

# Highlights of consolidated semiannual results 2005 (Six-month period ended September 30, 2005)

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October 28, 2005

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

**Sumitomo Corporation**

## 1. Consolidated Income

Unit: 100 millions of yen (rounded to the nearest 100 million)

	Apr.1-Sep.30, 2005	Apr.1-Sep.30, 2004	increase/(decrease)		Summary																																						
			amount	percentage(%)																																							
Gross profit	<b>3,256</b>	2,715	541	20%	<p><b>Gross profit</b> &lt;Businesses which contributed to the increase&gt; - Metal businesses - Automobile lease and finance businesses in Asia - Coal business in Australia - Oil business in the British North Sea - Sumitomo Corporation of America - Newly consolidated subsidiaries such as The Hartz Mountain</p> <p><b>Selling, general and administrative expenses</b> - Effect of the newly consolidated subsidiaries - Increase in personnel expenses due to the expansion of business activities at subsidiaries</p> <p><b>Provision for doubtful receivables</b> - Additional provision related to receivables from a telecommunications project in South America, etc.</p> <p><b>Interest expense, net of interest income</b></p> <table border="1"> <thead> <tr> <th></th> <th>Apr.1-Sep.30, 2005</th> <th>Apr.1-Sep.30, 2004</th> <th>increase/ (decrease)</th> </tr> </thead> <tbody> <tr> <td>Interest income</td> <td>89</td> <td>69</td> <td>19</td> </tr> <tr> <td>Interest expense</td> <td>(165)</td> <td>(103)</td> <td>(62)</td> </tr> <tr> <td>Total</td> <td>(76)</td> <td>(33)</td> <td>(43)</td> </tr> </tbody> </table> <p>- Rise in interest rates of the U.S. dollar - Increase due to newly consolidated subsidiaries</p> <p><b>Dividends</b> - Increase from domestic companies</p> <p><b>Gain on marketable securities and investments, net</b> - Value realizations such as Coach Japan: +235</p> <p><b>Equity in earnings of associated companies, net</b> &lt;Businesses which contributed to the increase&gt; - Jupiter Programming - MS Communications - IPP business in Asia &lt;Decrease&gt; - Decrease of copper and gold production in Nusa Tenggara Mining Corporation (Batu Hijau copper and gold mine project)</p> <p><b>Gross profit, operating income, and net income are historical high as a first half of fiscal year.</b></p> <p>&lt;Reference&gt;</p> <table border="1"> <thead> <tr> <th colspan="2">Key Indices</th> <th>Apr.1-Sep.30, 2005</th> <th>Apr.1-Sep.30, 2004</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Foreign exchange (Yen/US\$, ave)</td> <td>(Jan.-Jun.)</td> <td>106.80</td> <td>108.38</td> </tr> <tr> <td>(Apr.-Sep.)</td> <td>110.36</td> <td>110.32</td> </tr> <tr> <td rowspan="2">Interest (%) (US\$ LIBOR6M, ave)</td> <td>(Jan.-Jun.)</td> <td>3.3%</td> <td>1.4%</td> </tr> <tr> <td>(Apr.-Sep.)</td> <td>3.7%</td> <td>1.8%</td> </tr> <tr> <td colspan="2">Crude oil (US\$/bbl)&lt;North Sea Brent&gt;</td> <td>50</td> <td>33</td> </tr> </tbody> </table>		Apr.1-Sep.30, 2005	Apr.1-Sep.30, 2004	increase/ (decrease)	Interest income	89	69	19	Interest expense	(165)	(103)	(62)	Total	(76)	(33)	(43)	Key Indices		Apr.1-Sep.30, 2005	Apr.1-Sep.30, 2004	Foreign exchange (Yen/US\$, ave)	(Jan.-Jun.)	106.80	108.38	(Apr.-Sep.)	110.36	110.32	Interest (%) (US\$ LIBOR6M, ave)	(Jan.-Jun.)	3.3%	1.4%	(Apr.-Sep.)	3.7%	1.8%	Crude oil (US\$/bbl)<North Sea Brent>		50	33
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Other income (expenses) :																																											
Selling, general and administrative expenses	<b>(2,346)</b>	(2,163)	(183)	(8%)																																							
Settlements on copper trading litigation	<b>(0)</b>	(10)	10	99%																																							
Provision for doubtful receivables	<b>(44)</b>	(31)	(13)	(43%)																																							
Gain on property and equipment, net	<b>5</b>	1	4	401%																																							
Interest expense, net of interest income	<b>(76)</b>	(33)	(43)	(128%)																																							
Dividends	<b>62</b>	36	26	74%																																							
Gain on marketable securities and investments, net	<b>334</b>	64	269	418%																																							
Equity in earnings of associated companies, net	<b>225</b>	189	36	19%																																							
Other, net	<b>8</b>	1	7	863%																																							
Total other income (expenses)	<b>(1,833)</b>	(1,947)	114	6%																																							
Income before income taxes and minority interests in earnings of subsidiaries	<b>1,423</b>	768	655	85%																																							
Income taxes	<b>(502)</b>	(297)	(205)	(69%)																																							
Income before minority interests in earnings of subsidiaries	<b>921</b>	471	450	96%																																							
Minority interests in earnings of subsidiaries, net	<b>(39)</b>	(35)	(4)	(12%)																																							
Net income	<b>881</b>	435	446	103%																																							
Total trading transactions	<b>49,218</b>	47,864	1,354	3%																																							
Operating income	<b>866</b>	520	345	66%																																							
Basic profit (Calculation for reference)*	<b>753</b>	515	238	46%																																							

