiring two plants in the Kyushu area.

In the real estate business, a group led by Sumitomo Corporation was selected to redevelop the area in front of Osaka's Senri-Chuo railway station. Construction has started on the project, which will combine condominium, retail facilities, and medical and welfare facilities. Strong sales of units in "The Tokyo Towers," a high-rise condominium development in Tokyo's Chuo-ward, reflected high acclaim for its location and facilities. For our overseas activities, we joined a project to develop and sell condominiums in Shanghai.

In fiscal year 2005, the Materials & Real Estate Business Unit posted gross profit of ¥56.2 billion, up ¥17.5 billion year on year, resulting from several factors, including the acquisition of TBC and the consolidation of IG Kogyo into a subsidiary, as well as strong condominium sales. Net income reached ¥12.4 billion, up ¥20.8 billion from the previous year, in which we recognized an impairment loss on mixed-use building located in the Yokohama area.

In fiscal year 2006, we will improve operational efficiency and broaden the earnings base of our tire business, spearheaded by U.S.-based TBC and Treadways. In the lumber and building materials business, we will further strengthen our production base in Russia. In the ready-mix concrete business, we will pursue higher efficiency at existing plants and further expand our earnings base through acquisitions. In the real estate business, we will increase profitable risk-adjusted assets by focusing on large-scale mixed-use development projects where we can continuously leverage our expertise.

Under the AG Plan, we expect risk-adjusted assets to increase by ¥21.0 billion, to ¥116.0 billion, by the end of fiscal year 2006 through the acquisition of TBC and the expansion of our office building and retail facilities leasing business. We also anticipate an improvement in the average risk-adjusted return ratio during the term of the AG Plan to 12.4%.

FINANCIAL & LOGISTICS

MAKOTO SHIBAHARA
General Manager,
Financial & Logistics Business Unit

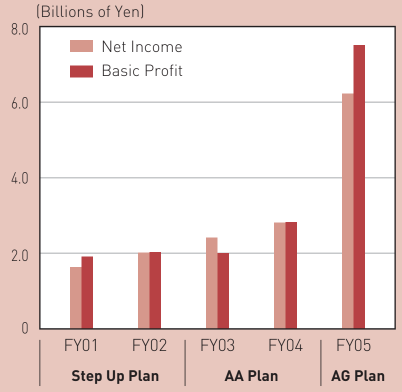
DELIVERING HIGH-VALUE-ADDED SERVICES LEVERAGING OUR CAPABILITIES

We provide various services in the financial and logistics fields. Taking full advantage of our strengths as an integrated trading company—superb access to information, specialized expertise, and a global network—we differentiate ourselves through creating and offering high-value-added services.

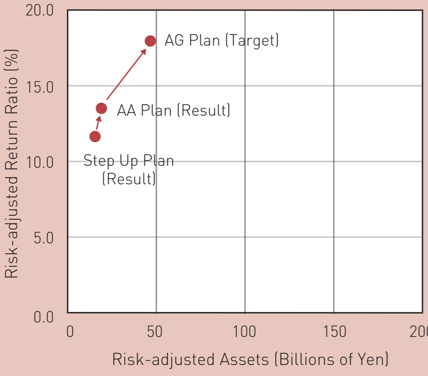
In the financial services field, we have the largest market share in Japan of approximately 20% in precious metals and energy derivatives. Utilizing this strength we gain access to more information by engaging in the commodities trading business. In addition, our long experience and expertise enables us to be actively involved in investment advisory services, specializing in alternative investments, and investments made both directly and through funds.

In the logistics field, we are enhancing logistics networks in regions such as ASEAN countries and China, in which Japanese manufacturers have advanced rapidly in recent years. We also develop and operate industrial parks in Southeast Asia and promote our insurance business. Thus, we offer a comprehensive range of high-value-added services.

NET INCOME AND BASIC PROFIT



RISK-ADJUSTED RETURN RATIO AND RISK-ADJUSTED ASSETS



Business Environment and AG Plan Policies and Strategies

In the financial services field, investment opportunities have grown significantly in direct relation to structural changes in both Japanese industry and society. Meanwhile, the need for alternative investment products is growing due to the sharp expansion and diversification of individually-managed financial assets. However, trends in the overheating commodities market and interest rate movements following the end of zero-interest-rate policy require further attention.

