

The following is an unofficial English translation of the "Interim Report for the First Half of the 137th Fiscal Year of Sumitomo Corporation," except for the presentation of consolidated financial statements and related information (including "Operating Results and Financial Status" of page 5 and page 6, and page 8 through page 13) based on the description of page 14. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. Please also refer to "Sumitomo Corporation website Terms and Conditions of Use."



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INTERIM REPORT FOR THE FIRST HALF OF THE 137th FISCAL YEAR

April 1, 2004, through September 30, 2004

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OF CORPORATE FINANCE

SUMITOMO CORPORATION

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To All Shareholders

To all shareholders, we thank you for your continued confidence and the exceptional support you always give to us.

We have just conducted an interim closing of accounts for the 137th Fiscal Year, and we would like to report on the general condition of the business etc. for the first half (April 1, 2004 through September 30, 2004).

November 2004
Motoyuki Oka
President and CEO

General Condition of the Business

1. Management Review

• Economic environment

During the first half of fiscal year 2004, the global economy continued to expand, powered by strong growth in the U.S. and Chinese economies. Of particular note was the ongoing sharp rise in the price of crude oil and other primary commodities on international markets, due in considerable part to the surge in demand from China. In the financial markets, meanwhile, interest rates rose slowly, reflecting developments including a switch to monetary tightening in the United States.

Japan's economy kept up its steady expansion. Exports continued to grow, particularly those to East Asian economies, and improved corporate profits supported a steady increase in capital investment. Consumer spending also started to recover thanks to a combination of factors including a brightening of the employment situation, an unusually hot summer, and demand related to the Athens Olympics.

• Undertakings to expand our earnings base

In July this year we implemented a ¥100 billion-scale equity offering in Japan and overseas. The purpose of this equity offering is to allow us to expand our earnings base further by increasing investments in our business that we believe will be profitable and have growth potential.

• Medium-term management plan: AA Plan

There are only a few months left until the end of our current medium-term management plan, the AA Plan.¹ Overall, we have progressed steadily toward our targets. In the first half of fiscal year 2004,

¹ "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.

we made a number of acquisitions aimed at expanding our earnings base; the targets included companies involved in the manufacturing and sales of automotive parts and of pet supplies. Also, as part of our efforts to enhance our corporate strength, we set up the Internal Control Committee to further upgrade the internal control setup for the whole Sumitomo Corporation Group, and we beefed up the role and functions of the Information Security Committee, whose objectives include the protection of personal information.

In terms of efforts directed at strategic regions, we continued to work on developing our logistics networks in China, and we established the Changchun Office to push ahead with the development of markets in the three northeastern provinces. We also moved forward with wide-zone operations encompassing Russia and the other CIS countries, appointing the General Manager for CIS. In addition, we dispatched two company-wide, cross-departmental missions aimed at finding new business opportunities in India, a country with great expected growth potential.

• **Creating and expanding core businesses**

In order to achieve the objectives of the AA Plan, our business units have been devoting energy to creating and expanding core businesses. Here are some specific examples of our undertakings:

(1) Metal Products Business Unit

We achieved steady progress with the ongoing development of our steel service center business, centering on Asia, and of our automobile-related steel products businesses. We also tackled new fields. In China, for example, where demand for iron and steel continues to expand at a rapid clip, we established Foshan Summit Nikka Mold & Metal Products Co., Ltd. in Guangdong province as a subsidiary for the processing and sales of tool steel, and we made an equity investment in Tai Hong Machinery Electric (Kunshan) Co., Ltd. in Jiangsu province as a base for processing and sales of electrical steel sheets, which is used as a material in transformer cores.

(2) Transportation & Construction Systems Business Unit

In the automobile-related business, we launched full-scale activities by SC-ABeam Automotive Consulting, a specialized auto-industry consulting firm. With help from this company, we acquired Kiriu Corporation, an automotive parts manufacturing and sales company, in order to strengthen our “value chain.”² In the ships business, we received two new orders for large-scale tankers to be built by Universal Shipbuilding Corporation for the China Ocean Shipping (Group) Company, one of the world’s leading shipping companies.

(3) Machinery & Electric Business Unit

In Taiwan two private-sector electric power-generating companies in which we have equity stakes, Sun Ba Power Corporation and Star Energy Power Corporation, both started commercial operation

² “Value chain” refers to the set of arrangements for creating and providing products and services with high added value throughout the course of business activities ranging from the procurement of raw materials through manufacturing, sales, and after-sales service.

of their thermal power plant. In the area of new technologies, together with AIES Co., Ltd., a company with PET plastic bottle recycling technology, we commenced efforts on a business for the recycling of PET plastic bottles in Russia. In addition, we obtained the first official approval for domestic use of the 700-bar pressurized hydrogen storage system designed and produced by Quantum Fuel Systems Technologies Worldwide, Inc., for use in fuel cell vehicles; we thereupon launched sales activities.

(4) Media, Electronics & Network Business Unit

Jupiter Telecommunications Co., Ltd. (J-COM), Japan's biggest cable television operator, continued to steadily increase its base of subscribers, and it also launched digital services. Jupiter Programming Co., Ltd., which provides programming for cable TV and satellite broadcasting services, achieved favorable results from its subsidiary Jupiter Shop Channel Co., Ltd., a major TV shopping channel operator, and together with J-COM and other companies, it set up Jupiter VOD Co., Ltd., as a company to provide content for Video On Demand³ services. In the cinema complex⁴ business, we further expanded our business base with moves including an increase in our stake in United Cinemas Co., Ltd., which we made a subsidiary.

(5) Chemical Business Unit

Together with Sumitomo Corporation of America, we acquired The Hartz Mountain Corporation, America's leading company in manufacturing and sales of pet supplies, thereby making a new entry for ourselves into the pet-related business field in the United States, where the pet boom is powering market growth. Apicus Co., Ltd., which domestically operates electronic medical record business, achieved a single-year profit for the first time in fiscal year 2003, and it continued to achieve good results in the first half of fiscal year 2004.

