

Consolidated annual results FY2002 (Year ended March 31, 2003)

[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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(URL <http://www.sumitomocorp.co.jp/english>)**1. Operations for the year ended March 31, 2003****(1) Summary**

(Remark) Amounts are rounded to the nearest million.

	Total trading transactions	(increase/decrease)	Operating income	(increase/decrease)	Income before income taxes, minority interests in earnings of subsidiaries, and equity in 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, 2003	9,229,576	(-4.3)	89,286	(1.0)	18,833	(-77.3)	28,280	(-37.5)
Year ended March 31, 2002	9,645,379	(-4.3)	88,368	(-0.5)	83,008	(-4.0)	45,216	(12.1)

	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 trading transactions
	(yen)	(yen)	(%)	(%)	(%)
Year ended March 31, 2003	26.58	26.18	4.4	0.4	0.2
Year ended March 31, 2002	42.49	41.59	7.1	1.7	0.9

Notes 1) Equity in earnings of associated companies (FY2002) 9,768 million yen (FY2001) 209 million yen

2) Average shares outstanding (consolidated) (FY2002) 1,063,908,266 (FY2001) 1,064,206,644

3) Changes of accounting policies None

4) Percentage figures are changes from the previous fiscal year.

5) Operating income is presented in a manner customarily used in Japan solely for Japanese investor's purposes.

(2) Financial position

	Total assets	Total shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	(millions of yen)	(millions of yen)	(%)	(yen)
March 31, 2003	4,863,695	626,250	12.9	588.84
March 31, 2002	4,852,554	650,366	13.4	611.14

(Note) Shares outstanding (consolidated) (March 31, 2003) 1,063,532,848 (March 31, 2002) 1,064,192,949

(3) Consolidated cash flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents, end of year
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Year ended March 31, 2003	67,038	-59,878	43,011	324,358
Year ended March 31, 2002	72,726	-78,823	26,651	276,726

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

Consolidated subsidiaries 534 Associated companies 187

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

Consolidated (added 68, reduced 57) Associated (added 23, reduced 33)

2. Targets (fiscal year ending March 31, 2004)

	Total trading transactions	Net income
	(millions of yen)	(millions of yen)
Year ending March 31, 2004	9,300,000	60,000

[Reference] Estimated net income (year ending March 31, 2004) per share (basic), ¥56.42

Caution Concerning Forward-Looking Statements

This report includes forward-looking statements relating to our future plans, objectives, expectations and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainty and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The Company is under no obligation -- and expressly disclaims any such obligation -- to update or alter its forward-looking statements.

The Group's business operations

- (1) The Group, with Sumitomo Corporation as its nucleus and through branches covering the globe and their information networks, operates in a wide array of industries; in addition it is undertaking diversified activities as an integrated trading company, including providing various forms of financing to business transaction partners, organizing and coordinating various industrial projects, and investing in subsidiaries in industries such 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
Metal Products	Domestic sales, international trading and processing of iron & steel and nonferrous metal products. Other related businesses.
	Sumisho Metalex Corporation (S) ○ / Sumisho Tekko Hanbai Co., Ltd. (S) / Asian Steel Company Ltd. (S)
	SC Metal Pty. Ltd. (S) / SC Steel Investment, Inc. (S)
Transportation & Construction Systems	Domestic sales and international trading of ships, aircrafts, railroad transportation systems, automobiles, construction machinery and related equipment and parts. Other related businesses.
	Sumisho Auto Leasing Co., Ltd. (S) ◎ / P.T. Oto Multiartha (S) / Oshima Shipbuilding Co., Ltd. (A)
Machinery & Electric	Domestic sales, international trading and construction of machinery and equipment related to industries, infrastructure, electricity and energy. Sales and installation of equipment and systems related to communication network and electronics. Promoting other related businesses.
	Sumisho Machinery Trade Corporation (S) / SC Machinex Corporation (S) / Mobicom Corporation (A)
Media, Electronics & Network	Distribution and installation of equipment, systems, parts and materials related to information and communications, the Internet, and network systems. Promoting media businesses, including programming and movies, and other related businesses.
	Sumisho Computer Systems Corporation (S) ◎ / Sumisho Electronics Co., Ltd. (S) ○ / Sumitronics Asia Holding Pte. Ltd. (S)
	Jupiter Telecommunications Co., Ltd. (A) / Jupiter Programming Co., Ltd. (A)
Chemical	Manufacturing and sales of inorganic and specialty chemicals, pharmaceuticals, agricultural chemicals, plastics and organic chemicals, and materials and systems related to biotechnology. Promoting other related businesses.
	Sumitomo Shoji Plastics Co., Ltd. (S) / Summit Pharmaceuticals International Corporation (S) / Sumitomo Shoji Chemicals Co., Ltd. (S)
	Cantex Inc. (S)
Mineral Resources & Energy	Development and international trading of iron ore, coal, iron sources, nonferrous raw materials, crude oil, LNG, petroleum, carbon, materials and finished products of crude oil, gas and coal. Domestic electricity and energy related businesses.
	Sumisho Oil Corporation (S) / Sumisho LPG Holdings Co., Ltd. (S) / Nusa Tenggara Mining Corporation (S)
	Sumisho Coal Australia Pty. Ltd. (S) / LNG Japan Corporation (A)
Consumer Goods & Service	Production and international trading of raw materials and products of foodstuffs, textiles and fertilizers. Operating retail and downstream businesses handling a wide range of consumer goods and services.
	Summit Inc. (S) / Shinko Sugar Co., Ltd. (S) ○ / Nittoh Bion Co., Ltd. (S) ○ / Mammy Mart Corporation (A) ○
	Otto-Sumisho Inc. (A)
Materials & Real Estate	Production and international trading of cement, wood chips, paper pulp, tires and other materials. Owning and managing properties, and developing, contracting, and consulting for residential properties.
	Sumisho Paper Co., Ltd. (S) / S.C. Cement Co., Ltd. (S) / IG Kogyo Kaisha., Ltd. (S) / Sumisho & Mitsubussan Kenzai Co., Ltd. (A)
	P.T. Summitmas Property (A)
Financial & Logistics	Financial and commodity business. Comprehensive logistic services, marketing of industrial parks, and insurance services.
	Bluewell Corporation (S) / Sumitrans (Japan) Corporation (S) / P.T. East Jakarta Industrial Park (S)
	Sumisho Capital Management Co. (S)
Domestic Regional Business Units, Offices and Branch Offices	Various businesses in key points in Japan.
	Sumisho Textile Company, Ltd. (S) / Sumisho Steel Sheets Works Co., Ltd. (S) / Sumisho Montblanc Co., Ltd. (S)
	Reibi Corporation (S) / Nippon Katan Co., Ltd. (A) ○
Overseas Subsidiaries and Branches	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) / Total 8 subsidiaries in China (S)
Corporate	
	Sumisho Lease Co., Ltd. (A) ◎

