

Consolidated annual results 2000

(Year ended March 31, 2001)

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

Sumitomo Corporation

Stock Exchange code No. 8053
 (The first sections of Tokyo and Osaka Stock Exchanges)
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1. Operations for the year ended March 31, 2001

(1) Summary

(Remark) Amounts are rounded to the nearest million.

	Total Trading Transactions	(increase/ decrease)	Operating income	(increase/ decrease)	Income before income taxes and equity in losses/earnings of associated companies	(increase/ decrease)	Net income	(increase/ decrease)
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
Year ended March 31, 2001	10,080,062	(-5.4)	88,853	(51.9)	81,275	(43.0)	40,344	(15.1)
Year ended March 31, 2000	10,656,046	(-6.4)	58,503	(229.7)	56,849	(-)	35,065	(-)

	Net income per share (basic)	Net income per share (diluted)	Net income ratio to net worth	Net income before income tax ratio to total assets	Net income before income tax ratio to total trade transaction
	(yen)	(yen)	(%)	(%)	(%)
Year ended March 31, 2001	37.91	37.14	6.4	1.6	0.8
Year ended March 31, 2000	32.94	32.31	5.8	1.1	0.5

Notes

Equity in losses/earnings of associated companies
 (2001) ¥ -6,452 million (2000) ¥ 5,652 million
 Average shares outstanding
 (2001) 1,064,306,912 (2000) 1,064,462,662
 Changes of accounting policies
 None

(2) Financial position

	Total assets	Total shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(yen)
March 31, 2001	4,950,079	622,957	12.6	585.33
March 31, 2000	4,904,644	634,223	12.9	595.83

(Note) Shares outstanding March 31, 2001: 1,064,277,119 March 31, 2000: 1,064,462,662

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents, end of period
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Year ended March 31, 2001	85,748	-62,823	14,017	251,532
Year ended March 31, 2000	110,560	159,598	-349,789	211,385

2. Projections (fiscal year ending March 31, 2002)

	Total trading transaction	Net income
	(millions of yen)	(millions of yen)
Six-month period ending September 30, 2001	4,900,000	20,000
Year ending March 31, 2002	10,000,000	45,000

[Reference] Estimated net income (year ending March 31, 2002) per share (basic) ¥ 42.28

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

Consolidated subsidiaries	520	
Unconsolidated subsidiaries	67	(Equity method applied 0)
Associated companies	291	(Equity method applied 207)

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

Consolidated (new)	50	Affiliated (new)	29
(excluded)	83	(excluded)	36

Caution Concerning Forward-looking Statements

This report includes "forward-looking statements" so that the investor can better understand a company's future prospects and make informed investment decisions. Since these forward-looking statements are the management's present expectations of future events, they are inherently susceptible to uncertainty and changes in circumstances. Therefore, the reader is advised not to put undue reliance on these statements, and the company is under no obligation - and expressly disclaims any such obligation - to update or alter its forward-looking statements.

Management results

1. Operating results for the fiscal year

The Company's total trading transactions for the fiscal year came to 10,080 billion yen, down 5.4% from the previous year. By segment, Iron and steel registered an advance of 2.4% and overseas trading subsidiaries was up 11.4%. The category of nonferrous metals, chemicals, petroleum & carbon, and domestic branches remained relatively constant compared to the previous year's level. Machinery & electric and media, electronics & information business was off decreased by 7.2%, due to such factors as decrease of domestic machinery business. Living related, retail & consumer services was down 17.8%, due in part to the decline in transaction volume resulting from the disposition of our tobacco business.

The Company's gross trading profit for the year was 488.4 billion yen, increasing 13.7 billion yen from the previous year. Reflecting a reduction of 18.1 billion yen in selling, general and administrative expenses, operating profit improved to 88.8 billion yen, with an increase of 30.3 billion yen. Income before equity in losses/earnings of associated companies amounted to 81.2 billion yen due to gain on securities transferred to pension fund, received compensation for loss on copper trading and loss on termination and restructuring of projects in other income/expenses, net. Net income for the fiscal year, after income taxes and equity in earnings (losses) of associated companies, totaled 40.3 billion yen, increasing 5.2 billion yen from the previous year.

2. Projections for the next fiscal year

Total trading transactions are expected to be around 10 trillion yen similar level to this year, and net income to be 45 billion yen.

Condensed consolidated statements of income

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

(Unit: millions of yen)

	Years ended March 31			
	2001	2000	increase/decrease	(%)
Total trading transactions	10,080,062	10,656,046	-575,984	-5.4
Gross trading profit	488,400	474,674	13,726	2.9
(Gross trading profit ratio on total trading transactions)	(4.85%)	(4.45 %)		
Selling, general and administrative expenses	-390,578	-408,688	18,110	4.4
Provision for doubtful receivables	-8,969	-7,483	-1,486	-19.9
Operating income	88,853	58,503	30,350	51.9
Other income (expenses):				
Interest expense (net of interest income)	-18,010	-22,070	4,060	18.4
Dividends	5,979	5,646	333	5.9
Gain on marketable securities and investments, net	37,289	43,480	-6,191	-14.2
Gain on securities transferred to pension fund	35,040	-	35,040	-
Gain on sale of subsidiaries	-	17,170	-17,170	-
Gain on sale of property and equipment, net	1,035	1,312	-277	-21.1
Provision for impairment of long lived assets	-7,753	-30,824	23,071	74.8
Received compensation for loss on copper trading, net	19,125	-	19,125	-
Loss on termination and restructuring of projects	-67,269	-5,461	-61,808	-
Other, net	-13,014	-10,907	-2,107	-19.3
Other income (expenses), net	-7,578	-1,654	-5,924	-358.2
Income before income taxes and equity in losses/earnings of associated companies	81,275	56,849	24,426	43.0
Income taxes	-34,479	-27,436	-7,043	-25.7
Income before equity in earnings (losses) of associated companies	46,796	29,413	17,383	59.1
Equity in earnings (losses) of associated companies, net (after income tax effect)	-6,452	5,652	-12,104	-
Net income	40,344	35,065	5,279	15.1

(Note) Comprehensive incomes for the year ended March 31, 2001 and 2000 were loss of ¥2,558 million and gain of ¥73,086 million respectively.