(6) Mineral Resources & Energy Business Unit

We expanded our holding of upstream oil interests with the acquisition of rights to two oil fields in the North Sea. In the electric power business, Summit Mihama Power Corporation and Summit Onahama S Power Corporation, companies that provide electricity and steam, both started commercial operations of their power plant, while Summit Energy Corporation commenced its electricity retailing business in eastern Japan, which it had been developing in western Japan. We also moved to prepare for a further major expansion of our electric power business with steps including the establishment of a holding company to exercise unified control of the business unit's electric power subsidiaries.

(7) Consumer Goods & Service Business Unit

In the area of supermarket chain business, Summit, Inc., which operates a food supermarket chain centering on the Tokyo area, continued to achieve positive business results. In the area of the fashion

³ "Video On Demand," or "VOD," refers to systems that allow users to view the video content of their choice at any time they wish.

⁴ A "cinema complex" is a compound facility consisting of multiple movie theaters.

brand business, Coach Japan, Inc., moved ahead actively to develop additional outlets, by opening a new flagship store in Sapporo, subsequent to the flagship store in the Marunouchi district of central Tokyo. In addition, we reached a general agreement with Suminoe Textile Co., Ltd. on the establishment of Sumisho Airbag Systems Co., Ltd., for the manufacturing and sales of side-curtain airbag cushions, an automobile safety device for protecting occupants from side-impact accidents, for which demand is expected to increase.

(8) Materials & Real Estate Business Unit

Following our acquisition last year of Horiden Shoji Kabushiki Kaisha, a company that produces and sells ready-mixed concrete mainly in Fukuoka Prefecture, we moved to expand our business base on the ready-mixed concrete producing business with the acquisition of Nagoya SOC Kabushiki Kaisha, which operates mainly in the Nagoya area. In addition, along with companies including ORIX Real Estate Corporation, we were chosen by the Urban Renaissance Agency as a developer of the former site of the Osaka University Hospital, and we started work on a super-high-rise condominium project.

(9) Financial & Logistics Business Unit

In the area of finance, we became the first *sogo shosha* (integrated trading company) to make a full-scale entry into the credit card business through Sumisho Card Inc. (card brand name "Soblio") in conjunction with Sumitomo Mitsui Card Company, Limited. In Thailand, which is the production and export base for automobile business in Southeast Asia, Nava Nakorn Distribution Centre Co., Ltd., a company providing logistics services, built a new warehouse to meet the supply needs of automotive-related industries. In China we established a new joint venture, Zero-SCM Logistics (Beijing) Company Limited, to develop our business of transporting finished automobiles throughout China.

2. Operating Results and Financial Status

• Consolidated operating results

The consolidated total trading transaction for the first half of fiscal year 2004 amounted to 4,786.4 billion yen, increased by 452.8 billion yen from the same period of the previous year. This was mainly due to the rises in commodity prices and the increase of plant business mainly in Asia, despite the decrease effect by the appreciation of the yen.

Gross profit increased by 29 billion yen to 271.5 billion yen. The segments which showed large increases were Metal Products, mainly due to the strong performances in steel sheet business including steel service centers operation in Asia, Transportation & Construction Systems, due to the strong performances in automobile business in Europe and ships business, Machinery & Electric, due to increase in plant business mainly in Asia. In addition, Chemical, Mineral Resources & Energy, Consumer Goods & Service and Overseas Subsidiaries and Branches also increased. On the other hand, Materials & Real Estate decreased due to impairment loss on real estate for sale and the decrease of condominium sales in Tokyo metropolitan area compared with the same period of the previous year, which showed a strong performance.

Selling, general and administrative expenses increased by 9.2 billion yen from the same period of the previous year, resulting from increases in personnel expenses due to the expansion of business activities at subsidiaries and amortization of software investment.

In addition, equity in earnings of associated companies, net increased by 9.7 billion yen to 18.9 billion yen mainly contributed by the improvements in Jupiter Telecommunications Co., Ltd. and the Batu Hijau copper and gold mine project.

As a result, net income for the first half of fiscal year 2004 totaled 43.5 billion yen, an increase of 13 billion yen or representing 43% growth from the same period of the previous year.

• Consolidated financial status

As of September 30, 2004, total assets increased by 295.7 billion yen to 5,308.2 billion yen from March 31, 2004 as a result of strategic investments to expand earnings base, and the increase of operating assets due to business expansion.

Shareholders' equity increased by 135.2 billion yen to 866.1 billion yen, resulting from issuing new shares in July and the increase in retained earnings. As a result, the shareholders' equity ratio improved by 1.7 points to 16.3%.

In the first half of fiscal year 2004, cash generated by strong business performance was

used in expansion of business activities. As a result, net cash provided by operating activities was 10.8 billion yen. Net cash used in investing activities was 44.1 billion yen due to the increase of strategic investments to expand earnings base. Accordingly, free cash flow was negative 33.4 billion yen. Net cash provided by financing activities was 103.5 billion yen due to issuance of new shares.

As a result, cash and cash equivalents as of September 30, 2004 increased by 70.6 billion yen to 486.1 billion yen from March 31, 2004.

- **Interim dividend**

The Board of Directors, meeting on October 29, decided to pay the interim dividend for the first half of fiscal year 2004 at 4 yen per share.

- **Dividend increase**

Our basic dividend policy is to meet shareholders' expectation by ensuring long-term, stable dividends. In addition to this basic policy and reflecting consolidated financial results, we will determine the dividend based on the dividend payout ratio at 20% from this fiscal year end. Thereby, in the event of achieving net income target of 78 billion yen for full fiscal year, we will increase the ordinary dividend to 6 yen per share, half amount based on the dividend payout ratio at 20%. The annual dividend for fiscal year 2004 will be 10 yen per share, which includes the interim dividend of 4 yen per share. (Annual dividend for fiscal year 2003 was 8 yen per share.)