(Notes)

- (S) stands for subsidiaries, and (A) for associated companies.
- The companies mentioned above include listed companies at Tokyo Stock Exchange etc. (marked◎), JASDAQ (marked○).

Management policy

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

• Step Up Plan

During the period under review we actively implemented the Step Up Plan, our medium-term management plan for the two years through March 2003. We achieved solid results from our efforts under this plan, allocating our management resources strategically and drawing on the integrated corporate strength of the entire Sumitomo Corporation Group to implement measures aimed at achieving drastic expansion of the earning base, further strengthening of the corporate structure, and further promotion of efficiency.

• Creating and expanding core businesses

In order to achieve the objectives of the Step Up Plan, we focused efforts on the creation and expansion of core businesses. The following are some examples of our undertakings:

(1) Consumer retailing

Summit, Inc., which operates a chain of food supermarkets centering on the Tokyo area, achieved positive results during the period under review. We also strengthened our three-way relationship with The Seiyu, Ltd., and Wal-Mart Stores, Inc., aimed at the expansion of business. In addition we worked to achieve expanded sales at the supermarkets in which we hold equity stakes, striving to build a business model extending from product development through logistics with a primary focus on fresh food products with high levels of “traceability.”¹ In the area of the fashion brand business, Coach Japan, Inc., recorded steady sales growth centering on the flagship store that opened last year in Tokyo’s Ginza district, and this company is moving ahead actively with plans to expand sales through the development of additional outlets, including a second flagship store in the Shibuya district of Tokyo this April. In April last year we consolidated our drugstore operations into Sumisho Drugstores, Inc., thereby adding momentum to the development of our chain of drugstores with prescription departments, centering on the Tokyo area.

(2) Resources and energy

Operations have been progressing smoothly in the Batu Hijau copper/gold mine development project in Indonesia, and increased profits were achieved through cost cutting and increased

¹ “Traceability” refers to a set of arrangements making it possible to track and confirm information about products, particularly foodstuffs, as they make their way from the raw material stage through the production stage to the retail stage.

production at the local business enterprise. We were also able to expand our profits in our liquified petroleum gas (LPG) business by making use of our logistical setup extending from imports to retail sales and by keeping on top of supply-demand developments overseas and within Japan. Meanwhile, in the area of independent power producer (IPP) operations we acquired a portion of the partnership interests of a thermal power plant in the United States, and business enterprises that we set up in Vietnam and Taiwan together with The Tokyo Electric Power Company, Incorporated, and others undertook the construction of thermal power plants. In addition, we established power-generating companies, including Summit Onahama S Power Corporation and Summit Myojo Power Corporation, to actively develop our retail electric power business in eastern Japan.

(3) Pharmaceuticals and biotechnology

In December last year we established Summit Pharmaceuticals China Ltd. in Shanghai, creating a setup for the supply of high-quality materials making use of an inspection laboratory. Meanwhile, together with Summit Pharmaceuticals International Corporation we established Summit Glycoresearch Corporation, aiming to develop innovative technologies and products in the cutting-edge field of glycotecology. SC BioSciences Corporation worked to develop its sales of biotechnology-related devices and its commissioned research activities, and during the period under review it acquired exclusive sales rights in Japan for research reagents developed by the U.S. firm Quantum Dot Corporation.

(4) Information industries

Jupiter Telecommunications Co., Ltd., a multiple system operator offering cable television, Internet, and telephone services, greatly improved its earnings, increasing its base of subscribers to approximately 1.63 million households as of the end of March, up 20% from a year before. Jupiter Programming Co., Ltd., worked at developing its business of providing programming for cable TV and satellite broadcasting services and continued to enjoy good results in sales of its pay-channel offerings, again expanding its profits. In our movie-related operations, we realized a steady improvement in the results of our film-distribution and cinema-complex business enterprises; and the film *Tasogare Seibei* (The Twilight Samurai), in which we invested, took the Best Picture prize in the Japan Academy Awards.

(5) Logistics-related operations

At Thang Long Industrial Park in Vietnam, in addition to sales of industrial lots, we provided services for businesses in the park, including the installation of equipment, the supply of materials, and the transportation of products. We also actively sold lots at the Wuxi Huayou Industrial Park, which we set up as a joint venture with the city of Wuxi and others. Additionally within China we constructed logistical centers covering three major regions, north, east, and south, to provide

high-value-added services. In East China, for example, we began operations at Shanghai Sumisho–ADP International Forwarding Co., Ltd., which handles international logistics services, and at Shanghai Dazhong Sagawa Logistics Co., Ltd., a parcel-delivery service.

