

(English translation)

## Consolidated semiannual results 1999

(Six-month period ended September 30, 1999)



[Prepared in accordance with the Japanese accounting standards for consolidated financial statements (MOF ordinance No. 28, 1976)]

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## 1. Operations for the six-month period ended September 30, 1999

(Remark) Amounts are rounded to the nearest million for the six-month period ended September 30, 1999

and the year ended March 31, 1999, but rounded down for the six-month period ended September 30, 1998.

## (1) Summary

	Sales	increase/ decrease	Operating profit	increase/ decrease	Ordinary income	increase/ decrease	Net income	increase/ decrease	Earnings per share	Net income ratio on shareholders' equity
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)	(%)
Apr.1 - Sep. 30, 1999	5,172,438	(-10.0)	23,697	(-32.7)	23,136	(-31.5)	14,268	(-)	13.40	2.4
Apr.1 - Sep. 30, 1998	5,748,531	(-7.7)	35,205	(-1.6)	33,798	(-23.4)	-58,628	(-)	-55.08	-
Year Ended March 31, 1999	11,395,215	-	56,541	-	47,873	-	-22,506	-	-21.14	-3.9

(Note) Equity in earnings/losses of associated companies

(Apr.1-Sep.30, 1999)

¥ 2,681 million

(Apr.1-Sep.30, 1998)

¥ -2,458 million

## (2) Financial position

	Total assets	Total shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(yen)
September 30, 1999	5,123,795	589,247	11.5	553.59
September 30, 1998	5,664,746	512,449	9.0	481.42
March 31, 1999	5,321,337	580,554	10.9	545.40

## (3) Number of consolidated subsidiaries and other affiliated companies (equity method)

* Consolidated subsidiaries	561	
Unconsolidated subsidiaries	74	(Equity method applied 0)
Associated companies	279	(Equity method applied 202)

## (4) Changes of accounting treatment and others

## ① Changes of number of consolidated subsidiaries and other affiliated companies (equity method)

Consolidated (new)	65	Affiliated (new)	22
(excluded)	19	(excluded)	37

## ② Changes of accounting treatment

No

## ③ Tax effect accounting has been adopted from the year ended March 31, 1999 but was not adopted for the six-month period ended September 30, 1998.

## 2. Projections (fiscal year ending March 31, 2000)

	Sales	Ordinary income	Net income
	(millions of yen)	(millions of yen)	(millions of yen)
Year ending March 31, 2000	10,500,000	68,000	30,000

(Reference) Estimated net income (year ending March 31, 2000) per share: (Consolidated) ¥ 28.18  
 (Non-Consolidated) ¥ 18.79

## [Reference]

## Non-consolidated semiannual results 1999 (six-month period ended September 30, 1999)

Sales	increase/ decrease	Operating profit	Increase/ decrease	Ordinary income	Increase/ decrease	Net income	increase/ decrease
(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
4,694,517	(-11.1)	7,655	(-13.5)	21,435	(-28.6)	10,937	(-)

Earnings per share
(yen)
10.27

Total assets	Total shareholders' equity
(millions of yen)	(millions of yen)
3,313,525	516,131

# Sumitomo Corporation

## Management policy

### 1. Mid-term management strategies and business activity etc. during the first half

In October of last year, the Company, seeking to expand its profits and strengthen its corporate constitution through “qualitatively expanding the Integrated Business Enterprise and enforcing global consolidated management”, prepared a mid-term management plan for the period up to March 2001 and drew up a Reform Package comprising a set of concrete policies. During this first half, the Company energetically applied itself to the implementation of the Reform Package, as follows.

#### (1) Profit growth by expansion of core businesses

The Company set up a project team aimed at scouting out the new businesses that will be pillars of profitability in the 21st century and a specialized team to support operational activities by bringing together in one place the administration and analysis of M&A-related information. The Company also established a financial aid system to promote the augmentation of core businesses. Under this Company-wide support structure, all of the Company’s operating divisions and all of its offices strove to augment existing core businesses and to scout out new businesses having the potential to become core businesses. Further, utilizing its know-how in logistics, finance, information, etc., the Company constructed a Supply Chain Management (SCM) system, which seeks to make management more efficient by administering in an integrated manner everything from procurement of raw materials to production and selling. The Company’s aim is to use this SCM system as a means of expanding its trade volume.