3. Future Economic Prospects and Management Challenges

• Economic prospects

Though terrorism and other uncertainties cloud the outlook, we expect the gradual expansion of the global economy to continue. There is a possibility, however, that the tightening of macroeconomic policy in the United States and China will slowly have an effect on other countries, suggesting that the pace of the expansion may slow somewhat. Also, if crude oil prices continue to run at a high level, this may act as a restraint on growth.

Within Japan, concerns remain over the price of crude oil and possible slowdowns overseas, but we expect the current expansion to be sustained, largely on the basis of domestic demand. Consumer spending should become more solid thanks to improvements in the employment and income situations, and capital investment is likely to keep growing.

• Management challenges

In order to attain our medium-term goal of achieving earning power sufficient to cover our shareholders' capital cost (a consolidated risk-adjusted return⁵ ratio of 7.5%), we will continue our efforts to expand our earnings base under the AA Plan. At the same time, we will actively work at enhancing our corporate strength through the pursuit of efficient group operation, the advancement of risk management, and the achievement of thorough legal compliance. We will also continue our environmental initiatives and social contribution activities.

Through these undertakings we aim to conduct business activities in harmony with the society and the environment as "a global organization that contributes broadly to society" and to further increase our corporate value and to "achieve prosperity and realize dreams" for our shareholders and all our other stakeholders.

In October this year, we have announced the "AG Plan"⁶ as our next medium-term management plan for the two years following the "AA Plan."

We sincerely request the ongoing understanding and support of all our shareholders.

⁵ 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").

⁶ "AG" is short for "Achievement & Growth." Under the "AG Plan," our quantitative targets and basic policies are set as follows:

Quantitative targets (Fiscal Year 2005-Fiscal Year 2006)

- Consolidated risk-adjusted return ratio: 7.5% or above each year
- Consolidated net income: two-year total of 190 billion yen
(Rough indication: 90 billion yen for fiscal year 2005, 100 billion yen for fiscal year 2006)

Basic policies

- Expansion of our earnings base through dynamic growth strategies
- Implementation of human resource strategies matching our growth strategies
- Pursuit of soundness and efficiency

4. General Condition of Consolidated Operating Results

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

Sumitomo Corporation and Subsidiaries

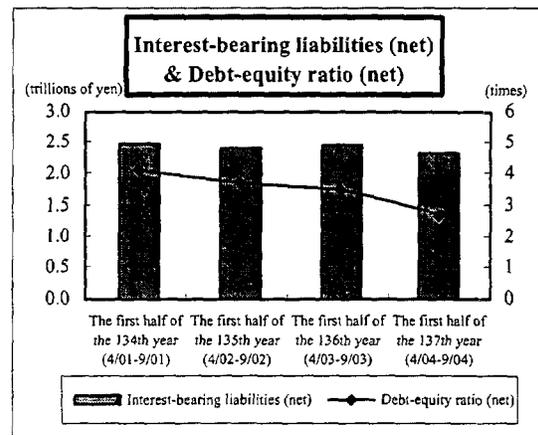
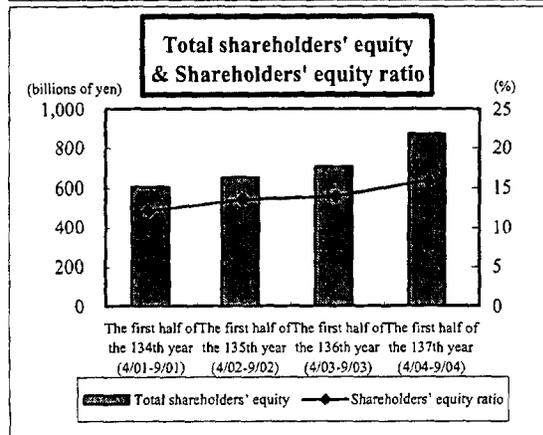
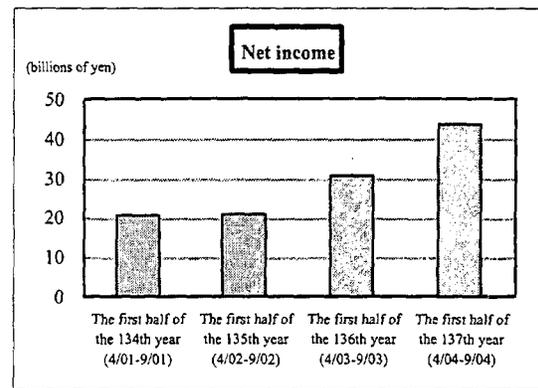
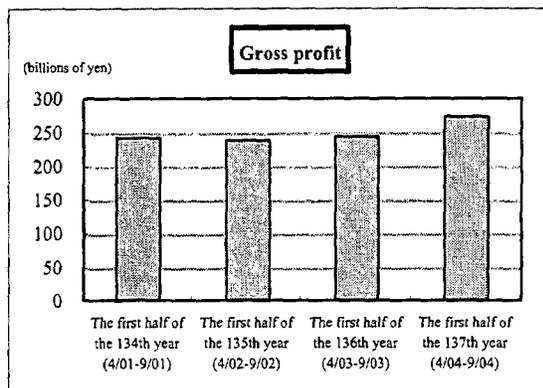
Summary of Consolidated Financial Statements and Trend of Financial Status