We also strove to develop our operations actively in other fields, taking advantage of our integrated corporate strength. For example, we acquired the steel business of Nomura Trading Holdings Co., Ltd. and reached a general agreement with Nichimen Corporation on acquisition of the latter’s steel product operations; both these moves were aimed at further boosting our sales and processing capabilities to meet customers’ needs in the area of steel products. In our real estate business, sales of ultra-high-rise luxury condominiums in the Tokyo metropolitan area progressed steadily; while in the field of home construction materials we acquired control of IG Kogyo Co., Ltd., a top manufacturer of metal siding, and we entered into a three-way partnership with Nichiha Corporation, a general manufacturer of residential siding. In the area of transportation equipment projects, Sumitomo Corporation of America won the position of the principal contractor for the automated people-mover system at Washington Dulles International Airport, a project undertaken in partnership with Mitsubishi Heavy Industries, Ltd. We were also actively involved in developing financial products; for example, we concluded a derivative contract with Shinanen Co., Ltd., to lessen the risk from price volatility in kerosene transactions. And in the area of sales of materials to electronics manufacturers, we established Summit Electro-Materials Sales Co., Shanghai, Ltd., to meet the needs of manufacturers that have set up operations in East China, using our Supply Chain Management (SCM)² system to establish an integrated supply scheme.

• Legal compliance

We have been focusing considerable efforts on ensuring full compliance with applicable laws and regulations. In November 2000 we set up a Legal Compliance Committee, which has promoted compliance awareness among employees with the preparation of a manual for use inside the Company. During the period under review we designated “compliance leaders” in each of our business units and major overseas offices as part of our drive to strengthen our compliance architecture levels in every organizational unit and region. We have also been striving to promote even more thorough compliance by providing firm guidance to the subsidiaries of the Sumitomo Corporation Group.

• Copper trading incident

² 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).

With respect to the copper trading incident, several civil lawsuits are pending against the company outside of Japan. We have been vigorously defending ourselves against these lawsuits, aiming at resolving them promptly. We have also been making maximum efforts to recover our own losses, bringing suits for damages against foreign companies that abetted the unauthorized copper trading.

2. Future Pressing issues

• Launch of AA Plan

With the start of the new fiscal year this April, we have launched the “AA Plan”³ as our next medium-term management plan for the two years following completion of the Step Up Plan; in this way we are keeping up our efforts to carry out continuous change so as to become a global leading company. Our aim for the future is to achieve a level of earning power that can cover shareholders’ capital cost, namely, a consolidated risk-adjusted return⁴ ratio of 7.5%. Under the AA Plan our target is to approach this goal by achieving a ratio of 6% or more. The following are some of the concrete measures we will take under this plan.

(1) Expansion of the earning base and strategic moves to the future by maximizing our integrated corporate strength

We will make the fullest possible use of our management resources by advancing our Business Portfolio Strategy and focusing even greater efforts on high-return, high-growth fields of business. In addition, we will aim for further expansion of our operations, drawing on our integrated corporate strength at the same time as we actively tackle new technologies, strategic fields, and strategic regions. We will also focus on hiring, developing, and utilizing human resources with the aim of strengthening our business foundations.

(2) Enhancing our corporate strength with efficiency and soundness

We will pursue efficient group management on a global basis. In the face of diversifying and growing risks, we will focus our efforts both to advance our risk management and to secure thorough legal compliance.

• Corporate governance

³ “AA” is short for “Approach for Achievement.” The name of the plan is an expression of our determination to approach a level of earning power sufficient to cover our shareholders’ capital cost.

⁴ 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 consolidated net income (after taxes) that 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”).

Based on the view that aiming for enhanced efficiency and soundness in our management and securing transparency are top priorities, we are planning a number of specific steps to build a flexible and efficient management setup:

First of all, we will secure an auditing setup based on diverse perspectives, bringing in an outside accounting expert as corporate auditor so as to make the majority of our auditors people from outside the Company. We will also seek a broad range of advice and suggestions concerning management strategy and medium- and long-term issues from the four knowledgeable persons from outside whom we have appointed as advisors. In addition, we are reducing the size of our Board of Directors to 12 so that it can make quick and rational decisions, and we are adopting an executive officer system so as to further clarify executive responsibility and authority and to strengthen the oversight function of the Board. It has been decided that in principle the chairman and the president will serve for a maximum of three two-year terms.

As a concrete expression of our basic thinking on corporate governance, including the points outlined above, we have recently compiled the “Sumitomo Corporation Corporate Governance Principles.”⁵

Through these efforts, we will work to further develop Sumitomo Corporation into a global leading company that can achieve prosperity and realize dreams for all of our stakeholders. At the same time we will strive to further increase our corporate value and conduct our activities in such a way as to earn our stakeholders’ understanding.

3. Attitude and policy for reducing the quantity of trading unit (round lot)

We understand that reducing the quantity of trading unit (round lot) might encourage to expand our investor base and the liquidity of Sumitomo Corporation’s stock. Since we believe that our liquidity is at a satisfactory level currently, we will carefully consider this issue by examining both future market demand and its related cost.

4. 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.

⁵ For “Sumitomo Corporation Corporate Governance Principles,” refer to pages 8-12.