#### (2) Strengthening the corporate constitution through improving quality of assets

Seeking to strengthen its corporate constitution, the Company, proceeding under a company-wide plan drawn up on the basis of performance indicators developed by the Company for this purpose, poured effort into the curtailment of businesses having low profitability or holding little promise for the future and the replacement of such businesses by businesses having the potential to become new core businesses. Further, while striving to improve consolidated operating results by pursuing restructurings at its investee companies, the Company, with the aim of reducing by half the number of investee companies in which the Company bears management responsibility, pushed forward with the combination or liquidation of such companies and sought to raise the level of its supervision over them.

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### **(3) Realization of effective, efficient management and reinforcement of cost competitiveness**

In Japan, the position of General Manager for Chubu Area and General Manager for Kyushu Area were established to consolidate administrative control over the Company's offices in the respective areas. Overseas as well, the Company sought to strengthen the locally-led, efficient functioning of its regional administration by reorganizing its representative offices in various locations in Europe as branches of Sumitomo Corporation Europe Plc. The Company also strove to enhance the efficiency of a wide range of office work, and a series of concrete measures aimed at raising productivity were put into practice, such as using the Company intranet to administer employee time records and minor expenditures. And, finally, the Company pursued strengthening of its cost competitiveness by cutting non-personnel expenses and by paring personnel expense through such means as the slimming down of its personnel structure.

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As for particular business developments during the first half, in business lines related to information and communications, which is a growth field, the Company, aiming for the deployment throughout Japan of a high-speed data communication service using its existing CATV network, established "@ home Japan" as a domestic joint venture to provide high-speed, high-volume Internet connection services.

In Singapore, the Company established a joint venture to engage in electronic commerce (ecommerce) in electronic parts, and, by providing not only a system whereby trading with customers around the world can take place through the medium of a database but also logistical and account-settlement services, sought to expand its trade volume.

In the Silicon Valley of the U.S., the Company has been establishing venture capital businesses and making investments in high-tech venture businesses in the Internet and ecommerce areas, etc., but during this half the Company, while continuing to aim at deriving capital gains from these investments, also strove to create business in Japan by establishing new companies in Japan jointly with said venture businesses.

In business lines related to direct-to-consumer marketing, which similarly is expected to be a growth field, the Company continued to deploy shops of the drugstore chain "TomoD's", and the Company also advanced into the field of at-home health-care service by taking a capital participation in a company that dispatches staff to support elderly people in their daily life.

To strengthen its marketing power through the rearrangement of its marketing subsidiaries etc., the Company, in the automobile business, purchased an automobile dealership in Sweden and consolidated control of its automobile-marketing business lines in Europe in "Summit Development S.A." of Belgium, bringing together in one place all the relevant administrative functions.

Also, in the agricultural chemicals business, the Company further strengthened its overseas network for marketing agricultural chemicals for farm use by, among other things, establishing a marketing company in the Ukraine.

In the field of logistics, the Company strove to perfect its domestic and overseas logistics networks and heighten its integrated logistics service capability by means such as establishing a domestic logistics center and a joint venture in the air-cargo business field, in addition to the line of logistics businesses that the Company is developing throughout the world.

With the recycling of used paper growing in importance because of environmental considerations, the Company, in addition to its three existing used-paper collection centers, established joint ventures in three domestic cities with local used-paper collectors, seeking not just to strengthen its used-paper collection and selling business lines per se but also to prepare for the possible introduction of the SCM system into the used-paper industry. Also, having constructed a company-wide environmental management system, the Company's headquarters offices in Osaka and Tokyo received, in June of this year, certification of compliance with the international environmental standard ISO14001.