Under these circumstances, we will enhance our earning power in the commodities trading business through continuous upgrading of our risk management capabilities and system, and diversifying our product lineup to handle energy, weather derivatives and emission credits in addition to precious metals and fuels.

In the investment advisory business, we intend to increase assets under management by fortifying our product lineup, including hedge fund and commodity index instruments to meet the needs of diversified investors.

In direct investment and fund investment businesses, we will primarily seek to accumulate investments in Japan and Asia to reinforce our portfolio. Furthermore, taking advantage of our strengths as an integrated trading company, we will pursue investment and business opportunities jointly with other Business Units.

In the credit card business, we will expand the business base by increasing business and marketing partners, including our Group companies.

In the logistics field, the logistics market for raw materials and components in China and Southeast Asia is expanding mainly due to Japanese manufacturers' development of overseas component supply operations. In response, we will expand our logistical bases through building new logistics centers and creating a global logistics network that covers Japan, China, and other parts of Asia. Utilizing this network, we will promote high-value-added logistics businesses such as comprehensive component procurement and distribution services as well as integrated services covering collection, storage, and sorting in the areas of apparel and general merchandise.

For our overseas industrial park business, we will work on developing new parks, following the Thang Long Industrial Park in Vietnam. We will also seek to develop parks in other countries and regions. In addition, we will build logistics centers inside industrial parks to meet the needs of the expanding logistics market while maximizing synergistic effects between the logistics and industrial park businesses.

In the insurance field, we will expand our Rent-a-Captive business which provides services through the overseas reinsurance company we have established.

We have invested in a Chinese company providing digital-media based integrated sales promotion services in large-scale retail stores. We will increase their corporate value by leveraging our network related to our products, markets, and management.

We are developing and marketing the Thang Long Industrial Park in a suburb of Hanoi, Vietnam. Phase One and Phase Two developments have been completed and the park is occupied by 61 Japanese manufacturers. 17,000 people are employed on site, and US$730 million worth of products were exported in 2005. Phase Three construction work is now underway.

PERFORMANCE HIGHLIGHTS

(Billions of Yen)

	FY01	FY02	FY03	FY04	**FY05**
Gross Profit	14.5	15.5	15.7	17.0	**25.0**
Equity in Earnings of Associated Companies	0.6	1.1	1.1	1.5	**2.3**
Net Income	1.6	2.0	2.4	2.8	**6.2**
Basic Profit	1.9	2.0	2.0	2.8	**7.5**
Total Assets	154.2	161.5	193.5	232.8	**470.8**

	AA Plan (Results)	**AG Plan (Target)**
Risk-adjusted Assets (at end of FY04 and FY06)	20.0	**47.0**
Risk-adjusted Return Ratio (two-year average)	13.5%	**17.8%**

Fiscal Year 2005 Performance and Fiscal Year 2006 Outlook (Final Year of the AG Plan)

During fiscal year 2005, in the financial field, we invested directly in a number of companies including a domestic retailer of second-hand golf gear, a mobile phone content provider, and a Chinese company in the field of digital-media based sales promotion services. In the commodities trading business, we established a new company in London and set up a 24-hour trading infrastructure for the international commodities market.

In the logistics field, we started construction of logistics centers in Chiba, Japan and in Shanghai, China and promoted further expansion of our logistics network. In the overseas industrial park business, all lots in Phase Two of the Thang Long Industrial Park have been sold, and we have started Phase Three expansion work.

In fiscal year 2005, the Financial & Logistics Business Unit posted gross profit of ¥25.0 billion, up ¥8.0 billion from the previous year. Net income grew ¥3.4 billion from the previous year, to ¥6.2 billion. This result reflected the recovery of the commodity business and strong sales in overseas industrial parks.

During fiscal year 2006, in the financial field, we will reinforce our earning power in the commodities trading business through promoting businesses in new fields centered on our new company in London. In the investment advisory business, we aim to increase our assets under management by expanding business alliances while developing and marketing new products. At the same time, we are planning to develop new investment funds through promoting hedge fund managers by using our incubation platform. In the direct investment and fund investment businesses, we will accelerate investment activities to expand a well-balanced portfolio.