| | The first half of the 134th year (4/01-9/01) | The first half of the 135th year (4/02-9/02) | The first half of the 136th year (4/03-9/03) | The first half of the 137th year (4/04-9/04) | The 136th year (4/03-3/04) |
|---|--|--|--|--|-------------------------------|
| Gross profit (millions of yen) | 240,901 | 237,574 | 242,404 | 271,453 | 501,332 |
| Net income (millions of yen) | 20,402 | 20,707 | 30,539 | 43,527 | 66,621 |
| Net income per share (yen) | 19.17 | 19.46 | 28.72 | 38.39 | 62.66 |
| Total assets (millions of yen) | 4,783,540 | 4,619,493 | 4,862,854 | 5,308,160 | 5,012,465 |
| Total shareholders' equity (millions of yen) | 603,088 | 647,923 | 698,487 | 866,058 | 730,848 |
| Shareholders' equity per share (yen) | 566.75 | 608.91 | 656.83 | 719.48 | 686.99 |
| Shareholders' equity ratio (%) | 12.6 | 14.0 | 14.4 | 16.3 | 14.6 |
| Interest-bearing liabilities (net) (millions of yen) | 2,474,659 | 2,398,953 | 2,458,945 | 2,327,338 | 2,377,607 |
| Debt-equity ratio (net) (times) | 4.1 | 3.7 | 3.5 | 2.7 | 3.3 |
| Total trading transactions (millions of yen) | 4,834,998 | 4,568,536 | 4,333,556 | 4,786,384 | 9,197,882 |

Notes: 1. Interest-bearing liabilities (net) excludes Cash and cash equivalents and Time deposits from Interest-bearing liabilities.

2. Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which the Company and its subsidiaries act as principal or as agent.

Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under U.S. GAAP.



Segment Information (Condensed)

Six-month periods ended September 30, 2004 and 2003

(Unaudited)

| Operating segments: 2004: | Millions of Yen | | | |
|--|-----------------|-----------------|---------------|-------------------------------|
| | Segment | Gross profit | Net income | As of September 30 |
| Segment assets | | | | Total trading transactions |
| Metal Products | ¥ 24,912 | ¥ 6,652 | ¥ 416,657 | ¥ 510,410 |
| Transportation & Construction Systems | 53,305 | 7,788 | 840,576 | 748,657 |
| Machinery & Electric | 16,785 | 3,177 | 454,405 | 745,041 |
| Media, Electronics & Network | 19,623 | 5,209 | 401,550 | 218,613 |
| Chemical | 13,492 | 2,721 | 202,145 | 244,784 |
| Mineral Resources & Energy | 16,270 | 6,174 | 428,243 | 833,698 |
| Consumer Goods & Service | 49,040 | 3,223 | 291,929 | 403,761 |
| Materials & Real Estate | 21,007 | (211) | 579,411 | 176,003 |
| Financial & Logistics | 8,630 | 1,381 | 253,715 | 65,903 |
| Domestic Regional Business Units and Offices | 20,030 | 2,025 | 369,835 | 515,428 |
| Overseas Subsidiaries and Branches | 33,943 | 6,882 | 582,750 | 619,824 |
| Segment Total | 277,037 | 45,021 | 4,821,216 | 5,082,122 |
| Corporate and Eliminations | (5,584) | (1,494) | 486,944 | (295,738) |
| Consolidated | ¥ 271,453 | ¥ 43,527 | ¥ 5,308,160 | ¥ 4,786,384 |

| 2003: | Millions of Yen | | | |
|--|-----------------|-----------------|---------------------------|-------------------------------|
| | Segment | Gross profit | Net income Restated | As of March 31 |
| Segment assets | | | | Total trading transactions |
| Metal Products | ¥ 20,478 | ¥ 3,640 | ¥ 390,391 | ¥ 491,464 |
| Transportation & Construction Systems | 47,042 | 6,003 | 792,960 | 639,736 |
| Machinery & Electric | 10,026 | (385) | 435,727 | 624,778 |
| Media, Electronics & Network | 19,900 | 3,508 | 374,952 | 180,491 |
| Chemical | 10,991 | 774 | 174,866 | 204,169 |
| Mineral Resources & Energy | 12,567 | 1,943 | 345,682 | 668,695 |
| Consumer Goods & Service | 45,613 | 2,827 | 304,593 | 437,267 |
| Materials & Real Estate | 24,417 | 2,256 | 615,253 | 189,209 |
| Financial & Logistics | 7,420 | 701 | 193,540 | 41,533 |
| Domestic Regional Business Units and Offices | 19,764 | 1,479 | 379,277 | 553,002 |
| Overseas Subsidiaries and Branches | 27,900 | 3,544 | 493,258 | 577,447 |
| Segment Total | 246,118 | 26,290 | 4,500,499 | 4,607,791 |
| Corporate and Eliminations | (3,714) | 4,249 | 511,966 | (274,235) |
| Consolidated | ¥ 242,404 | ¥ 30,539 | ¥ 5,012,465 | ¥ 4,333,556 |

| 2004: | Millions of U.S. Dollars | | | |
|--|--------------------------|-----------------|---------------|-------------------------------|
| | Segment | Gross profit | Net income | As of September 30 |
| Segment assets | | | | Total trading transactions |
| Metal Products | \$ 226 | \$ 60 | \$ 3,788 | \$ 4,640 |
| Transportation & Construction Systems | 485 | 71 | 7,642 | 6,806 |
| Machinery & Electric | 153 | 29 | 4,131 | 6,773 |
| Media, Electronics & Network | 178 | 47 | 3,650 | 1,987 |
| Chemical | 123 | 25 | 1,838 | 2,225 |
| Mineral Resources & Energy | 148 | 56 | 3,893 | 7,579 |
| Consumer Goods & Service | 446 | 29 | 2,654 | 3,671 |
| Materials & Real Estate | 191 | (2) | 5,267 | 1,600 |
| Financial & Logistics | 78 | 13 | 2,306 | 599 |
| Domestic Regional Business Units and Offices | 182 | 18 | 3,362 | 4,686 |
| Overseas Subsidiaries and Branches | 309 | 63 | 5,298 | 5,635 |
| Segment Total | 2,519 | 409 | 43,829 | 46,201 |
| Corporate and Eliminations | (51) | (13) | 4,427 | (2,688) |
| Consolidated | \$ 2,468 | \$ 396 | \$ 48,256 | \$ 43,513 |

Note:

1) The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥110=US\$1.

2) Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which we act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under U.S. GAAP.

Consolidated Balance Sheets

As of September 30, 2004 (Unaudited) and March 31, 2004

| | Millions of Yen | | Millions of U.S. Dollars |
|--|--------------------|----------------|--------------------------|
| | September 30, 2004 | March 31, 2004 | September 30, 2004 |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | ¥ 486,132 | ¥ 415,574 | \$ 4,419 |
| Time deposits | 3,433 | 2,690 | 31 |
| Marketable securities | 47,938 | 2,823 | 436 |
| Receivables—trade | | | |
| Notes and loans | 266,177 | 238,213 | 2,420 |
| Accounts | 1,248,565 | 1,178,006 | 11,351 |
| Associated companies | 84,260 | 151,156 | 766 |
| Allowance for doubtful receivables | (9,877) | (8,851) | (90) |
| Inventories | 443,680 | 412,340 | 4,033 |
| Deferred income taxes | 37,736 | 37,613 | 343 |
| Advance payments to suppliers | 59,787 | 51,541 | 544 |
| Other current assets | 180,776 | 140,128 | 1,643 |
| Total current assets | 2,848,607 | 2,621,233 | 25,896 |
| Investments and long-term receivables: | | | |
| Investments in and advances to associated companies | 409,491 | 383,980 | 3,723 |
| Other investments | 438,735 | 468,986 | 3,989 |
| Long-term receivables | 598,643 | 597,461 | 5,442 |
| Allowance for doubtful receivables | (46,481) | (49,957) | (423) |
| Total investments and long-term receivables | 1,400,388 | 1,400,470 | 12,731 |
| Property and equipment, at cost less accumulated depreciation | 827,182 | 768,553 | 7,520 |
| Prepaid expenses, non-current | 92,284 | 98,589 | 839 |
| Deferred income taxes, non-current | 9,388 | 9,369 | 85 |
| Other assets | 130,311 | 114,251 | 1,185 |
| Total | ¥ 5,308,160 | ¥ 5,012,465 | \$ 48,256 |

Note:

- 1) The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥110=US\$1.
- 2) The Company reclassified Mining rights from "Other assets" to "Property and equipment, at cost less accumulated depreciation" in a manner consistent with the accounting guidance in Emerging Issues Task Force Issue No. 04-02.

Consolidated Balance Sheets

As of September 30, 2004 (Unaudited) and March 31, 2004

| | Millions of Yen | | Millions of U.S. Dollars |
|---|--------------------|----------------|--------------------------|
| | September 30, 2004 | March 31, 2004 | September 30, 2004 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Short-term debt | ¥ 476,093 | ¥ 452,064 | \$ 4,328 |
| Current maturities of long-term debt | 375,512 | 330,622 | 3,414 |
| Payables-trade | | | |
| Notes and acceptances | 112,895 | 107,474 | 1,026 |
| Accounts | 817,766 | 771,092 | 7,434 |
| Associated companies | 24,620 | 22,829 | 224 |
| Income taxes | 13,481 | 15,890 | 123 |
| Accrued expenses | 71,137 | 61,228 | 646 |
| Advances from customers | 77,170 | 66,232 | 702 |
| Other current liabilities | 162,580 | 99,773 | 1,478 |
| Total current liabilities | 2,131,254 | 1,927,204 | 19,375 |
| Long-term debt, less current maturities | 2,161,880 | 2,218,415 | 19,654 |
| Accrued pension and retirement benefits | 12,201 | 10,895 | 111 |
| Deferred income taxes, non-current | 47,857 | 38,797 | 435 |
| Minority interests | 88,910 | 86,306 | 808 |
| Shareholders' equity: | | | |
| Common stock | 219,279 | 169,439 | 1,993 |
| Additional paid-in capital | 238,821 | 189,621 | 2,171 |
| Retained earnings | | | |
| Appropriated for legal reserve | 17,686 | 17,686 | 161 |
| Unappropriated | 405,899 | 365,894 | 3,690 |
| | 423,585 | 383,580 | 3,851 |
| Accumulated other comprehensive loss | (14,987) | (11,237) | (136) |
| Treasury stock, at cost | (640) | (555) | (6) |
| Total shareholders' equity | 866,058 | 730,848 | 7,873 |
| Total | ¥ 5,308,160 | ¥ 5,012,465 | \$ 48,256 |

The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥110=US\$1.

Consolidated Statements of Income

Six-month periods ended September 30, 2004 and 2003

(Unaudited)