Sumitomo Corporation Governance Principles

Item	Content
Fundamental Principle	<p>The business spirit of Sumitomo is a business and management concept that has continued to flow throughout Sumitomo’s operations for over 400 years. The Sumitomo Spirit was embodied in the “Business Principles” drafted in 1891(in the 24th year of Meiji). Namely:</p> <ol style="list-style-type: none"> 1. Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business. 2. Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently. <p>In 1998, we adopted the following “Management Principles” in order to develop a corporate vision for the 21st century while still adhering to the Sumitomo Spirit:</p> <ul style="list-style-type: none"> • To achieve prosperity and realize dreams through sound business activities. • To place prime importance on integrity and sound management with utmost respect for the individual. • To foster a corporate culture full of vitality and conducive to innovation. <p>The Sumitomo Spirit and Management Principles are the ethical backbone of our company and serve as the unwavering truths that support corporate governance. Realizing that, we have engaged in studies concerning the optimal managerial system for our company, namely a method of governance which is responsive to the trust placed in us by our shareholders while at the same time making management that takes in the interests of all stakeholders a reality.</p> <p>Ultimately, we view corporate governance as the “improvement of management efficiency” and the “maintenance of sound management,” as well as the “securing of managerial transparency” which is required to accomplish the same. At this time, the principles concerning the corporate governance of the company are as prescribed hereunder.</p>
Board of Directors	
(1) Role	<ul style="list-style-type: none"> • The board of directors renders decisions concerning key management matters and oversees the operation of the business by the directors and the executive officers.
(2) Composition	<ul style="list-style-type: none"> • The board of directors is comprised of all directors and corporate auditors. The number of directors shall be set within a scope which enables due deliberation and speedy and reasonable decision making by the board of directors. Currently, around 15 directors is considered an appropriate number. • Further consideration will be given to the election of outside directors.

Item	Content
(3) Chairman & President and CEO	<ul style="list-style-type: none"> • The Chairman of the Board of Directors oversees the board of directors, while the President and CEO supervises and carries out the business of the company. • Based on checks and balances, in principle there shall be both a Chairman and a President and CEO, and no one individual shall serve as both the Chairman and the President and CEO.
(4) Administration	<ul style="list-style-type: none"> • In principle, a meeting of the board of directors shall be convened once each month. • In order to ensure the attendance of directors and corporate auditors at meetings of the board of directors, notice of the convening of regular meetings of the board of directors for the following year (from January to December) shall be provided early each December. • Matters related to resolutions of the board of directors and specific standards for submitting matters for deliberation shall be prescribed in the company's internal rules "Matters Related to the Administration of Board of Directors." • In order to fully promote the function of the board of directors and recognizing the need for all directors and corporate auditors to have accurate and complete information regarding items on the agenda, materials required for consideration of the agenda items shall, except in emergencies, be provided beforehand to all directors and corporate auditors. • In principle, an explanation of each agenda item shall be provided by the director in charge of the matter submitted for deliberation, or by a director named thereby, but related directors may provide supplemental explanations when necessary in order to facilitate diverse debate. In addition, the executive officers or persons holding posts of department manager or above who are in charge of the matters may be called to attend when required for expert analytical explanations or for responses to specialized questions.
Directors (Board Members)	
(1) Qualifications	<ul style="list-style-type: none"> • Candidates for directors shall be honest in character, highly insightful and capable and shall have expert business knowledge and extensive experience. Gender and nationality etc. shall be of no consequence.
(2) Representative Directors	<ul style="list-style-type: none"> • In principle, all directors shall be representative directors.
(3) Term of Office	<ul style="list-style-type: none"> • The term of office for a director shall be two years, but this shall not preclude reelection. Provided, however, that the term of office for directors appointed to fill vacancies or new directorships shall be the same as the term of office for the other sitting directors. • Notwithstanding the foregoing, in principle, the term of office of the directors serving as the Chairman and the President and CEO shall not exceed three terms, or six years.
(4) Remuneration	<ul style="list-style-type: none"> • Remuneration provided to directors shall be within the monetary amount approved by a general meeting of shareholders and shall be decided by the board of directors.

Item	Content
(5) Duties	<ul style="list-style-type: none"> • Directors shall comply with laws, ordinances and the articles of incorporation and shall exercise the duty of a good manager to faithfully engage in their duties while taking into consideration the interests of all stakeholders. • Directors shall not engage in activities contrary to the interests of the company. Moreover, the company shall be prohibited from making monetary loans to individual directors. • Absent the consent of the company, directors shall not engage in their own businesses or concurrently serve in other posts. • Directors, when trading stocks and the like, shall comply with laws, ordinances, and the internal regulations “Matters Related to Insider Trading,” and shall exercise due care not to cause any suspicions of insider trading.
Executive Officers	
(1) Executive Officer System	<ul style="list-style-type: none"> • With the approval of the board of directors, the following executive officers shall be appointed and delegated the execution of work: President and CEO Executive Vice President Senior Managing Executive Officer Managing Executive Officer Executive Officer • With the exclusion of the Chairman, all directors shall concurrently serve as executive officers.
(2) Appointment	<ul style="list-style-type: none"> • Executive officers shall be appointed by resolution of the board of directors.
(3) Term of Office	<ul style="list-style-type: none"> • The term of office for an executive officer shall be two years, but this shall not preclude reelection.
(4) Remuneration	<ul style="list-style-type: none"> • Remuneration to executive officers shall be set as a position-based amount and shall reflect company performance and the evaluation of the executive officer. These standards shall be approved by the board of directors. • The amount of remuneration for an executive officer position shall be determined by the president based on the foregoing standards, pursuant to the authorization of the board of directors. • Remuneration provided to executive officers also serving as directors shall be included in the remuneration provided as a director.
(5) Duties	<ul style="list-style-type: none"> • Executive officers shall assume the same duties as the directors (see foregoing Item (5)).
Advisers	
	<ul style="list-style-type: none"> • With its goal of becoming a leading global company, the company shall appoint several outside knowledgeable persons as advisers, shall seek a wide variety of advice and proposals concerning management strategy, medium and long term issues, and the like from these advisers, and shall utilize the same in overall management.