Note: Total trading transactions is presented in a manner customarily used in Japan solely for Japanese investors' purposes.

Note: Operating income is presented in a manner customarily used in Japan solely for Japanese investors' purposes.

\*Calculation: (Gross profit-Selling, general and administrative expenses-Interest expenses, net of interest income+Dividends)×59% (to take into account income taxes) + Equity in earnings of associated companies, net

## 2. Segment Information

Sumitomo Corporation

Unit: 100 millions of yen (rounded to the nearest 100 million)

	Gross profit			Net income			Summary (Net income)
	Apr.1-Sep.30, 2005	Apr.1-Sep.30, 2004	increase/ (decrease)	Apr.1-Sep.30, 2005	Apr.1-Sep.30, 2004	increase/ (decrease)	
Metal Products	304	249	54	102	67	35	- Strong performances in steel service center operations, steel sheets, steel pipes, and non-ferrous metal businesses
Transportation & Construction Systems	619	533	86	101	78	23	- Strong performance in automobile lease and finance businesses in Asia
Machinery & Electric	154	168	(14)	37	32	5	- New IPP business in Asia and Middle East - Acquired additional shares in IPP business in the U.S.
Media, Electronics & Network	205	196	9	89	52	37	- Strong performances in Jupiter Programming and MS Communications - Gain on securities such as DeNA and J:COM
Chemical	164	135	29	33	27	6	- Strong performance in organic chemicals business
Mineral Resources & Energy	223	163	61	97	62	35	- Strong performance in coal business in Australia and oil business in the British North Sea - Decrease in Nusa Tenggara Mining Corporation
Consumer Goods & Service	503	490	13	156	32	124	- Value realization of Coach Japan
Materials & Real Estate	210	210	0	50	(2)	52	- Strong performance in metropolitan condominium sales - Improvement in earnings of real estate for rent in Yokohama area, on which impairment loss was recognized last fiscal year
Financial & Logistics	97	86	10	19	14	5	- Strong performance in sales of overseas industrial park business
Domestic Regional Business Units and Offices	201	200	1	27	20	6	- Strong performance in metal businesses
Overseas Subsidiaries and Branches	540	339	201	165	69	96	- Strong performance in Sumitomo Corporation of America
Segment Total	3,220	2,770	450	875	450	425	
Corporate and Eliminations	35	(56)	91	6	(15)	21	
Consolidated	3,256	2,715	541	881	435	446	

