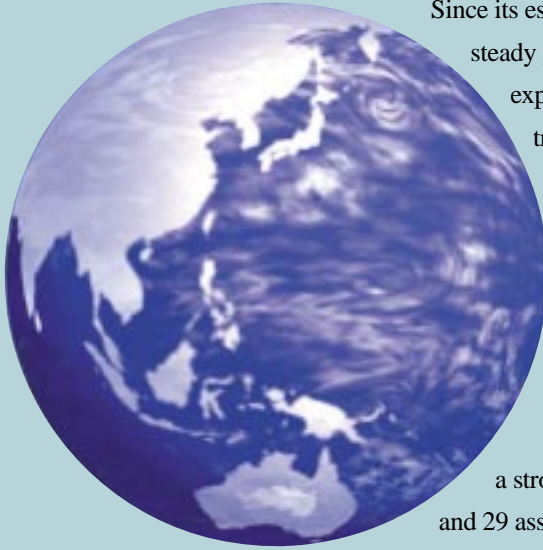




Annual Report 2002

For the Year Ended March 31, 2002

PROFILE



Since its establishment in 1941, Sumikin Bussan Corporation has achieved steady growth while broadening its customer base by offering an ever-expanding range of products and services. Today, as a specialized trading company, Sumikin Bussan provides an assortment of high-value-added products and services in such fields as steel, textiles, foodstuffs, machinery and construction, nonferrous metals and others. To meet an even wider spectrum of customer needs, Sumikin Bussan is cultivating new businesses in environmental protection management, health and other lifestyle-related fields.

The Company carries out extensive trading activities through a strong domestic and overseas network that includes 76 subsidiaries and 29 associated companies in 15 countries worldwide.

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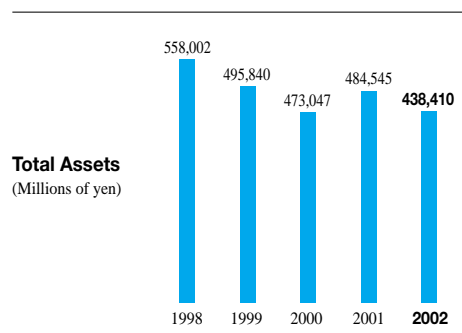
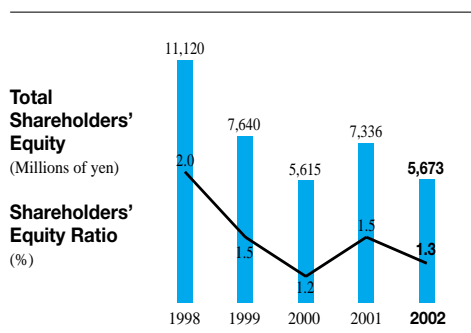
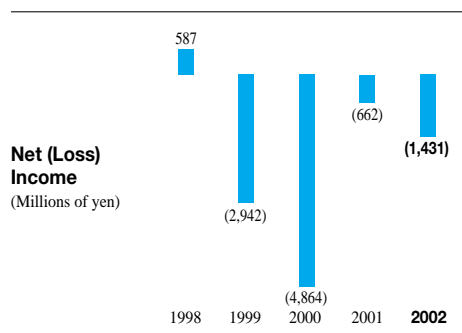
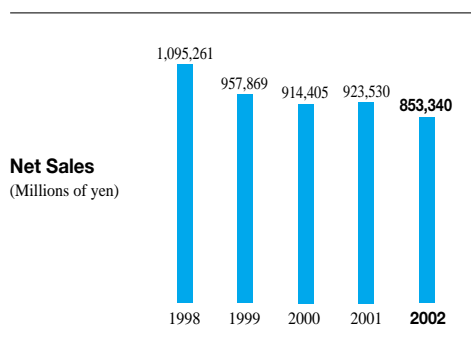


CONSOLIDATED FINANCIAL HIGHLIGHTS

Sumikin Bussan Corporation and Consolidated Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note)
	2002	2001	2000	2002
For the year:				
Net sales	¥853,340	¥923,530	¥914,405	\$6,404,054
Gross trading profit	65,967	71,537	69,665	495,063
Operating income	5,084	7,912	5,924	38,151
Net loss	(1,431)	(662)	(4,864)	(10,743)
At year-end:				
Total assets	438,410	484,545	473,047	3,290,134
Total shareholders' equity	5,673	7,336	5,615	42,583
Per share data:				
	Yen			U.S. dollars (Note)
Net loss	¥(9.7)	¥(5.3)	¥(46.2)	\$(0.07)
Total shareholders' equity	38.5	49.8	53.3	0.29

Note: U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the exchange rate of ¥133.25=US\$1, the prevailing rate at March 31, 2002.





“We aim to become a trading company that adds true value by focusing on our three core businesses—steel, textiles and foodstuffs—and providing high quality services in each field.”