Item	Content
Councils & Committees	
(1) Management Council	<ul style="list-style-type: none"> • A management council shall be established as an advisory body for the president, and shall engage in the exchange of opinions and information concerning basic policies and key matters related to management. • The management council shall be comprised of the chairman, president and CEO, executive vice president, and specific senior managing and managing executive officers.
(2) Compliance Committee	<ul style="list-style-type: none"> • The Compliance Committee shall strive for thorough compliance not only by the company but by all subsidiaries and affiliate companies in the group, based on the maintenance of management soundness.
Board of Corporate Auditors	
(1) Role	<ul style="list-style-type: none"> • The board of corporate auditors holds the authority prescribed by law and ordinances. In addition, decisions concerning auditing policies, methods for examining the status of the business and assets of the company, and other matters related to the execution of the duties of corporate auditors shall be made by resolution of this board.
(2) Composition	<ul style="list-style-type: none"> • There shall be five corporate auditors, with three of these being outside corporate auditors.
(3) Administration	<ul style="list-style-type: none"> • In principle, the board of corporate auditors shall meet once each month.
Corporate Auditors	
(1) Role	<ul style="list-style-type: none"> • Each corporate auditor shall audit the execution of duties by directors as members of the board of directors and as executive officers (representative directors).
(2) Qualifications	<ul style="list-style-type: none"> • Candidates for outside corporate auditors shall be honest in character, highly insightful and capable, hold a high degree of specialized knowledge and a wealth of experience in specific fields such as law, accounting, business management, and the like, and shall be persons who endorse the company's management principles and policies. Gender and nationality etc. shall be of no consequence. • Candidates for internal corporate auditors shall be honest in character, highly insightful and capable, and shall have expert business knowledge and extensive experience. Gender and nationality etc. shall be of no consequence.
(3) Remuneration	<ul style="list-style-type: none"> • Remuneration provided to corporate auditors shall be within the monetary amount approved by a general meeting of shareholders, and shall be decided upon mutual consultation of the corporate auditors.
(4) Duties	<ul style="list-style-type: none"> • Corporate auditors shall attend meetings of the board of directors, and when necessary shall express their opinions thereat. In addition, corporate auditors may attend all other internal meetings, including those of the management council. • Corporate auditors shall observe laws, ordinances and the articles of incorporation, and shall exercise the care of a good manager in the faithful execution of their duties.

Item	Content
	<ul style="list-style-type: none"> Corporate auditors, when trading stocks and the like, shall comply with laws, ordinances, and the internal regulations “Matters Related to Insider Trading,” and shall exercise due care not to cause any suspicions of insider trading.
Disclosure of Information	
	<ul style="list-style-type: none"> In an effort to bring an accurate understanding of the company’s management policies and business activities to all stakeholders, the company shall strive to make full disclosure, not limiting itself to the disclosure of information required by law, but also actively pursuing the voluntary disclosure of information.

Sumitomo Corporation and Consolidated Subsidiaries

Management results

1. Operating results for the fiscal year

The Company's consolidated total trading transactions for the fiscal year 2002 amounted to 9,229.6 billion yen, a 4.3% decrease from the previous fiscal year. This was due to continued withdrawal from less profitable businesses and deconsolidation of certain subsidiaries into associated companies.

Gross trading profit increased 9.2 billion yen to 496.4 billion yen. By segment, Transportation & Construction Systems increased due to the expansion of automobile dealership and finance businesses in Europe and Asia. In Materials & Real Estate, sales of condominiums in the Tokyo metropolitan area showed strong performance. The subsidiaries' foodstuff & fertilizer businesses and retail businesses in Consumer Goods & Service improved. On the other hand, Machinery & Electric was affected mainly by weak demand in the domestic market, and Media, Electronics & Network decreased due to the deconsolidation of a subsidiary into an associated company. Chemical and Domestic Regional Business Units also decreased.

Selling, general and administrative expenses increased by 5.5 billion yen from the previous fiscal year, resulting from the increase in pension expense, amortization for software and the expansion of subsidiaries' businesses.

In other expenses, reflecting the weak stock market, valuation loss on marketable securities and investments mainly of Japanese financial institutions was recognized, and gain on sale of marketable securities and investments decreased. In addition, impairment losses of long-lived assets was recognized due to the deflation in the domestic real estate market. As a result, although equity in earnings of associated companies increased by 9.6 billion yen to 9.8 billion yen, net income for the fiscal year totaled 28.3 billion yen, a decrease of 16.9 billion yen from the previous year.

2. Targets for the next fiscal year (consolidated)

The targets for the next fiscal year ending March 31, 2004 are as follows.

Total trading transactions	9.3 trillion yen
Gross trading profit	525 billion yen
Operating income	100 billion yen
Net income	60 billion yen

*Operating income is presented in a manner customarily used in Japan solely for Japanese investor's purposes.

Caution Concerning Forward-Looking Statements

This report includes forward-looking statements relating to our future plans, objectives, expectations and intentions. The forward-looking statements reflect management's current assumptions and expectations of future events, and accordingly, they are inherently susceptible to uncertainty and changes in circumstances and are not guarantees of future performance. Actual results may differ materially, for a wide range of possible reasons, including general industry and market conditions and general international economic conditions. In light of the many risks and uncertainties, you are advised not to put undue reliance on these statements. The Company is under no obligation -- and expressly disclaims any such obligation -- to update or alter its forward-looking statements.