## 3. Financial Position

## 4. Cash Flows

	As of Sep.30, 2005	As of Mar.31, 2005	increase/ (decrease)	Summary		Apr.1-Sep.30, 2005	Apr.1-Sep.30, 2004
Total assets	57,924	55,331	2,593	<u>Total assets</u> - Expanded business activities and increased investments	Net cash provided by operating activities	359	108
Total shareholders' equity	11,543	9,349	2,195	- Increase in unrealized holding gains on securities available-for-sale	Net cash (used in) provided by investing activities	110	(441)
Shareholders' equity ratio	19.9%	16.9%	3.0pt	<u>Total shareholders' equity, Shareholders' equity ratio</u> - Increases in net income	<i>Free Cash Flow</i>	469	(334)
Interest - bearing liabilities, net	23,553	23,760	(207)	- Increase in unrealized holding gains on securities available-for-sale	Net cash provided by (used in) financing activities	(968)	1,035
Debt - equity ratio, net (times)	2.0	2.5	( 0.5pt)	- Increase in additional paid-in capital resulting from stock exchange with Sumisho Auto Leasing to make it a wholly owned subsidiary	Effect of exchange rate changes on cash and cash equivalents, etc	53	4
				<u>Debt - equity ratio, net (times)</u> - Improved due to the increase of shareholders' equity and decrease of interests-bearing liabilities, net	Net increase in cash and cash equivalents	(446)	706

## 5. Targets (Year ending March 31, 2006)

Sumitomo Corporation

Unit: 100 millions of yen (rounded to the nearest 100 million)

	Revised in Oct., 2005 (A)	Announced in Apr., 2005 (B)	increase/ (decrease) (A)-(B)	Results Year ended Mar. 31, 2005 (C)	increase/(decrease) (A)-(C)		Summary
					amount	percentage(%)	
Gross profit	6,600	6,200	400	5,631	969	17%	<u>Gross profit</u> - Further expansion of core businesses and contributions from newly consolidated subsidiaries
Other income (expenses) :							
Selling, general and administrative expenses	(4,850)	(4,800)	(50)	(4,378)	(472)	(11%)	<u>Selling, general and administrative expenses</u> - Increase due to the expansion of business base
Interest expense, net of interest income	(170)	(140)	(30)	(86)	(84)	(98%)	<u>Interest expense, net of interest income</u> - Effect of the rise in interest rates of the U.S. dollar - Increase due to the expansion of business base
Dividends	90	60	30	64	26	41%	
Equity in earnings of associated companies, net	470	450	20	374	96	26%	<u>Equity in earnings of associated companies, net</u> - Continuous strong performances in Jupiter Programming and MS Communications
Other, net	210	100	110	(90)	300	-	<u>Other, net</u> - Additional gain on sale of marketable securities and properties
Total other income (expenses)	(4,250)	(4,330)	80	(4,118)	(132)	(3%)	
Income before income taxes and minority interests in earnings of subsidiaries	2,350	1,870	480	1,513	837	55%	
Income taxes	(860)	(670)	(190)	(578)	(282)	(49%)	
Income before minority interests in earnings of subsidiaries	1,490	1,200	290	935	555	59%	
Minority interests in earnings of subsidiaries	(90)	(100)	10	(84)	(6)	(7%)	
Net income	1,400	1,100	300	851	549	65%	
Total trading transactions	102,000	102,000	-	98,986	3,014	3%	
Basic profit (Calculation for reference)*	1,455	1,229	226	1,100	355	32%	

  

<Assumptions for annual average>			
	Announced in Apr., 2005	Revised in Oct., 2005	Results Apr. 1-Sep. 30, 2005
Foreign exchange (Yen/US\$) (Apr.-Mar.)	105	112	110.36
Crude Oil (North Sea Brent US\$/bbl)	32	55~56	50.4
Coking coal (US\$/MT)	around 125	around 125	around 125
Copper (US ¢/lb)	110	133	132
Gold (US\$/oz)	400	433	429
Interest LIBOR 6M (Yen) (Apr.-Mar.)	0.07%	0.07%	0.07%
Interest LIBOR 6M (US\$) (Apr.-Mar.)	3.6%	4.0%	3.7%

Note: Total trading transactions is presented in a manner customarily used in Japan solely for Japanese investors' purposes.