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With respect to the copper trading incident, the court gave final approval to the settlement of the class action lawsuits that were pending in the United States District Court for the Southern District of New York in October 1999 and the lawsuit was brought to a close. However, aside from this, several civil lawsuits were filed and are still pending against the Company in the United States. The Company intends to vigorously defend itself against these lawsuits. Meanwhile the Company is making maximum efforts to recover the damages that the Company has suffered, bringing, in June through August of this year, four suits for damages against financial institutions etc. that inflicted damage on the Company by abetting the unauthorized trading of the former General Manager of the Non-Ferrous Metals Department, Yasuo Hamanaka. With respect to the criminal proceedings against former General Manager Hamanaka, which had been appealed to the Tokyo High Court, the court rejected his appeal in June of this year and his sentence became final.

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## 2. Future pressing issues

The Company, speedily and soundly putting into practice the policies incorporated in its Reform Package, will seek to expand its profits and strengthen its corporate constitution. Around us, the globalization and information are rapidly increasing in economic importance, and the world's industrial structure is dramatically changing, giving birth to many new business opportunities. The Company intends, based on the global network that it has constructed heretofore, and making full use of its diverse faculties, specifically its know-how in logistics, finance, information, etc., to boldly go after these business opportunities, and to aim at becoming a new, 21st-century form of service industry.

## 3. Dividend policy

The Company has a basic policy of ensuring long-term, stable dividends and has maintained an ordinary dividend of ¥8 per share since fiscal year 1989.

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## 4. Year 2000 compliance

### (1) Y2K readiness

#### ① Y2K policy

The Company regards the Y2K problem as an important problem for management to solve, and the entire Company is involved in readiness efforts. The nature of a trading company is to do business in a wide variety of fields and to handle a wide variety of products, and therefore the Company's compliance must be both global and integrated, with each department or office in charge of a line of business acting in concert with overseas offices, affiliates, etc.

#### ② Y2K activities and task force

As for the Company's main internal information and communication system, ever since 1986, as one aspect of the Company-wide system upgrade program, the Company has been pursuing Y2K readiness. As for Company-wide readiness efforts other than those directly concerned with the main system, in October 1998 the Company set up a Y2K task force under the leadership of its Executive Vice President & Chief Information Officer, and this team has been coordinating the Company's activities. The main tasks of the task force are drawing up a company-wide action plan, overseeing the state of progress of readiness efforts, building awareness, reporting to the Board of Directors, etc., and it also liaises with Y2K teams that have been established by the controlling offices for the U.S. and Europe as well as with the approximately 600 persons within and without Japan who have been designated as the persons in charge of Y2K matters at their respective workplaces.

#### ③ Status of implementation

As for the main information and communication system, the Y2K preparation work was completed by the end of May 1999. Since then, so as to ensure its Y2K readiness, the Company has conducted all kinds of verification procedures, including integrated system simulation test. The Company also has confirmed that the fixtures in its buildings both within and without Japan are Y2K-ready. As for supply-chain effects, including possible problems involving goods and services handled by the Company or involving the Company's customers, each department and office of the Company, pursuant to the Company-wide action plan and the guidelines established thereunder, is continuing its confirmation and readiness efforts, so as to discover any potential problems and prevent them from actually occurring.

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## (2) Cost of Y2K compliance

Expenses that may be considered to have been incurred solely for Y2K purposes will come to approximately 2.3 billion yen (on a non-consolidated basis, approximately 800 million yen), of which 1.2 billion yen (on a non-consolidated basis, 500 million yen) has already been spent. As stated under (1)③ above, the Y2K work on the main information and telecommunication system has been completed, and we think that there will be no serious influence hereafter on the Company's operating results or financial condition.

## (3) Contingency plans

So that the Company will prepare for unexpected failures, a company-wide contingency plan has been drawn up, and in each department and office within and without Japan individual contingency plans have also been drawn up, for a total of approximately 540 such plans in all. These plans are continually being reviewed and revised. From late this year until early next year, the Company's Emergency Crisis Management Task Force will be set up at the Tokyo headquarters office, and a total of 420 engineers will be mobilized to perform new-year's confirmation tests on the Company's main information and telecommunication system. We are also intending to confirm the normal operation of the office equipment etc. at all of the Company's offices and affiliates within and without Japan.