In the logistics field, we merged Sumitrans (Japan) Corporation, Sumitomo Logistics Co., Ltd., and All Trans Co., Ltd. and established Sumisho Global Logistics Co., Ltd. in April 2006. Led by this company, we will expand our integrated logistics services and network, which will extend from Japan around the world. In addition, we will continue to develop our overseas industrial park business, mainly in Vietnam.

Under the AG Plan, we expect to increase risk-adjusted assets by ¥27.0 billion, to ¥47.0 billion, by the end of fiscal year 2006 mainly in the fields of investments and the commodities trading business. We also anticipate an average risk-adjusted return ratio of 17.8% during the term of the AG Plan.

GLOBAL BUSINESS OPERATIONS OF SUMITOMO CORPORATION GROUP

One of the important business foundations of Sumitomo Corporation is its global network, consisting of around 150 offices and over 800 consolidated subsidiaries and associated companies worldwide. Nine Business Units and regional organizations in Japan and overseas, are fulfilling their capabilities and strengthening cooperation, and are seeking to further enhance existing core businesses as well as to develop new businesses based on each market around the world.

Major Businesses by Region

The graph below shows trends in Basic Profit by region over the past three years. Each region has experienced a steady increase in profits year by year. Moreover, while in fiscal year 2003 domestic and overseas ratio to basic profit were comparable at roughly 50%, in fiscal year 2005, the overseas ratio expanded to nearly 60%. In particular, earnings bases in the U.S. and Asia expanded significantly.

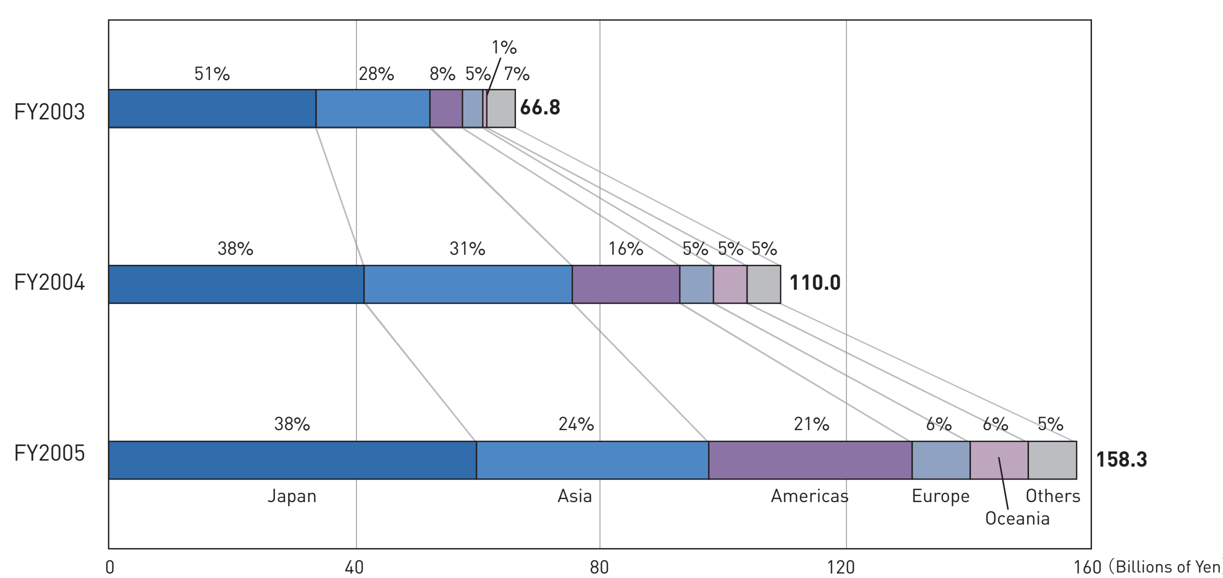
Looking at the major businesses by region, in Japan, stable earnings bases such as Jupiter Telecommunications, a cable TV operator, and Jupiter TV, a multichannel television programming and content provider, both in the media business, Summit in the supermarket business, condominium sales business, and Sumisho Lease and Sumisho Auto Leasing in the leasing business are all supporting solid results.

In October 2005, we established Sumitomo Corporation Kyushu Co., Ltd., the third regional-based subsidiary, and our operations in Japan are currently covered by two Regional Business Units, in the Kansai and Chubu regions, and three regional-based subsidiaries, in the Hokkaido, Tohoku and Kyushu regions. We have established a structure to facilitate further broadening of local-based businesses and at each organization, cross-regional initiatives are undertaken proactively with local-based prime companies in the industries such as home appliances and automobiles.