Operating Environment in Fiscal 2002

As the economic environment in Japan deteriorated, our three core businesses faced increasingly severe conditions. In the steel industry, domestic demand fell as a result of declining private and public capital investment. Combined with a lag in inventory adjustments and increased competition, these factors pushed down market prices. In the textiles industry, the competitive shakeout continued as profits were further squeezed by a trend toward lower prices and a slump in consumer spending that pushed down sales. In the imported meat industry, the main focus of our foodstuffs operations, consumer confidence was damaged by the discovery of Bovine Spongiform Encephalopathy (BSE) in cows in Japan and incidents of fraudulent labeling of meat products' place of origin. As a result, supply outstripped demand and the market remained unstable with wild price fluctuations.

Results of Operations

Consolidated net sales fell 7.6%, to ¥853.3 billion. Sales in the steel segment declined 13.0%, to ¥307.6 billion. In the textiles segment, sales also fell 4.7%, to ¥183.6 billion. In contrast, sales in the foodstuffs segment climbed 5.2%, to ¥146.1 billion. In the other industries segment, sales slipped 9.4%, to ¥216.0 billion.

Despite successful efforts to reduce selling, general and administrative expenses, consolidated operating income fell 35.7%, to ¥5.1 billion.

In order to strengthen our management foundation, we have made efforts to lower financial costs by reducing

interest-bearing liabilities. Net gains on sales of investment securities and on sales of property, plant and equipment were countered by the provision for doubtful receivables and loss on devaluation of investment securities. Consequently, we recorded a net loss of ¥1.4 billion in fiscal 2002.

We regard providing appropriate returns to shareholders as our most important challenge and believe that our top priority is to maintain stable dividends by improving our financial condition. Although we posted operating income in fiscal 2002, the net loss recorded for the period meant the deficit carried over from previous periods remained. Consequently, we regret that we are unable to pay a dividend applicable to the fiscal year under review.

Forecast for Fiscal 2003

We expect severe operating conditions to persist in fiscal 2003. In this environment, it will be difficult to achieve an increase in net sales while there is no overall growth in the market. Despite this, we aim to return to profitability by decreasing selling, general and administrative expenses, disposing of unprofitable businesses and improving the performance of our subsidiaries.

Business Strategy and Outlook

We aim to become a trading company that adds true value by focusing on our three core businesses—steel, textiles and foodstuffs—and providing high-quality services in each field by emphasizing our specialized capabilities and originality.

In each of our three core markets we are striving to

carve out our own niche, thereby gaining recognition from our customers for our expertise in production, logistics and marketing. We are also focusing on areas in which we can achieve greater operational efficiencies to further bolster our earnings potential.

Through our three-year plan, launched in fiscal 2001, we are aiming to enhance our operating performance by implementing a number of key Group-wide strategies.

These include:

- A strong emphasis on cash flow management to improve our financial health;
- A drive to create a more dynamic and efficient organization through reform of human resources management and organizational structure;
- An improvement in risk management systems to reduce our exposure to credit risk;
- An aggressive push to merge and divest affiliates based on efficiency and profit potential;
- An enhancement of consolidated management systems.

To achieve the aims of our three-year plan, we will be market-focused and driven by interaction with customers and business partners. We will raise management's responsiveness and decision-making speed and implement our core strategies in every part of our organization without compromise.

We have already embarked on a process of merging and divesting operating units and have reduced our administrative staff by 20%. In our subsidiaries and affiliates we are



revamping the executive system and reducing the overall number of directors. We have begun to implement a range of other measures, including reform of personnel systems.

As part of efforts to reform our management structure, we introduced an executive officer system in June 2002 to ensure both swift and appropriate decisions. This bold reform will separate strategic decision-making from operational roles and clarify responsibilities.

June 27, 2002

Eiichi Ueda
President



Q: *What measures are you taking to achieve your basic goal of maximizing corporate value, and what indicators are you focusing on to gauge your success?*

A: We aim to use funds efficiently and emphasize effective cash flow management. ROA will be used as one of our

main indicators. We will implement various measures to achieve our goal.

Q: *Please tell us about the progress of measures you have taken to improve your sales and marketing capabilities and raise profitability.*

A: In the steel division, we are using a market-driven approach to build a corporate structure that is organized around different categories of customers rather than around individual products. In the area of steel pipes and construction materials, we are now considering integrating some distributors and spinning off some business functions into separate companies. In steel sheets and plates, we have enhanced our sales system based around our subsidiary, Sumikin Bussan C.C. Ltd., which processes steel sheets, plates and coils. In the area of bars and wire rods, we are integrating our processing operations.

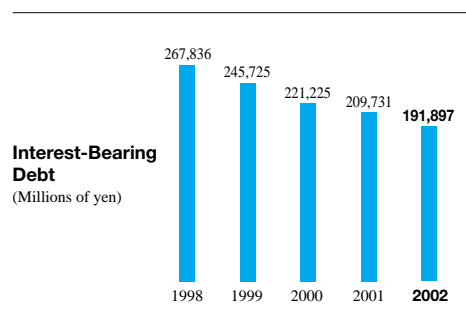
In the textiles division, we are building an integrated SCM system, encompassing information-sharing among suppliers, overseas manufacturing plants, head office and customers, as well as all logistics functions. Furthermore, we are reassessing the functions of our main overseas branches, improving local sales capabilities, and making overseas branches more autonomous.