Condensed consolidated balance sheets

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

(Unit: millions of yen)

Assets	March 31 2001	March 31 2000	increase/ decrease	Liabilities and shareholders' equity	March 31 2001	March 31 2000	increase/ decrease
Current assets :				Current liabilities :			
Cash and cash equivalents	251,532	211,385	40,147	Short-term debt	820,534	559,182	261,352
Time deposits	5,194	6,149	-955	Current maturities of long-term debt	285,764	398,224	-112,460
Marketable securities	14,877	30,480	-15,603	Payables-trade			
Receivables-trade				Notes and acceptances	233,473	201,650	31,823
Notes and loans	396,661	351,526	45,135	Accounts	824,005	739,045	84,960
Accounts	1,174,220	1,066,175	108,045	Associated companies	51,107	37,381	13,726
Associated companies	195,120	128,841	66,279	Accrued income taxes	8,701	8,560	141
Allowance for doubtful receivables	-11,600	-11,554	-46	Other accrued expenses	45,473	57,686	-12,213
Inventories	418,585	373,334	45,251	Advances from customers	71,462	67,791	3,671
Deferred income taxes	23,697	25,815	-2,118	Other current liabilities	112,321	75,515	36,806
Advance payments to suppliers	61,072	71,644	-10,572				
Other current assets	97,232	78,759	18,473	Total current liabilities	2,452,840	2,145,034	307,806
Total current assets	2,626,590	2,332,554	294,036	Long-term debt, less current maturities	1,772,856	1,942,900	-170,044
				Accrued pension and severance liabilities	8,113	41,646	-33,533
Investments and long-term receivables :				Deferred income taxes	24,358	74,068	-49,710
Investments in and advances to				Minority interests	68,955	66,773	2,182
associated companies	242,516	180,264	62,252				
Other investments	704,039	887,884	-183,845	Shareholders' equity :			
Long-term receivable	648,156	661,159	-13,003	Common stock	169,432	169,432	-
Allowance for doubtful receivables	-95,957	-87,185	-8,772	Additional paid-in capital	189,536	189,536	-
				Retained earnings			
Total investments and long-term				Appropriated for legal reserve	17,235	16,384	851
receivables	1,498,754	1,642,122	-143,368	Unappropriated	261,675	230,697	30,978
				Accumulated other comprehensive income			
Property and equipment, at cost less				Net unrealized holding gains			
accumulated depreciation	705,344	817,524	-112,180	on securities available-for-sale	58,020	129,318	-71,298
				Foreign currency translation adjustments			
Other assets	119,391	112,444	6,947	and other adjustments	-72,748	-101,144	28,396
				Treasury stock, at cost	-193	-	-193
				Total shareholders' equity	622,957	634,223	-11,266
Total	4,950,079	4,904,644	45,435	Total	4,950,079	4,904,644	45,435

Condensed statements of consolidated cash flows

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

(Unit: millions of yen)

	Years ended March 31		increase/decrease
	2001	2000	
Operating activities			
Net income	40,344	35,065	5,279
Adjustments to reconcile net income to net cash provided by operating activities :			
Depreciation and amortization	57,424	62,124	-4,700
Equity in earnings (losses) of associated companies, net	6,452	-5,652	12,104
Provision for impairment of long lived assets	7,753	30,824	-23,071
Loss on termination and restructuring projects	67,269	5,461	61,808
Gain on marketable securities and investments, net/Gain on sale of subsidiaries	-37,289	-60,650	23,361
Gain on securities transferred to pension fund	-35,040	-	-35,040
Changes in operating assets and liabilities :			
Receivables	-124,889	130,471	-255,360
Inventories	-33,115	20,442	-53,557
Payables	125,476	-85,074	210,550
Other, net	11,363	-22,451	33,814
Net cash provided by operating activities	85,748	110,560	-24,812
Investing activities			
Changes in :			
Property and equipment	-45,961	-98,404	52,443
Loans receivable	-19,267	45,238	-64,505
Time deposits	4,564	40,072	-35,508
Marketable securities	9,840	160,627	-150,787
Other, net	-11,999	12,065	-24,064
Net cash provided by (used in) investing activities	-62,823	159,598	-222,421
Financing activities			
Change in long and short term debts	17,977	-350,437	368,414
Other, net	-3,960	648	-4,608
Net cash provided by (used in) financing activities	14,017	-349,789	363,806
Effect of exchange rate changes on cash and cash equivalents	3,205	-9,369	12,574
Net increase (decrease) in cash and cash equivalents	40,147	-89,000	129,147
Cash and cash equivalents, beginning of year	211,385	300,385	-89,000
Cash and cash equivalents, end of year	251,532	211,385	40,147

Sumitomo Corporation and Consolidated Subsidiaries

Condensed operating segment information

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

Operating segment information

Year ended March 31, 2001

(Unit: millions of yen)

	Iron & steel	Machinery & electric and media, electronics & information business	Nonferrous metals, chemicals, petroleum & carbon	Living related, retail & consumer services	Domestic branches	Overseas trading subsidiaries	Segment total	Corporate & eliminations	Consolidated
Trading transactions:									
External customers	931,153	3,671,452	1,865,546	1,901,870	854,816	749,953	9,974,790	105,272	10,080,062
Inter - segment	121,282	111,095	360,452	44,371	24,152	332,602	993,954	-993,954	-
Total	1,052,435	3,782,547	2,225,998	1,946,241	878,968	1,082,555	10,968,744	-888,682	10,080,062
Gross trading profit	38,553	155,112	75,370	143,402	20,579	60,883	493,899	-5,499	488,400
Operating income	10,168	22,110	16,051	16,929	3,929	15,432	84,619	4,234	88,853
Assets (As of March 2001)	376,883	1,561,798	620,629	1,040,214	272,102	482,888	4,354,514	595,565	4,950,079