# Sumitomo Corporation

## Management results

### 1. Operating results for the first half

Sales for this first half, underperforming the first half of the prior year by 10.0%, were 5,172.4 billion yen. By product group, metals decreased by 17.2% compared with the first half of the prior year, owing to such factors as sluggishness in demand, particularly domestic demand, for steel. Machinery, electronics and media business underperformed the first half of the prior year by 11.1%, as a result of decreases in exports of ships, in Asia-bound plant transactions, etc. In chemicals and fuels, an increase in fuel imports was more than offset by a decrease in trade in chemicals, particularly domestic trade in chemicals, so that the group as a whole decreased by 6.2% compared with the first half of the prior year. Finally, foodstuff decreased by 6.6%, textile decreased by 5.0%, and construction, real estate, general products and others decreased by 0.6%, compared with the first half of the prior year.

Looking at sales by type of transaction, domestic trade decreased by 6.0%, import trade decreased by 1.7%, export trade decreased by 23.7%, and offshore trade decreased by 16.4%, compared with the first half of the prior year.

With respect to income, gross trading profit was 227.7 billion yen, a decrease of 15.7 billion yen compared with the first half of the prior year, but, owing to a 4.2 billion yen decrease in selling, general, and administrative expenses, operating profit was 23.6 billion yen, a decrease of 11.5 billion yen compared with the first half of the prior year. Ordinary income, because of factors such as a decrease in gains on sales of securities, decreased by 10.6 billion yen compared with the first half of the prior year, to 23.1 billion yen. Next, extraordinary gains, from booking such items as gains on sales of investment securities, came to 13.1 billion yen. On the other hand, extraordinary losses, from booking such items as a provision for doubtful receivables from associated companies etc. and a provision for qualified doubtful overseas claims etc., came to 12.0 billion yen.

As a result of the above, net income for this first half, after booking income taxes and income tax-deferred, was 14.2 billion yen.

With respect to the interim dividend, it was decided, at the meeting of the Board of Directors held on November 18, 1999, to set the interim dividend at 4 yen per share.

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## 2. Projections for the full fiscal year

We are forecasting that sales will be in the area of 10,500 billion yen, which is less than we expected at the beginning of the fiscal year.

With respect to income, counting on a reduction in selling, general, and administrative expenses due to the implementation of the Reform Package and improvements in the net of interest income and expense and the net of income and losses of associated companies accounted for by the equity method, we are projecting that ordinary income will be 68.0 billion yen and net income for the fiscal year will be 30.0 billion yen, both of which amounts are 3.0 billion yen more than we expected at the beginning of the fiscal year.

## Sumitomo Corporation

## Sales—consolidated basis

## 1. By product group

(Unit: millions of yen)

	Six-month period ended September 30					
	1999		1998		increase/decrease	
		(%)		(%)		(%)
Metals	997,918	19.3	1,204,593	21.0	-206,675	-17.2
Machinery, electronics and media business	2,111,358	40.8	2,375,982	41.3	-264,624	-11.1
Chemicals and fuels	788,869	15.2	841,000	14.6	-52,131	-6.2
Foodstuff	531,123	10.3	568,466	9.9	-37,343	-6.6
Textile	226,604	4.4	238,641	4.2	-12,037	-5.0
Construction, real estate, general products and others	516,566	10.0	519,847	9.0	-3,281	-0.6
Total	5,172,438	100.0	5,748,531	100.0	-576,093	-10.0

## 2. By type of transaction

(Unit: millions of yen)

	Six-month period ended September 30					
	1999		1998		increase/decrease	
		(%)		(%)		(%)
Domestic	2,919,825	56.5	3,106,385	54.0	-186,560	-6.0
Import	833,552	16.1	847,895	14.8	-14,343	-1.7
Export	848,268	16.4	1,111,212	19.3	-262,944	-23.7
Offshore	570,793	11.0	683,038	11.9	-112,245	-16.4
Total	5,172,438	100.0	5,748,531	100.0	-576,093	-10.0