In Asia, including China, we have been building a firm earnings base on our network of steel service centers for the processing, storage and supply of steel sheets for automobile and home appliances manufacturers, in which the scale of operations is the largest among peers; the automobile finance business and Batu Hijau copper and gold mine project in Indonesia; and trading of chemical products centering on plastics. In addition, we are establishing new pillars of profit such as electric power projects in Indonesia, Vietnam and the Philippines.

In the Americas, which include North America and South America, businesses such as metal products business including tubular products and steel plates, construction equipment business, and residential use polyvinyl chloride pipe manufacturing and sales business are all performing steadily. In the automobile tire business, we acquired TBC CORPORATION, a U.S. tire retailer, in November 2005. We advanced in to the retail area in addition to our well-established wholesale business, and reinforced our business base.

BASIC PROFIT BY REGION



Note: Basic Profit = (Gross profit - Selling, general and administrative expenses - Interest expenses, net of interest income + Dividends) x (1-Tax rate) + Equity in earnings of associated companies, net (Tax rate was 42% for fiscal year 2003, and 41% for fiscal year 2004 and after)
Profits of affiliated companies are allotted by their locations. Profits of Sumitomo Corporation (Parent) are allotted by customers' locations.

Furthermore, Sumitomo Corporation of America, which plays the central role in the Americas, is increasing profitable assets, aiming to further expand its business base in the U.S. market.

Profits are steadily increasing in Europe and Oceania as well. In Europe, the tubular products business, the construction equipment business, and the acquisition of oil field interests in the North Sea, are contributing to results. In Oceania, the coal business in Australia is showing a strong performance.

Strategic Moves in Growing Regions

We are currently identifying Russia and other CIS countries, and India as "Focused Frontier" regions in which we expect future growth, and are engaged in developing and establishing new local-based businesses. In Russia, we entered telecommunications businesses such as wireless broadband and mobile phone content distribution businesses. Moreover, as we expect growth in the logistics-related business accompanying future mineral resources development, we have started a freight car leasing business. Furthermore, as we are predicting a shortage in future uranium supply, we invested in a uranium mine development project in Kazakhstan. Thus we are striving to build business bases, looking ahead to the future. In India, in addition to the businesses including the automobile-related business and the power plant business, we are promoting businesses such as a hydrochlorofluorocarbon emission reduction project, that contribute to the reduction of greenhouse gases.

Further Expansion of Wide-Zone Operations

In order for Sumitomo Corporation Group to attain sustained growth and development, and to expand its earnings base on a global basis, it is important for nine Business Units and each regional organization to communicate well to share and integrate their product strategies and regional strategies.

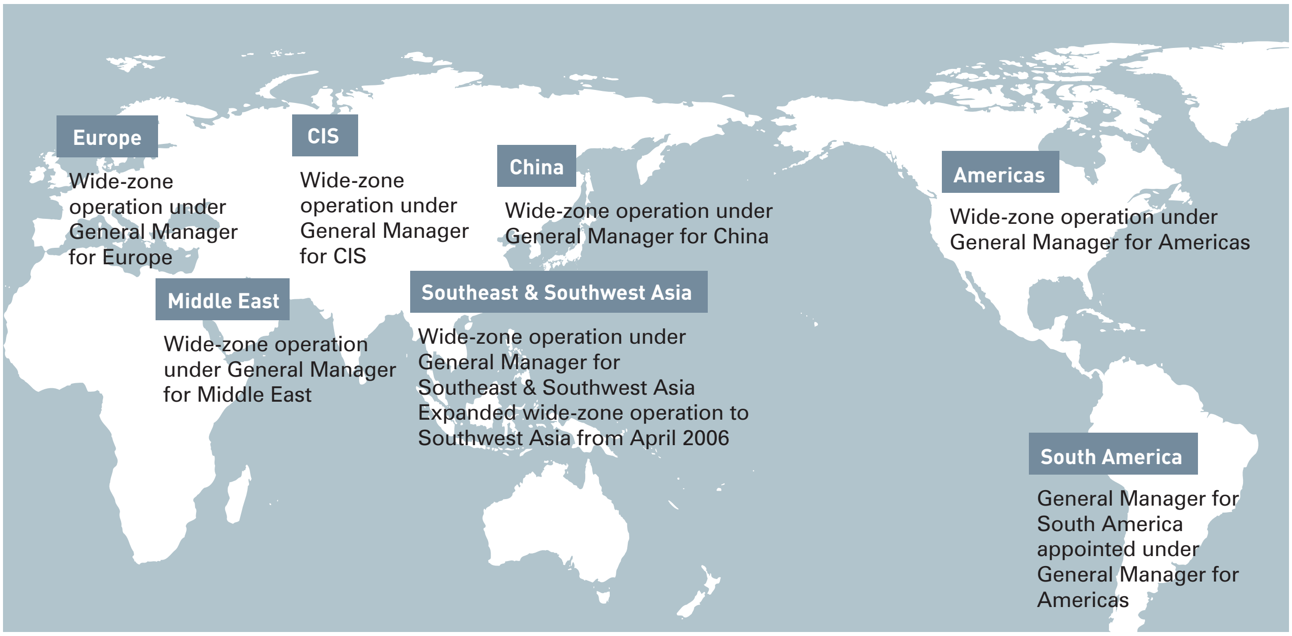
As an essential part of our strategy, it is becoming more important for each regional organization to strengthen its functions, and play a more proactive role in terms of developing and expanding local-based businesses.