Year ended March 31, 2000

(Unit: millions of yen)

	Iron & steel	Machinery & electric and media, electronics & information business	Nonferrous metals, chemicals, petroleum & carbon	Living related, retail & consumer services	Domestic branches	Overseas trading subsidiaries	Segment total	Corporate & eliminations	Consolidated
Trading transactions:									
External customers	909,738	3,957,952	1,869,701	2,313,047	860,669	673,279	10,584,386	71,660	10,656,046
Inter - segment	107,771	83,165	290,342	35,370	16,639	317,742	851,029	-851,029	-
Total	1,017,509	4,041,117	2,160,043	2,348,417	877,308	991,021	11,435,415	-779,369	10,656,046
Gross trading profit	33,959	158,356	69,722	158,924	20,111	50,469	491,541	-16,867	474,674
Operating income	1,437	10,869	12,124	22,984	2,904	6,297	56,615	1,888	58,503
Assets (As of March 2000)*	397,876	1,539,873	560,494	1,024,654	241,457	454,286	4,218,640	686,004	4,904,644

* Certain reclassification of previously reported amounts has been made to conform with current classification

Consolidated annual results 2000

(Year ended March 31, 2001)

[Prepared in accordance with the Japanese accounting standards for interim consolidated financial statements]

Sumitomo Corporation

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1. Operations for the year ended March 31, 2001

(1) Summary

(Remark) Amounts are rounded to the nearest million.

	Sales	(increase/ decrease)	Operating profit	(increase/ decrease)	Ordinary income	(increase/ decrease)	Net income	(increase/ decrease)	Net income per share (basic)	Net income per share (diluted)
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)	(yen)
Year ended March 31, 2001	10,100,683	(-5.4)	89,527	(56.9)	72,943	(-6.1)	26,651	(2.3)	25.04	24.64
Year ended March 31, 2000	10,672,407	(-6.3)	57,075	(0.9)	77,672	(62.2)	26,049	(-)	24.47	24.08

	Net income ratio to net worth	Ordinary income ratio to total assets	Ordinary income ratio to total sales
	(%)	(%)	(%)
Year ended March 31, 2001	4.5	1.5	0.7
Year ended March 31, 2000	4.4	1.5	0.7

(Notes) Equity in gains (losses) of associated companies (2001) ¥ -7,000 million (2000) ¥ 4,420 million
 Average shares (consolidated) (2001) 1,064,306,912 (2000) 1,064,457,616
 Changes of accounting policies None

(2) Financial position

	Total assets	Total shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(yen)
March 31, 2001	4,902,162	598,192	12.2	562.06
March 31, 2000	4,795,133	596,679	12.4	560.56

(Note) Consolidated share March 31, 2001: 1,064,277,119 March 31, 2000: 1,064,430,196

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents, end of period
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Year ended March 31, 2001	85,748	-61,207	14,017	251,532
Year ended March 31, 2000	110,560	155,103	-349,789	211,385

2. Projections (fiscal year ending March 31, 2002)

	Sales	Ordinary income	Net income
	(millions of yen)	(millions of yen)	(millions of yen)
Six-month period ending September 30, 2001	4,900,000	35,000	20,000
Year ending March 31, 2002	10,000,000	85,000	45,000

[Reference] Estimated net income (year ending March 31, 2002) per share ¥ 42.28

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

Consolidated subsidiaries	520	
Unconsolidated subsidiaries	67	(Equity method applied 0)
Associated companies	291	(Equity method applied 207)

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

Consolidated (new)	50	Affiliated (new)	29
(excluded)	83	(excluded)	36

Caution Concerning Forward-looking Statements

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The Group's business operations

- (1) The Group, with Sumitomo Corporation as its nucleus and making use of its branches covering the globe and their information networks, carries out transactions in all sorts of fields; in addition it is undertaking diversified activities as an integrated trading company, including the provision of various forms of financing to business transaction partners, the organization and coordination of various types of industrial projects, and investment in subsidiaries in such industries as information technology and retailing.
- (2) Commodities and contents of business, and principal subsidiaries and associated companies by industry segment are as follows:

	Industry segment	Commodities and contents of business	Principal subsidiaries and associated companies
Sumitomo Corporation	Iron & steel	Development, and trading of iron ore, coal, and iron sources. Domestic and international trading and processing of steel products.	Sumisho Tekko Hanbai Kaisha, Ltd. (S) Asian Steel Company Ltd. (S)
	Machinery & electric and media, electronics & information business	Domestic sales and international trading of machinery related to construction, industries and infrastructure. Trading, contracting, and operation of automobiles, rail-related products and ships, aerospace and transportation systems. Planning, developing, and promoting business in media industries, investment in information technology and related fields.	Sumisho Computer Systems Corporation (S) Sumisho Auto Leasing Co., Ltd. (S) Sumisho Electronics Co., Ltd. (S) Summit Development S. A. (S) Jupiter Telecommunications Co., Ltd. (A)
	Nonferrous metals, chemicals, petroleum & carbon	Development and international trading of nonferrous raw materials and finished products of nonferrous metals, crude oil, and LNG, chemicals, petroleum and carbon.	Sumisho Metalex Corporation (S) Cantex Inc. (S) Sumisho Oil Corporation (S)
	Living related, retail & consumer services	Production and International trading of foodstuffs, textiles, cement, wood chips, pulp, paper products. Owning and managing properties, and developing, contracting, and consulting for residential properties. Various retail and downstream businesses handling a wide range of consumer goods and services.	Summit Inc. (S) The Shinko Seito Co., Ltd. (S) Mammy Mart Corporation (A) Yoshihara Oil Mill, Ltd. (A) PT Summitmas Property (A)
	Domestic branches	Various businesses in key points in Japan.	
	Overseas trading subsidiaries	Various businesses in key points in the world.	Sumitomo Corporation of America (S) Sumitomo Corporation Europe Holding Ltd. (S) Sumitomo Corporation (Singapore) Pte. Ltd. (S) Sumitomo Corporation (Hong Kong) Ltd. (S)
	Others	Comprehensive logistics services, marketing of industrial parks, and insurance services. Financial and commodity business.	Sumisho Lease Co., Ltd. (A) First Philippine Industrial Park Inc. (A)

(Notes) 1. (S) stands for subsidiaries, and (A) for associated companies.