3. Financial position

As of March 31, 2003, total assets increased by 11.1 billion yen to 4,863.7 billion yen from March 31, 2002. This was due to an increase of operating assets by expanding the earning base and an increase of cash and cash equivalents to maintain sufficient liquidity, despite a decrease of foreign currency assets' value caused by appreciation of the yen and a decrease of other investments because of weak stock prices. Shareholders' equity decreased by 24.1 billion yen to 626.3 billion yen from March 31, 2002, affected by declining stock prices and an appreciation of the yen. As a result, the shareholders' equity ratio decreased by 0.5 points to 12.9%.

In the fiscal year 2002, net cash provided by operating activities was 67.0 billion yen, while net cash of 59.9 billion yen was used in investing activities for strategic investments and expansion of the earning base. As a result, free cash flows in fiscal year 2002 amounted to 7.2 billion yen cash in. Net cash provided by financing activities amounted to 43.0 billion yen, by raising long-term debt including issuing bonds for the purpose of securing liquidity and improving working capital. As a result, cash and cash equivalents increased by 47.6 billion yen to 324.4 billion yen from March 31, 2002.

Sumitomo Corporation and Consolidated Subsidiaries
Statements of Consolidated Income
For the years ended March 31, 2003 and 2002

	Millions of yen		Millions of
	2003	2002	U.S. Dollars
			2003
Total trading transactions	¥ 9,229,576	¥ 9,645,379	\$ 76,913
Gross trading profit	¥ 496,449	¥ 487,274	\$ 4,137
Other income (expenses):			
Selling, general and administrative expenses	(406,334)	(400,839)	(3,386)
(Provision for)/reversal of allowance for doubtful receivables	(829)	1,933	(7)
Interest expense, net of interest income	(6,006)	(13,752)	(50)
Dividends	6,373	6,653	53
Loss on marketable securities and investments, net	(49,442)	(22,628)	(412)
Gain on securities transferred to pension fund	2,317	14,988	19
Gain on sale of property and equipment, net	3,283	2,798	27
Settlement received on copper trading litigation	2,022	11,512	17
Impairment losses of long-lived assets	(20,371)	-	(170)
(Provision for)/reversal of allowance for doubtful receivables and others in specific countries	(4,759)	12,289	(40)
Loss on termination and restructuring of projects	-	(7,650)	-
Other, net	(3,870)	(9,570)	(31)
Total	(477,616)	(404,266)	(3,980)
Income before income taxes, minority interests in earnings of subsidiaries, and equity in earnings of associated companies	18,833	83,008	157
Income taxes	6,032	(32,774)	50
Income before minority interests in earnings of subsidiaries and equity in earnings of associated companies	24,865	50,234	207
Minority interests in earnings of subsidiaries, net (after income tax effect)	(6,353)	(5,227)	(52)
Equity in earnings of associated companies, net (after income tax effect)	9,768	209	81
Net income	¥ 28,280	¥ 45,216	\$ 236
Amounts per share	Yen		U.S. Dollars
Net income:			
Basic	¥ 26.58	¥ 42.49	\$ 0.22
Diluted	26.18	41.59	0.22
Cash dividends applicable to the period	¥ 8.00	¥ 8.00	\$ 0.07

The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥120=US\$1.

Consolidated Balance Sheets

As of March 31, 2003 and 2002

	Millions of Yen		Millions of U.S. Dollars
	2003	2002	2003
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 324,358	¥ 276,726	\$ 2,703
Time deposits	3,360	7,870	28
Marketable securities	7,643	5,567	64
Receivables—trade			
Notes and loans	270,737	289,416	2,256
Accounts	1,095,814	1,072,464	9,132
Associated companies	138,329	162,454	1,153
Allowance for doubtful receivables	(9,762)	(10,683)	(81)
Inventories	413,091	406,615	3,442
Deferred income taxes	29,273	24,203	244
Advance payments to suppliers	47,802	46,533	398
Other current assets	116,129	133,970	968
Total current assets	2,436,774	2,415,135	20,307
Investments and long-term receivables:			
Investments in and advances to associated companies	375,743	285,418	3,131
Other investments	413,572	583,276	3,447
Long-term receivables	666,049	680,365	5,550
Allowance for doubtful receivables	(76,185)	(83,122)	(635)
Total investments and long-term receivables	1,379,179	1,465,937	11,493
Property and equipment, at cost less accumulated depreciation	761,016	776,346	6,342
Other assets	286,726	195,136	2,389
Total	¥ 4,863,695	¥ 4,852,554	\$ 40,531

The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥120=US\$1.

Consolidated Balance Sheets

As of March 31, 2003 and 2002

	Millions of Yen		Millions of U.S. Dollars
	2003	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	¥ 615,840	¥ 773,829	\$ 5,132
Current maturities of long-term debt	382,164	356,527	3,185
Payables-trade			
Notes and acceptances	115,189	166,565	960
Accounts	728,680	672,954	6,072
Associated companies	25,565	25,361	213
Income taxes	17,075	9,840	142
Other accrued expenses	47,695	37,456	398
Advances from customers	60,462	64,831	504
Other current liabilities	97,245	113,254	810
Total current liabilities	2,089,915	2,220,617	17,416
Long-term debt, less current maturities	2,045,957	1,883,581	17,050
Accrued pension and severance liabilities	9,075	8,544	75
Deferred income taxes	3,914	14,561	33
Minority interests	88,584	74,885	738
Shareholders' equity:			
Common stock	169,439	169,439	1,412
Additional paid-in capital	189,548	189,548	1,580
Retained earnings:			
Appropriated for legal reserve	17,686	17,686	147
Unappropriated	317,694	297,927	2,647
	335,380	315,613	2,794
Accumulated other comprehensive loss	(67,368)	(23,858)	(561)
Treasury stock, at cost	(749)	(376)	(6)
Total shareholders' equity	626,250	650,366	5,219
Total	¥ 4,863,695	¥ 4,852,554	\$ 40,531

The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥120=US\$1.