## Sumitomo Corporation

## Consolidated statements of income

(Unit: millions of yen)

	Six-month period ended September 30			
	1999	1998	increase/decrease	
				(%)
<b>Sales</b>	5,172,438	5,748,531	-576,093	-10.0
<b>Cost of sales</b>	-4,944,701	-5,505,076	560,375	10.2
<b>Gross trading profit</b>	227,737	243,454	-15,717	-6.5
<b>Selling, general and administrative expenses</b>	-204,040	-208,249	4,209	2.0
<b>Operating profit</b>	23,697	35,205	-11,508	-32.7
<b>Non-operating income</b>	40,178	50,399	-10,221	-20.3
(Interest income)	( 23,932 )	( 30,821 )	( -6,889 )	
(Dividend income)	( 2,716 )	( 3,816 )	( -1,100 )	
(Other non-operating income)	( 13,530 )	( 15,761 )	( -2,231 )	
<b>Non-operating expenses</b>	-40,739	-51,806	11,067	21.4
(Interest expenses)	( -34,695 )	( -44,082 )	( 9,387 )	
(Other non-operating expenses)	( -6,044 )	( -7,723 )	( 1,679 )	
<b>Ordinary income</b>	23,136	33,798	-10,662	-31.5
<b>Extraordinary gains/losses – net</b>	1,140	-83,445	84,585	
<b>Income (loss) before income taxes and minority interests</b>	24,276	-49,646	73,922	—
<b>Income taxes</b>	-11,484	-10,873	-611	-5.6
<b>Income taxes-deferred</b>	-473	—	-473	
<b>Minority interests</b>	1,949	1,891	58	
<b>Net income (loss)</b>	14,268	-58,628	72,896	—

## Notes to consolidated statements of income

(Unit: millions of yen)

	Six-month period ended September 30		
	1999	1998	increase/decrease
<b>Extraordinary gains/losses</b>			
Gains (losses) on sales of fixed assets – net	-156	10,417	-10,573
Gains on sales of investment securities – net	12,168	5,231	6,937
Valuation losses on investment securities	-961	-3,420	2,459
Provision for bad debts reserve of affiliates and others	-6,054	-807	-5,247
Prior service cost due to reassessment of pension plans	-1,107	-1,107	—
Provision for doubtful receivables and others in specific countries	-2,750	—	-2,750
Valuation losses on marketable securities	—	-76,194	76,194
Expenses for settlement related to copper trading	—	-17,563	17,563
<b>Total</b>	<b>1,140</b>	<b>-83,445</b>	<b>84,585</b>
<b>For further information</b>			
Provision for doubtful receivables (Included in "Selling, general and administrative expenses")	-513	-945	432
Gains on sales of marketable securities – net (Included in "Other non-operating income")	3,298	11,376	-8,078
Reversal of valuation losses on marketable securities (Included in "Other non-operating income")	2,784	—	2,784
Equity in gains of associated companies - net (Included in "Other non-operating income")	2,681	—	2,681
Equity in losses of associated companies - net (Included in "Other non-operating expenses")	—	-2,458	2,458

## Sumitomo Corporation

## Consolidated balance sheets

(Unit: millions of yen)