2. Above mentioned companies include following listed subsidiaries: Sumisho Computer Systems Corporation, Sumisho Auto Leasing Co., Ltd. (Tokyo Stock Exchange), Sumisho Electronics Co., Ltd., Sumisho Metalex, and The Shinko Seito Co., Ltd. (OTC).

Management policy

1. Mid-term management strategies and business activity etc. during the fiscal year

In October 1998 the Company adopted a medium-term plan called the “Reform Package” aimed at achieving the expansion of profits and strengthening of the corporate constitution; since then we have moved ahead with full implementation of four measures : (1) profit growth by expansion of core businesses, (2) strengthening the corporate constitution through improving quality of assets, (3) realization of effective, efficient management, and (4) reinforcement of cost competitiveness. The period under review marked the final fiscal year for implementation of the Reform Package, and in order to achieve the targets of this package all of the Company’s business divisions concentrated their management resources on core businesses with high profitability and future potential, making efforts to expand these businesses. The Company also made further moves to achieve improved asset quality and thereby strengthen its corporate constitution through withdrawal from less profitable businesses; these moves included the divestiture of our interest in a coal development project in Australia and the sale of an apparel manufacturing and sales company. In addition, we sought to realize more effective and efficient management through, for example, the consolidation of personnel and general administrative service operations into a single company. And we strove to strengthen our cost competitiveness with continued efforts to cut sales and administrative expenses.

As concrete examples of moves to expand core businesses, the Company has identified downstream retailing directly to consumers as one of its strategic priorities, and in this area we entered into a capital and business alliance with The Seiyu, Ltd., one of Japan’s leading retail chains, and started working together in such areas as food and apparel, tapping our own integrated corporate strength.

In the field of biotechnology, in addition to our existing Summit Pharmaceuticals International Corporation, which provides support for pharmaceutical research and development, we established SC BioSciences Corporation as a new subsidiary with its own research institute, thereby achieving a comprehensive setup for bioscience activities. In the information and communications field, we moved to achieve greater operational efficiency and to further strengthen our broadband network capabilities through the merger of Titus Communications Corp., a major cable television operator, with our associated company Jupiter Telecommunications Co., Ltd. (J-COM), a multiple system operator in Japan. We also beefed up the contents of our offerings through Jupiter Programming Co., Ltd., with a major increase in the number of channels.

In the context of a business environment featuring the rapid spread of information networks, we have been actively moving to achieve greater efficiency and higher added value in our existing businesses and to build new businesses through the fusion of our accumulated know-how and advances in IT. This has included moves to switch to e-commerce for the handling of existing lines of business. For example, together with a U.S. company we established SC Grainger Co., Ltd., to operate a website handling transactions in maintenance, repair, and operating (MRO) supplies for factory use. We have also continued to develop our Supply Chain Management (SCM) capabilities in a broad range of fields, such as the unified delivery of supplies and equipment for mobile phone base stations and procurement and inventory management of electronic parts based on customers’ purchasing plans. In addition, we have entered a new field making use of IT with the establishment of Digitalnonbank Co., Ltd., as a joint venture to provide financing services for business-to-business transactions over the Internet.

Sumitomo Corporation and Consolidated Subsidiaries

In the context of calls for harmonization of social and economic development with preservation of the global environment, we have worked to develop our environment-related businesses. For example, we have moved to secure a steady supply of wood chips for paper manufacturing while heeding concern about global warming through participation with other companies in afforestation activities overseas. We also succeeded in the development of “Fibercoat,” a material consisting of electrostatically fiber-planted steel sheet, and we established Fibercoat Co., Ltd., as a joint venture to produce and sell this new material, which is aimed at use in air-conditioning ducts and which promises to shorten work periods, reduce costs, and also contribute to decreasing the volume of industrial wastes by eliminating the need for extra insulation.

In addition, on the domestic front we entered the electric power retailing business with the establishment of Summit Energy Corporation as a joint venture for the direct sale of electric power to major users. In conjunction with the opening of Universal Studios Japan (USJ) this spring, we inaugurated Universal CityWalk Osaka, a neighboring large-scale multipurpose complex ; this has been doing lively business. On the international front, we received a large U.S. order for double-decker railway passenger cars, and in shipbuilding we won orders for a large-scale tanker from China and for four bulk freighters from Singapore. Meanwhile, sales of lots at an industrial park we developed in Vietnam have been proceeding at a good pace.

Thanks to such activities, we were able to substantially outperform the target of 8% for our consolidated risk-adjusted return (before taxes). And as a result of moves to invest strategically in new fields while reducing or eliminating our involvement in existing fields as appropriate, we have almost achieved the expected results in the reduction of our consolidated risk-adjusted assets.

The Supply Chain Management (SCM) system is an overall approach aimed at maximizing the efficiency of the flows of goods, payments, and information all the way from the procurement stage through production and sales, based on the application of advanced information technology (IT) and logistics technology (LT).

The “risk-adjusted return” is a measure of the profitability of a business against the risks involved in it. It is calculated as a fraction whose numerator is the return on the business as measured by the cash flow it is expected to generate during an accounting period and whose denominator is the value of the maximum losses that could be incurred if all the potential risks were actually to happen during the same period (“risk-adjusted assets”).

With respect to the copper trading incident, a number of civil suits in the U.S. in which the Company is a defendant are still pending, and the Company is doing its best to achieve early resolutions of these suits. As to one of these, a suit for damages that had been brought in a state court in California, which had been a major concern, in May of this year a settlement was concluded whereby the Company paid 87.5 million dollars (approximately 10.9 billion yen) to the plaintiffs.