| | Millions of yen | | Millions of U.S. Dollars |
|--|-----------------|------------------|--------------------------|
| | 2004 | 2003 Restated | 2004 |
| Revenues: | | | |
| Sales of tangible products | ¥ 735,234 | ¥ 580,030 | \$ 6,684 |
| Sales of services and others | 221,040 | 204,577 | 2,009 |
| Total revenues | 956,274 | 784,607 | 8,693 |
| Cost of revenues: | | | |
| Cost of tangible products sold | (635,769) | (488,119) | (5,779) |
| Cost of services and others | (49,052) | (54,084) | (446) |
| Total cost of revenues | (684,821) | (542,203) | (6,225) |
| Gross profit | 271,453 | 242,404 | 2,468 |
| Other income (expenses) : | | | |
| Selling, general and administrative expenses | (216,335) | (207,116) | (1,967) |
| Settlements on copper trading litigation | (988) | (5,857) | (9) |
| Provision for doubtful receivables | (3,077) | (958) | (28) |
| Gain on sale of property and equipment, net | 101 | 1,327 | 1 |
| Interest income | 6,946 | 9,049 | 63 |
| Interest expense | (10,292) | (11,374) | (94) |
| Dividends | 3,550 | 4,146 | 32 |
| Other than temporary losses on securities | (824) | (2,066) | (7) |
| Gain on sale of marketable securities and other investments, net | 7,272 | 13,566 | 66 |
| Equity in earnings of associated companies, net | 18,908 | 9,236 | 172 |
| Other, net | 82 | (463) | 1 |
| Total other income (expenses) | (194,657) | (190,510) | (1,770) |
| Income before income taxes and minority interests in earnings of subsidiaries | 76,796 | 51,894 | 698 |
| Income taxes | (29,733) | (17,958) | (270) |
| Income before minority interests in earnings of subsidiaries | 47,063 | 33,936 | 428 |
| Minority interests in earnings of subsidiaries, net | (3,536) | (3,397) | (32) |
| Net income | ¥ 43,527 | ¥ 30,539 | \$ 396 |
| Total trading transactions | ¥ 4,786,384 | ¥ 4,333,556 | \$ 43,513 |
| Amounts per share of common stock: | | | |
| | Yen | | U.S. Dollars |
| Net income | | | |
| Basic | ¥ 38.39 | ¥ 28.72 | \$ 0.35 |
| Diluted | 38.39 | 28.11 | 0.35 |
| Cash dividends applicable for the period | ¥ 4.00 | ¥ 4.00 | \$ 0.04 |

Note:

1) The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥110=US\$1.

2) Total trading transactions represents the gross transaction volume of trading activities, or the nominal aggregate value of the transactions for which we act as principal or as agent. Total trading transactions is a measure commonly used by Japanese trading companies. It is not to be construed as equivalent to, or a substitute for, sales or revenues under U.S. GAAP.

3) For the fiscal year ended March 31, 2004, the Companies have started reporting revenue in a manner consistent with the accounting guidance in Emerging Issues Task Force Issue No.99-19 and to include equity in earnings of associated companies in other income (expenses). Accordingly, consolidated results for the first half ended September 30, 2003 have been restated to reflect these changes.

Condensed Consolidated Statements of Cash Flows

Six-month periods ended September 30, 2004 and 2003

(Unaudited)

| | Millions of Yen | | Millions of U.S. Dollars |
|--|-----------------|------------------|--------------------------|
| | 2004 | 2003 Restated | 2004 |
| Operating activities: | | | |
| Net income | ¥ 43,527 | ¥ 30,539 | \$ 396 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 36,289 | 37,423 | 330 |
| Provision for doubtful receivables | 3,077 | 958 | 28 |
| Gain on sale of property and equipment, net | (101) | (1,327) | (1) |
| Loss on valuation of marketable securities and investments, net | 824 | 2,066 | 7 |
| Gain on sale of marketable securities and other investments, net | (7,272) | (13,566) | (66) |
| Equity in earnings of associated companies, less dividend received | (16,782) | (7,734) | (153) |
| Changes in operating assets and liabilities, excluding effect of acquisitions and divestitures: | | | |
| (Increase) decrease in receivables | (98,362) | 50,693 | (894) |
| Increase in inventories | (28,100) | (10,061) | (255) |
| Increase (decrease) in payables | 48,715 | (47,192) | 443 |
| Other, net | 28,971 | (6,252) | 263 |
| Net cash provided by operating activities | 10,786 | 35,547 | 98 |
| Investing activities: | | | |
| Changes in: | | | |
| Property and equipment | (65,426) | (29,238) | (595) |
| Marketable securities and investments | (50,949) | 34,800 | (463) |
| Loans | 73,099 | 10,691 | 665 |
| Time deposits | (865) | (1,141) | (8) |
| Net cash (used in) provided by investing activities | (44,141) | 15,112 | (401) |
| Financing activities: | | | |
| Changes in: | | | |
| Short-term debt | 2,649 | (113,464) | 24 |
| Long-term debt | 6,051 | 71,838 | 55 |
| Proceeds from issuance of new shares of common stock, net of stock issue expenses | 98,625 | — | 897 |
| Cash dividends paid | (4,255) | (4,254) | (39) |
| Other, net | 447 | 691 | 4 |
| Net cash provided by (used in) financing activities | 103,517 | (45,189) | 941 |
| Effect of exchange rate changes on cash and cash equivalents | 396 | 983 | 3 |
| Net increase in cash and cash equivalents | 70,558 | 6,453 | 641 |
| Cash and cash equivalents, beginning of period | 415,574 | 324,358 | 3,778 |
| Cash and cash equivalents, end of period | ¥ 486,132 | ¥ 330,811 | \$ 4,419 |

Note:

1) The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥110=US\$1.

2) For the fiscal year ended March 31, 2004, "equity in earnings of associated companies" in operating activities has been reported net of dividends received. Accordingly, consolidated results for the first half ended September 30, 2003 have been reclassified to reflect the change.

Sumitomo Corporation and Subsidiaries
Basis of Consolidated Financial Statements

1. Basis of consolidated financial statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for fair presentation have been included. The unaudited consolidated financial statements presented herein should be read in conjunction with the consolidated financial statements and notes thereto included in Sumitomo Corporation's Annual Report for the year ended March 31, 2004. The consolidated results of operations and other data for the six-month period ended September 30, 2004 are not necessarily indicative of results that may be expected for the entire fiscal year ending March 31, 2005. All significant inter-company accounts and transactions have been eliminated in consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted.

2. The U.S. Dollar amounts represent translations of Japanese yen amounts at the rate of ¥110=US\$1.

3. Amounts in millions of yen are rounded to the nearest million.

4. To reflect the Companies' accounting for deferred taxes related to investments in affiliates in accordance with the restatement made in fiscal 2004, the Company restated the consolidated results for the first half ended September 30, 2003 and prior.