Statements of Consolidated Shareholders' Equity and Comprehensive Income

For the years ended March 31, 2003 and 2002

	Millions of Yen		Millions of U.S.Dollars
	2003	2002	2003
Common Stock:			
Balance, beginning of year	¥ 169,439	¥ 169,432	\$ 1,412
Increase	–	7	–
Balance, end of year	169,439	169,439	1,412
Additional paid-in capital:			
Balance, beginning of year	189,548	189,536	1,580
Increase	–	12	–
Balance, end of year	189,548	189,548	1,580
Retained earnings appropriated for legal reserve:			
Balance, beginning of year	17,686	17,235	147
Transfer from unappropriated retained earnings	–	451	–
Balance, end of year	17,686	17,686	147
Unappropriated retained earnings:			
Balance, beginning of year	297,927	261,675	2,482
Net income for the year	28,280	45,216	236
Cash dividends paid	(8,513)	(8,513)	(71)
Transfer to retained earnings appropriated for legal reserve	–	(451)	–
Balance, end of year	317,694	297,927	2,647
Accumulated other comprehensive loss			
Balance, beginning of year	(23,858)	(14,728)	(199)
Other comprehensive loss, net of tax	(43,510)	(9,130)	(362)
Balance, end of year	(67,368)	(23,858)	(561)
Treasury stock			
Balance, beginning of year	(376)	(193)	(3)
Purchase of treasury stock	(373)	(183)	(3)
Balance, end of year	(749)	(376)	(6)
Disclosure of comprehensive income (loss)			
Net income for the year	28,280	45,216	236
Other comprehensive income (loss), net of tax:			
Net unrealized holding losses on securities available for sale	(30,120)	(34,162)	(251)
Foreign currency translation adjustments	(13,512)	25,973	(113)
Net unrealized gains (losses) on derivatives	122	(941)	1
Comprehensive income (loss)	(15,230)	36,086	(127)

The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥120=US\$1.

Sumitomo Corporation and Consolidated Subsidiaries
Condensed Statements of Consolidated Cash Flows
For the years ended March 31, 2003 and 2002

	Millions of Yen		Millions of U.S. Dollars
	2003	2002	2003
Operating activities:			
Net income	¥ 28,280	¥ 45,216	\$ 236
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	71,817	65,624	598
Provision for/(reversal of) allowance for doubtful receivables	829	(1,933)	7
Loss on marketable securities and investments, net	49,442	22,628	412
Gain on securities transferred to pension fund	(2,317)	(14,988)	(19)
Gain on sale of property and equipment, net	(3,283)	(2,798)	(27)
Impairment losses of long-lived assets	20,371	-	170
Provision for/(reversal of) allowance for doubtful receivables and others in specific countries	4,759	(12,289)	40
Loss on termination and restructuring of projects	-	7,650	-
Equity in earnings of associated companies, net	(9,768)	(209)	(82)
Changes in operating assets and liabilities:			
Receivables	(39,720)	111,518	(331)
Inventories	(31,151)	22,577	(260)
Payables	31,110	(146,423)	259
Other, net	(53,331)	(23,847)	(444)
Net cash provided by operating activities	67,038	72,726	559
Investing activities:			
Changes in:			
Property and equipment	(52,269)	(117,068)	(436)
Investments	36,531	(8,157)	304
Loans	(47,327)	46,968	(394)
Time deposits	3,187	(566)	27
Net cash used in investing activities	(59,878)	(78,823)	(499)
Financing activities:			
Changes in:			
Short-term debt	(153,214)	9,049	(1,277)
Long-term debt	202,071	28,017	1,684
Cash dividends paid	(8,513)	(8,513)	(71)
Others	2,667	(1,902)	22
Net cash provided by financing activities	43,011	26,651	358
Effect of exchange rate changes on cash and cash equivalents	(2,539)	4,640	(21)
Net increase in cash and cash equivalents	47,632	25,194	397
Cash and cash equivalents, beginning of year	276,726	251,532	2,306
Cash and cash equivalents, end of year	¥ 324,358	¥ 276,726	\$ 2,703

The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥120=US\$1.

Sumitomo Corporation and Consolidated Subsidiaries

Basis of Consolidated Financial Statements

1. Basis of consolidated financial statements

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

2. Consolidation and Investments in Subsidiaries and Associated Companies

(1) Number of majority-owned subsidiaries: 534

Number of domestic subsidiaries: 180

Number of foreign subsidiaries: 354

See P.2 for more detail of these subsidiaries.

(2) Number of associated companies accounted for by the equity method: 187

Number of domestic associated companies: 83

Number of foreign associated companies: 104

See P.2 for more detail of these associated companies.

3. Summary of significant accounting policies

(1) Marketable securities and other investments

All debt securities and marketable equity securities are classified as either ① trading securities, which are accounted for at fair value with unrealized gains and losses included in earnings,

② available-for-sale securities, which are accounted for at fair value with unrealized gains and losses excluded from earnings and reported in a separate component of accumulated other comprehensive income (loss), net of tax, in the accompanying consolidated balance sheets, or

③ held-to-maturity securities, which are accounted for at amortized cost.

The Company has a policy of recognizing valuation losses on marketable equity securities with a decline of greater than 30% for six consecutive months.