Meanwhile, the Company has been making maximum efforts to recover its damages, bringing several civil suits against foreign financial institutions etc. that abetted the unauthorized trading. Separately from these suits, in May of last year a settlement was concluded with Merrill Lynch of the U.S., whereby the Company received payment of 275 million dollars (approximately 30.0 billion yen). Moreover, in July of last year the Company won its suit for damages against the former General Manager of the Non-Ferrous Metals Department, Yasuo Hamanaka, and others, thereby recovering a part of its damages.

Also, as to the shareholders' derivative action that had been brought against former directors of the Company in reference to this incident, a settlement was concluded in March of this year.

As to the suit that had been brought to nullify, inter alia, certain resolutions of the 128th Ordinary General Meeting of Shareholders, the plaintiff shareholder's petition for review was denied by the Supreme Court, and judgment in the Company's favor became final.

2. Future pressing issues

At Sumitomo Corporation, we have adopted a new medium-term management plan for the two years starting April 2001, the "Step Up Plan," which aims to continue and further develop the process that we implemented under the Reform Package. Under the "Step Up Plan," we will strive to achieve a drastic expansion of our profit base and the further strengthening of our corporate constitution by allocating our management resources strategically and drawing on our integrated corporate strength. In the context of our basic stance of maintaining balance between our consolidated risk-adjusted assets and our consolidated risk buffer (the sum of shareholders' equity and unrealized capital gains on securities and real estate), we will pursue the target of achieving a risk-adjusted return of 5% (10% before taxes). For this purpose we will be pursuing the following three concrete strategies:

(1) Drastic expansion of our profit base

We will build and expand our base of core businesses in line with our business portfolio strategy, taking into consideration the profitability and future prospects of each of the diverse fields in which we operate. We will seek to make maximum use of our integrated corporate strength through the fusion of our product strategies and regional strategies, harnessing information technology, or IT, logistics technology, or LT, and financial technology, or FT.

(2) Further strengthening of our corporate constitution

In addition to ongoing efforts to further strengthen our corporate constitution by replacing existing assets with superior ones, we will implement integrated risk management at a company-wide level to deal with the diversification and growth of the risks we confront. Also, we will ensure the Company's full compliance with applicable laws and ordinances based on the activities of our Legal Compliance Committee.

(3) Further improvement of our management efficiency

We will strive to further strengthen our cost competitiveness. In concrete terms, we will seek to promote greater efficiency in our corporate divisions.

To accompany the launch of the Step Up Plan, in April this year we implemented a major revamping of our business organization; based on a strategic review of both business fields and functions, we regrouped our operations into 9 business units and 28 divisions. The heads of the business units will manage their respective units more flexibly, organically, and speedily, coordinating the activities of the various regional organizations and formulating and implementing global business strategies for the range of products for which they are responsible. In addition, we have created a new Kansai Regional Business Unit incorporating our organization in Osaka and the offices in the surrounding areas. And in May this year we moved our Global Headquarters to the new Harumi Island Triton Square in Tokyo; meaning that the start of our first full fiscal year of the twenty-first century is also the start of a “New Harumi age” for Sumitomo Corporation.

We intend to make the move to our new Global Headquarters the occasion for an integrated company-wide effort to achieve the goals of our Step Up Plan, working to achieve a drastic expansion of our profit base and the further strengthening of our corporate constitution.

3. Dividend policy

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

Management results

1. Operating results for the fiscal year

The Company's total sales for the fiscal year came to 10,100.6 billion yen, down 5.4% from the previous year. By segment, Iron and steel registered an advance of 2.4% and overseas trading subsidiaries was up 11.4%. The category of nonferrous metals, chemicals, petroleum & carbon, and domestic branches remained relatively constant compared to the previous year's level. Machinery & electric and media, electronics & information business decreased by 7.2%, due to such factors as decrease of domestic machinery business. Living related, retail & consumer services was down 17.8%, due in part to the decline in transaction volume resulting from the disposition of our tobacco business.

The Company's gross trading profit for the period was 490.4 billion yen, increasing 13.4 billion yen from the previous year. Reflecting a reduction of 19 billion yen in selling, general, and administrative expenses, operating profit improved to 89.5 billion yen, with an increase of 32.4 billion yen. Due in part to decreased gain on marketable securities and investment, net, ordinary income declined by 4.7 billion yen to 72.9 billion yen. Extraordinary gains came to 107.4 billion yen, due to gain on sales of investment securities, gain on securities transferred to pension fund, and received compensation for loss on copper trading. Extraordinary losses, including provision for bad debts reserve of affiliates and others, provision for doubtful receivables and others in specific countries, full amortization of unrecognized net transition obligation of the pension, valuation losses on investment securities, and expenses for settlement related to copper trading, came to 125.1 billion yen. Reflecting the above results, net income for the fiscal year, after current and deferred income taxes, totaled 26.6 billion yen, an increase of 0.6 billion yen.

2. Projections for the next fiscal year

Total sales are expected to be around 10 trillion yen similar level to this year, ordinary income to be 85 billion yen, and net income to be 45 billion yen.