Assets	Sep. 30 1999	Mar. 31 1999	increase/ decrease	Liabilities, minority interests and shareholders' equity	Sep. 30 1999	Mar. 31 1999	increase/ decrease
<b>Current assets</b>	<b>3,081,650</b>	<b>3,361,463</b>	<b>-279,813</b>	<b>Current liabilities</b>	<b>2,540,560</b>	<b>2,826,248</b>	<b>-285,688</b>
Cash and deposits	247,578	345,064	-97,486	Payables-trade, notes and accounts	993,855	1,087,631	-93,776
Receivables—trade, notes and accounts	1,603,113	1,701,065	-97,952	Short-term loans	658,454	878,924	-220,470
Marketable securities	417,836	478,483	-60,647	Commercial paper	360,020	442,290	-82,270
Inventories	420,324	417,751	2,573	Other current liabilities	528,231	417,403	110,828
Other current assets	433,999	455,792	-21,793	<b>Long-term liabilities</b>	<b>1,949,624</b>	<b>1,885,853</b>	<b>63,771</b>
Allowance for doubtful receivables	-41,200	-36,692	-4,508	Long-term loans	1,597,151	1,452,940	144,211
<b>Fixed assets</b>	<b>1,977,245</b>	<b>1,894,579</b>	<b>82,666</b>	Bonds and notes	179,052	253,915	-74,863
Tangible fixed assets, at cost				Employees' retirement allowance	29,876	31,290	-1,414
less accumulated depreciation	854,843	782,234	72,609	Other long-term liabilities	143,545	147,708	-4,163
Intangible fixed assets	68,273	54,741	13,532	<b>Total liabilities</b>	<b>4,490,184</b>	<b>4,712,101</b>	<b>-221,917</b>
Investments and other assets	1,054,129	1,057,604	-3,475	<b>Minority interests</b>	<b>44,364</b>	<b>28,682</b>	<b>15,682</b>
Investment securities	349,437	375,202	-25,765	Common stock	169,432	169,432	-
Long-term loans receivable	326,015	308,546	17,469	Additional paid-in capital	166,018	166,018	-
Other investments and assets	465,532	454,842	10,690	Retained earnings	253,815	245,113	8,702
Allowance for doubtful receivables	-86,855	-80,986	-5,869	Treasury stock	-1	-3	2
<b>Foreign currency translation adjustment</b>	<b>64,900</b>	<b>65,295</b>	<b>-395</b>	Treasury stock held by subsidiaries	-17	-6	-11
				<b>Total shareholders' equity</b>	<b>589,247</b>	<b>580,554</b>	<b>8,693</b>
				<b>Total</b>	<b>5,123,795</b>	<b>5,321,337</b>	<b>-197,542</b>
<b>Total</b>	<b>5,123,795</b>	<b>5,321,337</b>	<b>-197,542</b>				

(Notes)

	Sep. 30 1999	Mar. 31 1999
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1. Accumulated depreciation of tangible fixed assets	354,163	304,166
2. Notes discounted	43,789	46,109
3. Notes endorsed	2,075	1,497
4. Contingent liabilities for guarantees	192,296	234,344

## Basic items for production of consolidated financial statements

1. Tax effect accounting has been adopted from the year ended March 31, 1999, but was not adopted for the six-month period ended September 30, 1998.

### 2. Presentation of the consolidated financial statements

(1) The consolidated financial statements were prepared in accordance with the Japanese accounting standards for consolidated financial statements (MOF ordinance No. 28, 1976, which was revised as of December 21, 1998).

(2) Amounts have been rounded to the nearest million from the year ended March 31, 1999, but rounded down for the six-month period ended September 30, 1998.

### 3. Number of consolidated subsidiaries and other affiliated companies (equity method)

#### Consolidated subsidiaries (561)

Domestic (197)	...	Sumisho Electronics Co., Ltd. Sumisho Auto Lease Co., Ltd. Shinko Sugar Co., Ltd. Summit Inc. Sumisho Machinery Trade Corporation Sumisho Metalex Corporation, etc.
Overseas (364)	...	Sumitomo Corporation of America Sumitomo Corporation Europe Holding Ltd. Cantex Inc. Interacid Trading S.A., etc.

#### Other affiliated companies (equity method) (202)

Domestic (77)	...	Sumisho Computer Systems Corporation Sumisho Lease Co., Ltd. Yoshihara Oil Mill, Ltd., etc.
Overseas (125)	...	First Philippine Industrial Park Inc. P.T. Summitmas Property, etc.

(English translation)

November 18, 1999

**Consolidated semiannual results 1999**

(Six-month period ended September 30, 1999)

[Prepared on the basis of accounting principles generally accepted in the United States of America]

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**1. Operations for the six-month period ended September 30, 1999****(1) Summary**

(Remark) All amounts are rounded to the nearest million.