Non-consolidated Balance Sheets

[Prepared on the basis of accounting principles generally accepted in Japan]

(Unit: millions of yen)

| Assets | As of September 30, 2004 | As of March 31, 2004 | Liabilities and shareholders' equity | As of September 30, 2004 | As of March 31, 2004 |
|---|--------------------------------|----------------------------|--|--------------------------------|----------------------------|
| Current assets | 1,896,638 | 1,820,231 | Current liabilities | 1,166,736 | 1,159,860 |
| Cash and deposits | 343,841 | 287,316 | Notes payable, trade | 50,339 | 70,443 |
| Notes receivable, trade | 79,688 | 91,801 | Accounts payable, trade | 494,187 | 497,471 |
| Accounts receivable, trade | 781,988 | 802,269 | Short-term loans | 206,195 | 119,335 |
| Marketable securities | 45,156 | 241 | Commercial paper | 151,000 | 209,000 |
| Merchandise | 100,485 | 95,860 | Bonds and notes (Due within one year) | 38,650 | 90,000 |
| Real estate held for development and resale | 56,641 | 65,398 | Accrued expenses | 42,441 | 37,355 |
| Advances to suppliers | 86,763 | 94,813 | Advances from customers | 98,092 | 93,828 |
| Prepaid expenses | 46,952 | 51,971 | Deposits received | 51,239 | 23,244 |
| Short-term loans receivable | 262,853 | 243,816 | Deferred income | 3,943 | 4,740 |
| Deferred tax assets | 24,896 | 27,048 | Other current liabilities | 30,645 | 14,442 |
| Other current assets | 69,560 | 61,493 | Long-term liabilities | 1,552,860 | 1,597,368 |
| Allowance for doubtful receivables | (2,200) | (1,800) | Long-term loans | 1,298,318 | 1,346,574 |
| Fixed assets | 1,509,250 | 1,514,794 | Bonds and notes | 206,000 | 203,268 |
| Tangible fixed assets, at cost less accumulated depreciation | 261,046 | 265,271 | Deferred tax liabilities | 16,302 | 12,607 |
| Buildings | 116,816 | 119,529 | Other long-term liabilities | 32,239 | 34,918 |
| Other structures | 2,547 | 2,652 | Total liabilities | 2,719,596 | 2,757,228 |
| Machinery and equipment | 1,397 | 1,471 | Common stock | 219,278 | 169,438 |
| Vehicles and transportation equipment | 366 | 303 | Capital surplus | 215,898 | 166,102 |
| Furniture and fixtures | 2,178 | 2,276 | Additional paid-in capital | 215,825 | 166,029 |
| Land | 132,238 | 133,063 | Gain on sale of treasury stock | 73 | 72 |
| Construction in progress | 5,500 | 5,974 | Retained earnings | 180,424 | 166,078 |
| Intangible fixed assets | 48,154 | 48,203 | Appropriated for legal reserve | 17,686 | 17,686 |
| Leaseholds and other | 48,154 | 48,203 | Reserve for losses on investment | 6,711 | 3,350 |
| Investments and other assets | 1,200,050 | 1,201,319 | Deferred gains on sales of fixed assets | 51,176 | 51,718 |
| Investment securities | 491,996 | 507,429 | General reserve | 65,022 | 65,022 |
| Investment securities in subsidiaries | 333,889 | 315,325 | Unappropriated retained earnings | 39,826 | 28,300 |
| Other equity interests | 21,761 | 19,095 | Net unrealized holding gains on securities and others | 71,331 | 76,732 |
| Other equity interests in subsidiaries | 65,516 | 59,465 | Treasury stock | (640) | (555) |
| Long-term loans receivable | 182,148 | 190,483 | Total shareholders' equity | 686,292 | 577,797 |
| Long-term trade receivables, over due | 47,424 | 51,923 | Total liabilities and shareholders' equity | 3,405,889 | 3,335,026 |
| Long-term prepaid expenses | 68,433 | 71,432 | | | |
| Other investments and assets | 44,404 | 43,725 | | | |
| Allowance for doubtful receivables | (55,525) | (57,560) | | | |
| Total assets | 3,405,889 | 3,335,026 | | | |

(millions of yen)

| Notes: | (September 30, 2004) | (March 31, 2004) |
|--|----------------------|------------------|
| 1. Accumulated depreciation of tangible fixed assets | 66,066 | 63,414 |
| 2. Collateralized assets | 80,802 | 83,453 |
| 3. Contingent liabilities for guarantees | 663,240 | 552,940 |
| 4. Notes discounted | 45,004 | 44,861 |
| 5. Non-consolidated results' amounts in millions of yen are rounded down to the nearest million. | | |

Non-consolidated Statements of Income

[Prepared on the basis of accounting principles generally accepted in Japan]

(Unit : millions of yen)