Sales - consolidated basis**1. By industry segment**

(Unit: millions of yen)

	Years ended March 31					
	2001		2000		increase/decrease	
		(%)		(%)		(%)
Iron & steel	931,153	9.1	909,738	8.5	21,415	2.4
Machinery & electric and media, electronics & information business	3,671,452	36.4	3,957,952	37.1	-286,500	-7.2
Nonferrous metals, chemicals, petroleum & carbon	1,865,546	18.5	1,869,701	17.5	-4,155	-0.2
Living related, retail & consumer services	1,901,870	18.8	2,313,047	21.7	-411,177	-17.8
Domestic branches	854,816	8.5	860,669	8.1	-5,853	-0.7
Overseas trading subsidiaries	749,953	7.4	673,279	6.3	76,674	11.4
Corporate & eliminations	125,893	1.3	88,021	0.8	37,872	43.0
Total	10,100,683	100.0	10,672,407	100.0	-571,724	-5.4

2. By type of transaction

(Unit: millions of yen)

	Years ended March 31					
	2001		2000		increase/decrease	
		(%)		(%)		(%)
Domestic	5,737,810	56.8	6,010,879	56.3	-273,069	-4.5
Import	1,642,469	16.3	1,810,720	17.0	-168,251	-9.3
Export	1,717,504	17.0	1,753,647	16.4	-36,143	-2.1
Offshore	1,002,900	9.9	1,097,161	10.3	-94,261	-8.6
Total	10,100,683	100.0	10,672,407	100.0	-571,724	-5.4

Consolidated statements of income

(Unit: millions of yen)

	Years ended March 31			
	2001	2000	increase/decrease	(%)
Sales	10,100,683	10,672,407	-571,724	-5.4
Cost of sales	-9,610,228	-10,195,395	585,167	5.7
Gross trading profit	490,455	477,012	13,443	2.8
Selling, general and administrative expenses	-400,928	-419,937	19,009	4.5
Operating profit	89,527	57,075	32,452	56.9
Non-operating income	70,749	98,824	-28,075	-28.4
(Interest income)	(42,299)	(43,069)	(-770)	
(Dividend income)	(5,979)	(5,646)	(333)	
(Other non-operating income)	(22,471)	(50,109)	(-27,638)	
Non-operating expenses	-87,333	-78,227	-9,106	-11.6
(Interest expenses)	(-58,810)	(-63,654)	(4,844)	
(Other non-operating expenses)	(-28,523)	(-14,573)	(-13,950)	
Ordinary income	72,943	77,672	-4,729	-6.1
Extraordinary gains/losses, net	-17,770	-36,246	18,476	
Income before income taxes and minority interests	55,173	41,426	13,747	33.2
Income taxes	-30,286	-24,893	-5,393	-21.7
Income taxes-deferred	6,056	6,392	-336	-5.3
Minority interests	-4,292	3,124	-7,416	-
Net income	26,651	26,049	602	2.3

Sumitomo Corporation and Consolidated Subsidiaries

Notes to consolidated statements of income

(Unit: millions of yen)

	Years ended March 31		
	2001	2000	increase/decrease
Extraordinary gains/losses			
Extraordinary gains			
Gain on sales of fixed assets	5,623	11,873	-6,250
Gains on sales of investment securities	36,746	33,276	3,470
Gain on securities transferred to pension fund	35,040	-	35,040
Received compensation for loss on copper trading	30,001	-	30,001
Extraordinary gains total	107,410	45,149	62,261
Extraordinary losses			
Loss on sales of fixed assets	-4,523	-3,106	-1,417
Loss on sales of investment securities	-1,909	-1,400	-509
Valuation losses on investment securities	-14,619	-4,016	-10,603
Provision for bad debts reserve of affiliates and others	-41,081	-23,058	-18,023
Provision for doubtful receivables and others in specific countries	-26,339	-9,550	-16,789
Full amortization of unrecognized net transition obligation of the pension	-19,670	-	-19,670
Expenses for settlement related to copper trading	-10,876	-	-10,876
Valuation loss on real estate held for development and resale	-6,163	-17,061	10,898
Valuation loss on marketable securities	-	-20,990	20,990
Prior service cost due to reassessment of pension plans	-	-2,214	2,214
Extraordinary losses total	-125,180	-81,395	-43,785
Total	-17,770	-36,246	18,476
For further information			
Provision for doubtful receivables (Included in "Selling, general and administrative expenses")	-6,400	-4,105	-2,295
Gain on sales of marketable securities, net (Included in "Other non-operating income")	10,858	34,605	-23,747
Equity in gain of associated companies, net (Included in "Other non-operating income")	-	4,420	-4,420
Equity in loss of associated companies, net (Included in "Other non-operating expenses")	-7,000	-	-7,000

Consolidated balance sheets

(Unit: millions of yen)

Assets	Mar. 31 2001	Mar. 31 2000	increase/ decrease	Liabilities, minority interests and shareholders' equity	Mar. 31 2000	Mar. 31 2000	increase/ decrease
Current assets	2,789,498	2,870,462	-80,964	Current liabilities	2,533,361	2,226,216	307,145
Cash and deposits	256,726	217,534	39,192	Payables-trade, notes and accounts	1,121,569	1,003,869	117,700
Receivables-trade, notes and accounts	1,637,251	1,550,805	86,446	Short-term loans	639,549	448,294	191,255
Marketable securities	14,877	366,639	-351,762	Commercial paper	415,845	286,246	129,599
Inventories	419,371	382,314	37,057	Deferred tax liabilities	367	160	207
Deferred tax assets	23,697	28,271	-4,574	Other current liabilities	356,031	487,647	-131,616
Other current assets	472,501	370,004	102,497	Long-term liabilities	1,702,349	1,900,927	-198,578
Allowance for doubtful receivables	-34,925	-45,105	10,180	Long-term loans	1,328,331	1,575,879	-247,548
Fixed assets	2,112,664	1,820,140	292,524	Bonds and notes	231,005	156,592	74,413
Tangible fixed assets, at cost less accumulated depreciation	733,171	851,819	-118,648	Employees' retirement allowance	-	25,095	-25,095
Intangible fixed assets	54,849	65,810	-10,961	Accrued pension and severance liabilities	8,113	-	8,113
Investments and other assets	1,324,644	902,511	422,133	Deferred tax liabilities	12,837	10,223	2,614
Investment securities	729,012	308,860	420,152	Other long-term liabilities	122,063	133,138	-11,075
Long-term loans receivable	236,811	231,889	4,922	Total liabilities	4,235,710	4,127,143	108,567
Deferred tax assets	10,741	40,553	-29,812	Minority interests	68,260	71,311	-3,051
Other investments and assets	410,156	387,040	23,116	Common stock	169,432	169,432	-
Allowance for doubtful receivables	-62,076	-65,831	3,755	Additional paid-in capital	166,018	166,018	-
Foreign currency translation adjustment	-	104,531	-104,531	Retained earnings	276,588	261,247	15,341
				Net unrealized holding gains on securities available-for-sale	63,644	-	63,644
				Foreign currency translation adjustment	-77,297	-	-77,297
				Treasury stock	-184	-9	-175
				Treasury stock held by subsidiaries	-9	-9	-
				Total shareholders' equity	598,192	596,679	1,513
Total	4,902,162	4,795,133	107,029	Total	4,902,162	4,795,133	107,029