Aiming to exert our strength to the maximum extent by promoting formulation of strategies from a more customer-based and market-based perspective, and effective and optimal allocation of management resources, we are promoting expansion of wide-zone operations.

Concretely, we have assigned General Managers in the Americas, Europe, China, Middle East, CIS, and South America, to develop and strengthen our wide-zone operations. Moreover, from April 2006, we made the General Manager for Southeast Asia the General Manager for Southeast & Southwest Asia, and expanded the scope of wide-zone operation to Southwest Asia, including India.

Going forward, we will seize growth opportunities in each region, and exert our integrated corporate strength while thoroughly utilizing our global network, aiming to expand our earnings base on a global basis.

PROMOTING WIDE-ZONE OPERATIONS



PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES CONTRIBUTING TO CONSOLIDATED RESULTS

	Shares in equity (End of FY2005) (%)	Main Business	Equity in earnings (FY2004) (100 million yen)	Equity in earnings (FY2005) (100 million yen)
METAL PRODUCTS				
SC Pipe Services Inc.	100.00	Investment in pipe manufacturing and sales company in the U.S.	5.9	20.3
Asian Steel Company Ltd.	100.00	Shearing, slitting, and sale of steel plates in Southeast Asia	12.3	7.9
Sumisho Metalex Corporation	100.00	Sale of non-ferrous metal products, materials for home heat solution	5.7	7.8
Sumisho Tekko Hanbai Co., Ltd.	100.00	Sale of steel products	4.0	6.0
TRANSPORTATION & CONSTRUCTION SYSTEMS				
Sumisho Auto Leasing Corporation *1	100.00	Leasing of motor vehicles (Shares in equity (End of FY2004): 52.90%)	30.1	43.3
P.T. Oto Multiartha	96.34	Financing of motor vehicles in Indonesia	14.8	17.2
P.T. Summit Oto Finance	99.70	Financing of motor vehicles in Indonesia	3.8	8.6
Sumisho Aircraft Asset Management B.V.	100.00	Aircraft leasing	6.4	6.6
MACHINERY & ELECTRIC				
Perennial Power Holdings Inc.	100.00	Development, ownership and management of power plant in the U.S.	8.8	13.3
MobiCom Corporation	30.00	Integrated telecommunication service in Mongolia	7.7	11.2
MEDIA, ELECTRONICS & NETWORK				
Jupiter Telecommunications Co., Ltd.	25.93	Cable television multiple system operation (MSO) (Shares in equity (End of FY2004): 26.43%)	32.8	52.8
Jupiter TV Co., Ltd. (Former Jupiter Programming Co., Ltd.)	50.00	Management and operation of programming services	16.1	29.9
Sumitronics Corporation	100.00	Electronics Manufacturing Service and sale of electronics products and parts	21.8	25.4
MS Communications Co., Ltd.	50.00	Sales of telephone circuits and equipment	13.1	20.7
Sumisho Computer Systems Corporation *2	55.73	System integration; data processing services; development and sale of computer software and hardware (Shares in equity (End of FY2004): 50.86%)	15.8	8.4
Sumisho Electronics Co., Ltd. *2	—	—	9.8	
CHEMICAL				
Cantex Inc.	100.00	Manufacture and sale of polyvinyl chloride pipes	5.2	44.0
Sumitomo Shoji Chemicals Co., Ltd. *3	100.00	Sale and trade of chemicals and plastics	10.3	20.8