\*Calculation: (Gross profit-Selling, general and administrative expenses-Interest expenses, net of interest income+Dividends)×59% (to take into account income taxes) + Equity in earnings of associated companies, net

## 6. Notification of interim dividend

**Our basic policy is to meet shareholders' expectations by ensuring long-term stable dividends. In addition to this basic policy, we have set the dividend payout ratio at around 20%, reflecting consolidated financial results. Based on our revised target of consolidated net income of 140 billion yen, the annual dividend is planned to be 22 yen per share (the annual dividends for fiscal year 2004 was 11 yen per share). Therefore, the interim dividend is 11 yen per share, half amount of the planned annual dividend (the interim dividend for fiscal year 2004 was 4 yen per share).**

### Cautionary Statement Concerning Forward-Looking Statements

This report includes forward-looking statements relating to our future plans, targets, 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 uncertainties 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 management targets included in this report are not projections, and do not represent management's current estimates of future performance. Rather, they represent targets that management strive to achieve through the successful implementation of the Company's business strategies. The company may be unsuccessful in implementing its business strategies, and management may fail to achieve its targets. The Company is under no obligation -- and expressly disclaims any such obligation -- to update or alter its forward-looking statements.

**Sumitomo Corporation**

## Number of subsidiaries and associated companies

Unit: Number of companies

	As of Sep. 30, 2005			increase/(decrease) from Sep. 30, 2004		
	Profit	Loss	Total	Profit	Loss	Total
Japan	200	74	274	(31)	26	(5)
Overseas	492	89	581	58	(25)	33
<b>Total</b>	<b>692</b>	<b>163</b>	<b>855</b>	<b>27</b>	<b>1</b>	<b>28</b>

(Profit-making company ratio)

81%

+1pt

## Equity in earnings of subsidiaries and associated companies

Unit: 100 millions of yen

	Apr.1-Sep.30, 2005			increase/(decrease) from the same period of the previous year		
	Profit	Loss	Total	Profit	Loss	Total
Japan	295	(31)	264	32	(6)	26
Overseas	454	(21)	433	220	3	223
<b>Total</b>	<b>749</b>	<b>(52)</b>	<b>697</b>	<b>252</b>	<b>(3)</b>	<b>249</b>

## Equity in earnings of subsidiaries and associated companies by Segment

Unit: 100 millions of yen

	Apr.1-Sep.30, 2005			increase/(decrease) from the same period of the previous year		
	Profit	Loss	Total	Profit	Loss	Total
Metal Products	56	(4)	52	10	0	10
Transportation & Construction Systems	135	(8)	128	35	6	42
Machinery & Electric	38	(6)	32	24	(1)	24
Media, Electronics & Network	69	(3)	66	0	0	1
Chemical	30	(2)	28	6	(1)	5
Mineral Resources & Energy	86	(2)	84	25	(2)	24
Consumer Goods & Service	41	(8)	33	13	(4)	10
Materials & Real Estate	32	(2)	30	9	3	12
Financial & Logistics	27	(4)	23	10	0	10
Domestic Regional Business Units and Offices	22	(7)	15	5	(4)	1
Overseas Subsidiaries and Branches	170	(1)	169	98	0	98
Other	42	(5)	37	16	(1)	15
<b>Total</b>	<b>749</b>	<b>(52)</b>	<b>697</b>	<b>252</b>	<b>(3)</b>	<b>249</b>