(Notes)

	Mar.31 ,2001	Mar. 31 ,2000
1. Accumulated depreciation of tangible fixed assets	350,891	379,961
2. Notes discounted	37,406	46,225
3. Notes endorsed	1,858	1,202
4. Contingent liabilities for guarantees	130,367	175,582

Consolidated statements of retained earnings

(Unit: millions of yen)

	Year ended March 31		Year ended March 31	
	2001		2000	
Balance, beginning of year		261,247		245,113
Decrease				
Cash dividends paid	-8,515		-8,516	
Bonuses to directors	-114		-103	
Decrease due to ownership change of affiliates	-2,681	-11,310	-1,296	-9,915
Net income		26,651		26,049
Balance, end of year		276,588		261,247

Condensed statements of consolidated cash flows

(Unit: millions of yen)

	Years ended March 31		increase/decrease
	2001	2000	
Operating activities			
Income before income taxes and minority interests	55,173	41,426	13,747
Depreciation and amortization	66,379	78,683	-12,304
Equity in losses of associated companies, net	7,000	-4,420	11,420
Changes in :			
Receivables	-124,889	130,471	-255,360
Inventories	-33,115	20,442	-53,557
Payables	125,476	-85,074	210,550
Interests, income taxes and other expenses	-52,579	-42,661	-9,918
Other, net	42,303	-28,307	70,610
Net cash provided by operating activities	85,748	110,560	-24,812
Investing activities			
Changes in :			
Time deposits	4,564	40,072	-35,508
Marketable securities and investments	9,840	160,627	-150,787
Property and equipment	-40,750	-95,806	55,056
Loans receivable	-19,267	45,238	-64,505
Other, net	-15,594	4,972	-20,566
Net cash provided by (used in) investing activities	-61,207	155,103	-216,310
Financing activities			
Changes in :			
Loans payable	126,973	-369,928	496,901
Bonds	-108,996	19,491	-128,487
Other, net	-3,960	648	-4,608
Net cash provided by (used in) financing activities	14,017	-349,789	363,806
Effect of exchange rate changes on cash and cash equivalents	3,205	-9,369	12,574
Net increase (decrease) in cash and cash equivalents	41,763	-93,495	135,258
Cash and cash equivalents, beginning of year	211,385	300,385	-89,000
Net increase (decrease) in cash and cash equivalents with changes of consolidation criteria	-1,616	4,495	-6,111
Cash and cash equivalents, end of year	251,532	211,385	40,147

Basic items for production of consolidated financial statements

1. 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 April 16, 1999).
- (2) Amounts have been rounded to the nearest million.

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

Consolidated subsidiaries (520)

Domestic (189)	...	Sumisho Tekko Hanbai Kaisha, Ltd. Sumisho Electronics Co., Ltd. Sumisho Auto Leasing Co., Ltd. Sumisho Computer Systems Corporation Sumisho Metalex Corporation Sumisho Oil Corporation Summit Inc. The Shinko Seito Co., Ltd., etc.
Overseas (331)	...	Sumitomo Corporation of America Sumitomo Corporation Europe Holding Ltd. Sumitomo Corporation (Hong Kong) Ltd. Sumitomo Corporation (Singapore) Pte. Ltd. Asian Steel Company Ltd. Summit Development S. A. Cantex Inc., etc.

Other affiliated companies (equity method) (207)

Domestic (88)	...	Jupiter Telecommunications Co., Ltd. Mammy Mart Corporation Yoshihara Oil Mill, Ltd. Sumisho Lease Co., Ltd., etc.
Overseas (119)	...	P.T. Summitmas Property First Philippine Industrial Park Inc., etc.

3. Summary of significant accounting policies

(1) Securities

Effective April 1, 2000, the Companies apply "Accounting Standards for Financial Instruments" in Japan. Securities classified as available-for-sale securities are accounted for at fair value with unrealized gains and losses reported, net of tax, in a separate component of shareholders' equity.

(2) Allowance for doubtful receivables

The allowance for doubtful accounts are provided in an amount sufficient to cover possible losses on collection by estimating uncollectable amounts individually and applying a percentage based on collection experience to the remaining accounts.

(3) Accrued pension and severance liabilities

Effective April 1, 2000, the Companies apply "Accounting Standards for Post-Employment Benefit" in Japan.
The Companies amortized unrecognized net transition obligation of 19,670 million yen at the time of transition as extraordinary loss.

(4) Accounting for hedging instruments

The Companies utilize interest rate swap, interest rate cap, and future contracts as a means of managing their interest rate exposures on certain assets and liabilities under current hedge accountings. The companies also utilize foreign exchange forward contracts principally as hedges of receivables and commitments denominated in foreign currencies.
The gains and losses related to such contracts are principally recognized according to the deferred method.