	Total trading transactions (increase/decrease)		Operating income (increase/decrease)		Net income (increase/decrease)		Earnings per share	Earnings per share after consideration of dilutive effect	Net income ratio on shareholders' equity
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)	(yen)	(%)
Apr.1 - Sep. 30, 1999	5,164,335	(-10.0)	18,764	(-50.7)	13,154	(6.6)	12.36	12.16	2.2
Apr.1 - Sep. 30, 1998	5,738,415		38,056		12,335		11.59	11.40	2.1
Year Ended March 31, 1999	11,378,831		17,744		-13,076		-12.28	-	-2.2

**(2) Financial position**

	Total assets	Total shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(yen)
September 30, 1999	5,257,768	615,626	11.7	578.34
September 30, 1998	5,817,742	565,273	9.7	531.04
March 31, 1999	5,389,356	569,653	10.6	535.15

**(3) Number of consolidated subsidiaries and other affiliated companies (equity method)**

Consolidated subsidiaries	561	
Unconsolidated subsidiaries	74	(Equity method applied 0)
Associated companies	279	(Equity method applied 202)

**Changes of number of consolidated subsidiaries and other affiliated companies (equity method)**

Consolidated (new)	65	Affiliated (new)	22
(excluded)	19	(excluded)	37

**2. Projection (fiscal year ending March 31, 2000)**

	Total trading transactions	Net income
	(millions of yen)	(millions of yen)
Year ending March 31, 2000	10,500,000	30,000



# Sumitomo Corporation

## Overview of performance (Consolidated basis)

[Prepared on the basis of accounting principles generally accepted in the United States of America]

Total trading transactions for this first half, underperforming the first half of the prior year by 10.0%, were 5,164.3 billion yen. By product group, metals decreased by 17.2% compared with the first half of the prior year, owing to such factors as sluggishness in demand, particularly domestic demand, for steel. Machinery, electronics and media business underperformed the first half of the prior year by 11.2%, as a result of decreases in exports of ships, in Asia-bound plant transactions, etc. In chemicals and fuel, an increase in fuel imports was more than offset by a decrease in trade in chemicals, particularly domestic trade in chemicals, so that the group as a whole decreased by 6.2% compared with the first half of the prior year. Finally, foodstuff decrease by 6.6%, textile decrease by 5.0%, and construction, real estate, general products and others decreased by 0.3%, compared with the first half of the prior year.

Looking at trading transactions by type of transaction, domestic trade decreased by 6.0%, import trade decreased by 1.7%, export trade decreased by 23.7%, and offshore trade decreased by 16.2%, compared with the first half of the prior year.

With respect to income, gross trading profit was 226.4 billion yen, a decrease of 16.9 billion yen compared with the first half of the prior year. Selling, general, and administrative expenses decreased by 2.8 billion yen compared with the first half of the prior year, but, owing to an increase in the provision for doubtful receivables, operating income was 18.7 billion yen, a decrease of 19.2 billion yen compared with the first half of the prior year. Owing to such factors as a 4.8 billion yen improvement in other income (expense)-net, income before equity in earnings (losses) of associated companies was 11.0 billion yen, a decrease of 4.2 billion yen compared with the first half of the prior year. And the net of income and equity in earnings (losses) of associated companies - net improved by a net 5.1 billion yen compared with the first half of the prior year.

As a result of the above, net income for this first half increased by 0.8 billion yen compared with the first half of the prior year, to 13.1 billion yen.

# Sumitomo Corporation and Consolidated Subsidiaries

## Consolidated statements of income

(Unit: millions of yen)

[Prepared on the basis of accounting principles generally accepted in the United States of America]