Summit Agro Europe Ltd.	100.00	Investment in agricultural chemicals in Europe	5.7	6.5
The Hartz Mountain Corporation	96.30	Manufacturing, distribution, and sales of pet care products in the U.S.	5.8	-30.8
MINERAL RESOURCES & ENERGY				
Sumisho Coal Australia Pty. Ltd.	100.00	Investment in coal mines in Australia	45.6	105.2
Nusa Tenggara Mining Corporation	74.28	Investment in and financing of the Batu Hijau copper/gold mine development project in Indonesia	72.1	48.7
Petro Summit Investment Corporation	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	6.3	23.6
LNG Japan Corporation	50.00	Trading of LNG, investment and financing related to LNG business	7.0	15.0
SC Minerals America, Inc.	100.00	Investment in the Morenci copper mine, the Pogo gold mine in the U.S. and the Candelaria & Ojos del Salado copper mines in Chile	8.4	13.9
Petro Summit Pte. Ltd.	100.00	International trade of crude oil and petroleum products	4.4	6.8
CONSUMER GOODS & SERVICE				
Summit, Inc.	100.00	Supermarket chain	18.6	21.4
Montrive Corporation	99.00	Sole import, designing and sales of the luxury line of chenille fabrics, "FEILER"	5.2	10.6
Sumifru Corporation *4	—	Import and sale of fruits and vegetables	14.8	6.0
Sumisho Drugstores Inc.	100.00	Drugstore chain	1.9	5.3
MATERIALS & REAL ESTATE				
S.C. Cement Co., Ltd.	100.00	Sale of cement, ready-mixed concrete and concrete products	5.6	7.2
Sumisho & Mitsuibussan Kenzai Co., Ltd.	50.0	Sale of building materials	2.2	3.6
TBC CORPORATION	100.00	Wholesale and retail sales of tires in the U.S.	—	-1.9
FINANCIAL & LOGISTICS				
Bluewell Corporation	100.00	Agent for casualty insurance and life insurance	5.0	6.5
Thang Long Industrial Park Corporation	58.00	Development, sales, and operation of industrial estate in Vietnam	2.2	5.8
OVERSEAS SUBSIDIARIES				
Sumitomo Corporation of America	100.00	Export, import, investment	142.8	134.9
Sumitomo Corporation Europe Holding Ltd.	100.00	Export, import, investment	29.4	34.0
Sumitomo Corporation (Singapore) Pte. Ltd.	100.00	Export, import, investment	9.5	31.3
Total 8 subsidiaries in China	—	Export, import, investment	10.8	26.5
Sumitomo Australia Limited	100.00	Export, import, investment	7.3	11.0
Sumitomo Corporation Taiwan Ltd.	100.00	Export, import, investment	7.2	8.0
OTHERS				
Sumisho Lease Co., Ltd.	36.21	Leasing	54.9	61.8

*1. On August 2, 2005, Sumisho Auto Leasing Corporation became our wholly owned subsidiary by exchange of shares.
*2. On August 1, 2005, Sumisho Computer Systems Corporation and Sumisho Electronics Co., Ltd. merged. Sumisho Computer Systems Corporation is the ongoing concern and Sumisho Electronics Co., Ltd. dissolved.
*3. On October 1, 2005, Sumitomo Shoji Plastics Co., Ltd., Sumitomo Shoji Chemicals Co., Ltd., and Sumisho Chemicals & Plastics Nagoya Co., Ltd. merged. Sumitomo Shoji Plastics Co., Ltd. is the ongoing concern and Sumitomo Shoji Chemicals Co., Ltd. and Sumisho Chemicals & Plastics Nagoya Co., Ltd. dissolved. Sumitomo Shoji Plastics Co., Ltd. changed its name to Sumitomo Shoji Chemicals Co., Ltd.
*4. The equity earnings of Sumifru Corporation includes those of related companies.