Segment information**1. Industry segment information**

Year ended March 31, 2001

(Unit: millions of yen)

	Iron & steel	Machinery & electric and media, electronics & information business	Nonferrous metals, chemicals, petroleum & carbon	Living related, retail & consumer services	Domestic branches	Overseas trading subsidiaries	Segment total	Corporate & eliminations	Consolidated
Sales:									
External customers	931,153	3,671,452	1,865,546	1,901,870	854,816	749,953	9,974,790	125,893	10,100,683
Inter - segment	121,282	111,095	360,452	44,371	24,152	332,602	993,954	-993,954	-
Total	1,052,435	3,782,547	2,225,998	1,946,241	878,968	1,082,555	10,968,744	-868,061	10,100,683
Gross trading profit	38,553	155,112	75,370	143,402	20,579	60,883	493,899	-3,444	490,455
Operating profit	10,168	22,110	16,051	16,929	3,929	15,432	84,619	4,908	89,527
Assets	376,883	1,561,798	620,629	1,040,214	272,102	482,888	4,354,514	547,648	4,902,162

Year ended March 31, 2000

(Unit: millions of yen)

	Iron & steel	Machinery & electric and media, electronics & information business	Nonferrous metals, chemicals, petroleum & carbon	Living related, retail & consumer services	Domestic branches	Overseas trading subsidiaries	Segment total	Corporate & eliminations	Consolidated
Sales:									
External customers	909,738	3,957,952	1,869,701	2,313,047	860,669	673,279	10,584,386	88,021	10,672,407
Inter - segment	107,771	83,165	290,342	35,370	16,639	317,742	851,029	-851,029	-
Total	1,017,509	4,041,117	2,160,043	2,348,417	877,308	991,021	11,435,415	-763,008	10,672,407
Gross trading profit	33,959	158,356	69,722	158,924	20,111	50,469	491,541	-14,529	477,012
Operating profit	1,437	10,869	12,124	22,984	2,904	6,297	56,615	460	57,075
Assets	397,876	1,539,873	560,494	1,024,654	241,457	454,286	4,218,640	576,493	4,795,133

* Certain reclassification of previously reported amounts has been made to conform with current classification

2. Geographic segment information

Year ended March 31, 2001

(Unit: millions of yen)

	Japan	North and Central America	Europe	Asia and Oceania	Others	Segment total	Corporate & eliminations	Consolidated
Sales:								
External customers	8,823,713	567,059	285,986	408,341	15,584	10,100,683	-	10,100,683
Inter - segment	822,721	106,712	69,826	90,355	666	1,090,280	-1,090,280	-
Total	9,646,434	673,771	355,812	498,696	16,250	11,190,963	-1,090,280	10,100,683
Gross trading profit	357,286	59,183	30,976	36,598	6,380	490,423	32	490,455
Operating profit	51,482	20,516	6,761	10,008	728	89,495	32	89,527
Assets	3,997,317	519,704	361,688	295,120	242,615	5,416,444	-514,282	4,902,162

Year ended March 31, 2000

(Unit: millions of yen)

	Japan	North and Central America	Europe	Asia and Oceania	Others	Segment total	Corporate & eliminations	Consolidated
Sales:								
External customers	9,370,812	583,178	283,767	392,550	42,100	10,672,407	-	10,672,407
Inter - segment	804,233	110,553	37,115	71,068	1,504	1,024,473	-1,024,473	-
Total	10,175,045	693,731	320,882	463,618	43,604	11,696,880	-1,024,473	10,672,407
Gross trading profit	353,739	54,274	28,631	33,013	6,673	476,330	682	477,012
Operating profit	33,748	11,511	4,186	6,063	1,366	56,874	201	57,075
Assets	3,686,633	524,989	401,635	302,664	241,491	5,157,412	-362,279	4,795,133

3. Export and offshore sales

Year ended March 31, 2001

(Unit: millions of yen)

	North and Central America	Europe	Asia and Oceania	Others	Total
Export and offshore sales	971,495	425,994	1,210,746	112,169	2,720,404
Consolidated sales					10,100,683
Export and offshore sales as percent of consolidated sales	9.6	4.2	12.0	1.1	26.9

Year ended March 31, 2000

(Unit: millions of yen)

	North and Central America	Europe	Asia and Oceania	Others	Total
Export and offshore sales	945,754	432,169	1,266,481	206,404	2,850,808
Consolidated sales					10,672,407
Export and offshore sales as percent of consolidated sales	8.9	4.0	11.9	1.9	26.7

(Note) Export and offshore sales are those made by the Companies in countries or territories outside Japan.

Marketable securities Year ended March 31, 2001

(Unit: millions of yen)

1. Held-to-maturity (marketable)

	Book value	Market value	Unrealized gains/losses
(1) Bonds	41,014	40,300	-714
Total	41,014	40,300	-714

2. Available-for-sale (marketable)

	Historical cost	Book value	Unrealized gains/losses
(1) Stocks	310,898	420,441	109,543
(2) Bonds	15,224	15,867	643
Total	326,122	436,308	110,186

3. Non-marketable securities

(1) Held-to-maturity

	Book value
Bonds	3,222
Total	3,222

(2) Available-for-sale

	Book value
Stocks	106,730
Bonds	9,558
Other equity securities	31,250
Total	147,538

4. Investment in consolidated subsidiaries and associated companies (marketable)

	Book value	Market value	Unrealized gains/losses
(1) Investment in consolidated subsidiaries	7,668	104,519	96,851
(2) Investment in associated companies	11,157	24,701	13,544
Total	18,825	129,220	110,395

Sumitomo Corporation and Consolidated Subsidiaries

Pensions and other postretirement benefits

1. Pensions and other postretirement benefits plan

Sumitomo Corporation and its main domestic consolidated subsidiaries have non-contributory defined benefit plans.

Additionally, the companies have payments which are not covered by the Japanese accounting standard for postretirement benefits such as early retirement bonus.

Certain domestic subsidiaries and associated companies participate in an Employee pension fund as a group, which is stipulated by the Welfare Pension Insurance Law.

2. Pensions and other post retirement obligation/pension cost

	(millions of yen)
(1) Accrued pension and severance liabilities	8,113
(2) Prepaid pension cost	29,781
(3) Net periodic pension cost	34,236

3. Assumptions used for determining Accrued pension and severance liabilities

(1) Recognition of periodic pension cost	Benefit / years-of-service approach
(2) Weighted-average discount rate	Mainly 3.0%
(3) Expected long term rate of return on plan assets	Mainly 3.0%
(4) Amortization duration of unrecognized net transition obligation	Fully expensed for the year
(5) Amortization duration of actuarial loss	Mainly 12 years