| | Six-month periods ended September 30 | | | |
|--|--------------------------------------|-----------|-----------|-----------|
| | 2004 | | 2003 | |
| Operating income/expenses | | | | |
| Sales | | 3,213,508 | | 2,987,561 |
| Cost of sales | 3,125,217 | | 2,905,691 | |
| Gross trading profit | | 88,290 | | 81,870 |
| Selling, general and administrative expenses | 81,168 | | 81,122 | |
| Operating profit | | 7,122 | | 748 |
| Non-operating income/expenses | | | | |
| Non-operating income | | 19,734 | | 22,815 |
| Interest income | | 6,411 | | 7,264 |
| Dividends | | 11,984 | | 12,608 |
| Other non-operating income | | 1,338 | | 2,942 |
| Non-operating expenses | 9,127 | | 9,606 | |
| Interest expenses | 5,675 | | 5,705 | |
| Interest expenses on commercial paper | 7 | | 53 | |
| Other non-operating expenses | 3,443 | | 3,847 | |
| Ordinary income | | 17,729 | | 13,957 |
| Extraordinary gains | | 13,841 | | 11,712 |
| Gains on sales of fixed assets | | 748 | | 1,338 |
| Gains on sales of investment securities | | 13,093 | | 10,373 |
| Extraordinary losses | 4,303 | | 11,134 | |
| Losses on sales of fixed assets | 274 | | 420 | |
| Losses on sales of investment securities | 893 | | 548 | |
| Valuation losses on investment securities | 1,049 | | 1,811 | |
| Provision for bad debts reserve of affiliates and others | 2,086 | | 1,634 | |
| Settlement on copper trading litigation | - | | 4,851 | |
| Impairment losses on long-lived assets | - | | 1,868 | |
| Net income before income taxes | | 27,267 | | 14,534 |
| Income taxes | | 1,200 | | 1,300 |
| Income taxes-deferred | 9,600 | | 4,500 | |
| Net income | | 18,867 | | 11,334 |
| Unappropriated retained earnings after appropriation | | 20,959 | | 11,626 |
| Unappropriated retained earnings, end of period | | 39,826 | | 22,961 |

Note: Non-consolidated results' amounts in millions of yen are rounded down to the nearest million.

General Condition of the Company (as of September 30, 2004)

- **Date of Incorporation** December 1919
- **Amount of Capital** ¥219,278,931,183

1. Places of Business

- **Domestic**
 - Head Office Tokyo
 - Regional Business Units Three: Kansai, Chubu, Kyushu/Okinawa
 - Offices Four, including two offices in Kansai Regional Business Unit
 - Branch Offices Thirteen, including twelve branch offices in Regional Business Units
 - Sub-Branch Offices Two sub-branch offices in Kyushu Okinawa Regional Business Unit

(In addition to the above, there are five principal, branch and sub-branch offices of the Company's domestic incorporated subsidiary.)

- **Overseas**
 - Branch Offices Three
 - Representative Offices Forty-eight

(In addition to the above, there are seventy-six principal, branch or other offices of the Company's overseas locally-incorporated subsidiaries.)

2. Status of the Stock

- **Number of Issued Shares** 1,204,608,547 shares
- **Number of Shareholders** 56,053 persons

3. Number of Employees

- **Number of employees** 4,705 persons
(In addition to the above, the number of employees hired by the Company overseas is 536.)
- **Number of employees (Consolidated base)** 38,144 persons

4. Number of Consolidated Subsidiaries and Other Affiliated Companies

- **Consolidated Subsidiaries** 606
- **Associated Companies** 221

5. Directors and Corporate Auditors

| <u>Name/Title</u> | | <u>Name/Title</u> | |
|-------------------|--|-------------------|-------------------------------|
| Kenji Miyahara | Chairman of the Board of Directors | Motoyuki Oka | President and CEO |
| Shigemi Hiranuma | Director | Kosaburo Morinaka | Director |
| Kenichi Nagasawa | Director | Shuji Hirose | Director |
| Noriaki Shimazaki | Director | Nobuhide Nakaido | Director |
| Tadahiko Mizukami | Director | Susumu Kato | Director |
| Hisahiko Arai | Director | Nobuo Kitagawa | Director |
| Takashi Nomura | Standing Corporate Auditor (Full-Time) | Masahiro Ishikawa | Corporate Auditor (Full-Time) |
| Hiroshi Maeda | Corporate Auditor* | Itsuo Sonobe | Corporate Auditor* |
| Koji Tajika | Corporate Auditor* | | |

Notes: 1. All Directors represent the Company.

2. Outside Corporate Auditors, stipulated by Article 18, Section 1 of the Law for Special Exceptions to the Commercial Code Concerning Audit, etc., of Corporations (*Kabushiki-Kaisha*), are indicated by an asterisk (*).

6. Executive Officers

| <u>Name/Title</u> | | <u>Name/Title</u> | |
|-------------------|------------------------------------|----------------------|------------------------------------|
| Motoyuki Oka | President and CEO* | Shigemi Hiranuma | Executive Vice President* |
| Atsushi Nishijo | Executive Vice President | Kosaburo Morinaka | Executive Vice President* |
| Kenichi Nagasawa | Senior Managing Executive Officer* | Shuji Hirose | Senior Managing Executive Officer* |
| Yuji Tamura | Senior Managing Executive Officer | Kenzo Okubo | Senior Managing Executive Officer |
| Noriaki Shimazaki | Senior Managing Executive Officer* | Nobuhide Nakaido | Senior Managing Executive Officer* |
| Takaaki Shibata | Managing Executive Officer | Tadahiko Mizukami | Managing Executive Officer* |
| Shizuka Tamura | Managing Executive Officer | Katsuiichi Kobayashi | Managing Executive Officer |
| Susumu Kato | Managing Executive Officer* | Michio Ogimura | Managing Executive Officer |
| Hisahiko Arai | Managing Executive Officer* | Yoshi Morimoto | Managing Executive Officer |
| Makoto Shibahara | Managing Executive Officer | Michihisa Shinagawa | Managing Executive Officer |
| Yoshihiko Shimazu | Executive Officer | Kenji Kajiwara | Executive Officer |
| Shingo Yoshii | Executive Officer | Shuichi Mori | Executive Officer |
| Kazuo Ohmori | Executive Officer | Kentaro Ishimoto | Executive Officer |
| Makoto Sato | Executive Officer | Shunichi Arai | Executive Officer |
| Toyosaku Hamada | Executive Officer | Nobuo Kitagawa | Executive Officer* |
| Tsuneo Naito | Executive Officer | Takahiro Moriyama | Executive Officer |
| Ichiro Miura | Executive Officer | | |

Note: Directors are indicated by an asterisk (*).

* * *