	Six-month period ended September 30			
	1999	1998	increase/decrease	(%)
Total trading transactions	5,164,335	5,738,415	-574,080	-10.0
Gross trading profit	226,442	243,369	-16,927	-7.0
(Gross trading profit ratio on total trading transactions)	(4.38%)	(4.24%)		
Selling, general and administrative expenses	-201,034	-203,931	2,897	1.4
Provision for doubtful receivables	-6,644	-1,382	-5,262	-380.8
Operating income	18,764	38,056	-19,292	-50.7
Other income (expenses) :				
Interest expense (net of interest income)	-11,849	-14,144	2,295	16.2
Dividends	2,716	3,816	-1,100	-28.8
Gain on marketable securities and investments - net	14,262	15,619	-1,357	-8.7
Gain (Loss) on property and equipment - net	-156	10,417	-10,573	—
Sundry - net	-1,847	-17,391	15,544	89.4
Other income (expenses) - net	3,126	-1,683	4,809	—
Income before income taxes and equity in earnings (losses) of associated companies	21,890	36,373	-14,483	-39.8
Income taxes	-10,852	-21,048	10,196	48.4
Income before equity in earnings (losses) of associated companies	11,038	15,325	-4,287	-28.0
Equity in earnings (losses) of associated companies - net (after income tax effect)	2,116	-2,990	5,106	—
Net income	13,154	12,335	819	6.6

(Notes) 1. The consolidated statements of income have been prepared on the basis of accounting principles generally accepted in the United States of America.

2. Comprehensive income for the six-month period ended September 30, 1999 and September 30, 1998 were gain of ¥50,231 million and loss of ¥49,859 million respectively.

## Consolidated balance sheets

[Prepared on the basis of accounting principles generally accepted in the United States of America]

(Unit: millions of yen)

ASSETS	September 30	March 31	increase/ decrease	LIABILITIES AND SHAREHOLDERS' EQUITY	September 30	March 31	increase/ decrease
	1999	1999			1999	1999	
Current assets				Current liabilities :			
Cash and cash equivalent	178,239	300,385	-122,146	Short-term debt	880,940	1,223,181	-342,241
Time deposits	69,339	44,678	24,661	Current maturities of long-term debt	353,807	251,910	101,897
Marketable securities	55,102	114,974	-59,872	Payables - trade			
Receivables - trade				Notes and acceptances	200,634	214,725	-14,091
Notes and loans	404,548	403,285	1,263	Accounts	742,940	814,449	-71,509
Accounts	1,136,177	1,202,134	-65,957	Associated companies	43,271	33,361	9,910
Associated companies	124,452	202,307	-77,855	Accrued income taxes	9,001	6,088	2,913
Allowance for doubtful receivables	-14,450	-11,267	-3,183	Other accrued expenses	63,503	64,878	-1,375
Inventories	400,975	398,402	2,573	Advances from customers	119,310	97,873	21,437
Deffered income taxes	23,230	20,489	2,741	Other current liabilities	89,851	65,533	24,318
Advance payments to suppliers	88,850	79,354	9,496	Total current liabilities	2,503,257	2,771,998	-268,741
Other current assets	91,934	71,227	20,707				
Total current assets	2,558,396	2,825,968	-267,572	Long-term debt, less current maturities	1,996,890	1,959,143	37,747
				Accrued pension and severance liabilities	51,540	54,358	-2,818
Investments and long-term receivables:				Deferred income taxes	49,267	6,247	43,020
Investments in and advances to				Minority interests	41,188	27,957	13,231
associated companies	207,045	214,744	-7,699	Shareholders' equity			
Other investments	865,078	830,008	35,070	Common stock	169,432	169,432	—
Long-term receivable	776,499	772,609	3,890	Additional paid - in capital	189,536	189,536	—
Allowance for doubtful receivables	-92,692	-88,236	-4,456	Retained earnings			
				Appropriated for legal reserve	15,958	15,532	426
Total investments and long-term				Unappropriated	213,470	205,000	8,470
receivables	1,755,930	1,729,125	26,805	Accumulated other comprehensive income			
				Net unrealized gains on securities			
Property and equipment , at cost less				available for sale	98,571	60,188	38,383
accumulated depreciation	817,161	740,460	76,701	Foreign currency translation adjustments			
				and other adjustments	-71,341	-70,035	-1,306
Other assets	126,281	93,803	32,478	Total shareholders' equity	615,626	569,653	45,973
Total	5,257,768	5,389,356	-131,588	Total	5,257,768	5,389,356	-131,588

(Notes) 1. The consolidated balance sheets have been prepared on the basis of accounting principles generally accepted in the United States of America.