With respect to marketable equity securities whose market value at the end of the fiscal year declined more than 50% from book value, the Company is to recognize additional valuation losses.

(2) Allowance for doubtful receivables

An allowance for doubtful receivables is maintained at the level which, in the judgment of management, is adequate to provide for probable losses that can be reasonably expected.

The Companies maintain a specific allowance for impaired loans. In addition to the specific allowance, an allowance is established for probable losses that are not individually identified but are expected to have occurred that are inherent in the loans portfolio based on default probability and loss severity from the Companies' past experience.

(3) Accrued pension and severance liabilities

The Companies have pension plans and/or severance indemnities plans covering substantially all employees other than directors. The costs of these plans are principally accrued based on amounts determined in accordance with the provisions of SFAS No.87 "Employers' Accounting for Pensions".

(4) Derivative financial instruments

The Companies recognize all derivatives as either assets or liabilities in the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income (loss), depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction.

(5) Business combinations, goodwill and other intangible assets

The companies use purchase method accounting for all business combinations, based on SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". Goodwill and other intangible assets with an indefinite useful life are no longer amortized but instead are assessed for impairment.

Segment Information

For the years ended March 31, 2003 and 2002

Operating segments: 2003:	Millions of Yen			
	Total trading transactions	Gross trading profit	Net income	As of March 31 Segment assets
Metal Products	¥ 920,406	¥ 37,179	¥ 6,341	¥ 344,055
Transportation & Construction Systems	1,370,104	86,154	5,640	764,872
Machinery & Electric	1,431,458	28,622	1,827	451,214
Media, Electronics & Network	372,712	40,870	8,527	339,205
Chemical	403,444	23,556	1,067	186,508
Mineral Resources & Energy	1,412,064	31,626	3,857	309,513
Consumer Goods & Service	866,143	86,052	5,293	271,461
Materials & Real Estate	400,160	48,428	1,615	449,586
Financial & Logistics	112,106	15,506	1,998	161,539
Domestic Regional Business Units, Offices and Branch Offices	1,385,653	51,164	(4,878)	569,789
Overseas Subsidiaries and Branches	1,102,333	59,335	7,127	503,706
Segment Total	9,776,583	508,492	38,414	4,351,448
Corporate and Eliminations	(547,007)	(12,043)	(10,134)	512,247
Consolidated	¥ 9,229,576	¥ 496,449	¥ 28,280	¥ 4,863,695

2002:	Millions of Yen			
	Total trading transactions	Gross trading profit	Net income	As of March 31 Segment assets
Metal Products	¥ 915,232	¥ 36,602	¥ 4,463	¥ 314,112
Transportation & Construction Systems	1,280,539	78,459	4,357	738,215
Machinery & Electric	1,701,871	30,643	4,072	421,239
Media, Electronics & Network	464,752	41,946	6,318	291,370
Chemical	427,071	25,534	1,864	204,780
Mineral Resources & Energy	1,203,170	30,059	2,462	266,705
Consumer Goods & Service	907,885	81,925	5,089	277,404
Materials & Real Estate	613,214	42,616	2,970	480,349
Financial & Logistics	105,064	14,546	1,345	152,510
Domestic Regional Business Units, Offices and Branch Offices	1,706,893	53,077	4,124	590,681
Overseas Subsidiaries and Branches	1,001,664	59,090	7,879	477,281
Segment Total	10,327,355	494,497	44,943	4,214,646
Corporate and Eliminations	(681,976)	(7,223)	273	637,908
Consolidated	¥ 9,645,379	¥ 487,274	¥ 45,216	¥ 4,852,554

2003:	Millions of U.S.Dollars			
	Total trading transactions	Gross trading profit	Net income	As of March 31 Segment assets
Metal Products	\$ 7,670	\$ 310	\$ 53	\$ 2,867
Transportation & Construction Systems	11,418	718	47	6,374
Machinery & Electric	11,929	238	15	3,760
Media, Electronics & Network	3,106	341	71	2,827
Chemical	3,362	196	9	1,554
Mineral Resources & Energy	11,767	264	32	2,579
Consumer Goods & Service	7,218	717	44	2,262
Materials & Real Estate	3,335	404	14	3,747
Financial & Logistics	934	129	17	1,346
Domestic Regional Business Units, Offices and Branch Offices	11,547	426	(41)	4,748
Overseas Subsidiaries and Branches	9,186	494	59	4,198
Segment Total	81,472	4,237	320	36,262
Corporate and Eliminations	(4,559)	(100)	(84)	4,269
Consolidated	\$ 76,913	\$ 4,137	\$ 236	\$ 40,531

The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥120=US\$1.

Marketable securities

As of March 31, 2003 and 2002

March 31, 2003	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 228,533	¥ 23,908	¥ (21,621)	¥ 230,820
Debt securities	5,803	83	(21)	5,865
Held-to-maturity	22,550	22	(9)	22,563
	<u>¥ 256,886</u>	<u>¥ 24,013</u>	<u>¥ (21,651)</u>	<u>¥ 259,248</u>

March 31, 2002:	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 246,024	¥ 73,720	¥ (22,666)	¥ 297,078
Debt securities	17,939	151	(43)	18,047
Held-to-maturity	28,859	9	(127)	28,741
	<u>¥ 292,822</u>	<u>¥ 73,880</u>	<u>¥ (22,836)</u>	<u>¥ 343,866</u>

March 31, 2003	Millions of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 1,905	\$ 199	\$ (181)	\$ 1,923
Debt securities	48	1	0	49
Held-to-maturity	188	0	0	188
	<u>\$ 2,141</u>	<u>\$ 200</u>	<u>\$ (181)</u>	<u>\$ 2,160</u>

The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥120=US\$1.