In the foodstuffs division, we are enhancing cooperation

with affiliated companies, improving inventory control and implementing stringent risk management systems.

Q: *Please tell us about your efforts to improve the financial condition of Sumikin Bussan.*

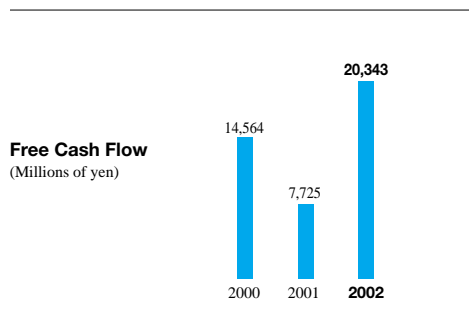
A: Improving the financial condition of Sumikin Bussan is a vital goal of our management plan. By the end of fiscal 2002, we completed a review of our asset portfolio and reduced interest-bearing debt by selling off surplus land. As a result, interest-bearing debt fell to ¥191.9 billion in fiscal 2002, a decrease of ¥17.8 billion compared with the previous period. Furthermore, we hope to reduce interest-bearing debt to ¥180 billion by fiscal 2004, the last year of our three-year plan, “Creative Challenge 21.” We intend to reduce our risk assets and have taken measures to lessen the effects of price fluctuation by selling tangible fixed assets and investment securities.



Q: *How will you use the free cash flow generated from the improvement of Sumikin Bussan’s financial condition?*

A: Due to more efficient use of working capital, net cash provided by operating activities was ¥16.4 billion, an increase of ¥5.6 billion, compared with fiscal 2001. In addition, sales of tangible fixed assets and investment securities helped us to record ¥4.0 billion net cash provided by investing activities in fiscal 2002, compared with ¥2.8 billion net cash used for investing activities in the previous period. As a result, free

cash flow (Net cash provided by operating activities plus Net cash provided by investing activities) increased ¥12.6 billion, to ¥20.3 billion. In fiscal 2002, we used this to repay loans and decrease interest-bearing debt.



Q: *Please tell us about your strategy for risk management.*

A: As part of our move to improve risk management, we have introduced stringent credit checks for our customers. We are evaluating applications for credit by taking into account the risks and benefits related to each customer. Using these evaluations, we either confirm creditworthiness or withdraw credit facilities. In addition, an investment and loan committee has been established to assess the risk of business investments from various perspectives and speed up investment decisions. We have also reduced our exposure to asset price movements through a program of tangible fixed assets and investment securities sales.

Q: *How are you enhancing the corporate structure of the Sumikin Bussan Group?*

A: We have liquidated, merged or sold affiliated companies that are not related to our core businesses or no longer have potential for growth. I shall now enumerate the main affiliates that came under this category in fiscal 2002:

Teisen Co., Ltd., a wire manufacturer, was liquidated. With no foreseeable rise in demand and the prospect of competition from foreign products, it seemed unlikely

that the company's performance would improve in the future. Mikkaichi Steel Tube Works Ltd. was sold to Sumitomo Pipe & Tube Co., Ltd.—a company that belongs to the Sumitomo Metal Industries group—so that the manufacturing, skills, products and sales of the two steel tube companies could complement each other. We also sold SBA Foods Pty. Ltd., a meat processing and sales company. Rising cattle prices and declining retail prices for meat, combined with the discovery of BSE in Japan, forced us to make this decision. Sumikin Bussan Information Systems Inc., which developed distribution and production control systems mainly for the apparel industry, was also sold. The operations of this company were not related to our core businesses.

Q: *How do you plan to expand your business overseas?*

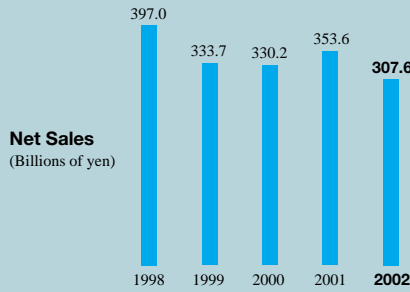
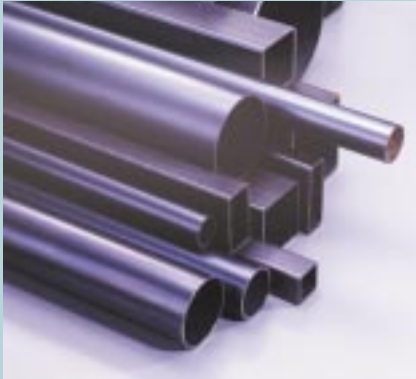
A: In our overseas operations, the New York office of Sumikin Bussan International Corp. is now selling feather duvets and other products made in China to hotel chains in the United States.

In addition, we are assessing the feasibility of selling apparel produced by a Chinese company—in which we have an equity interest—within China. It is our firm intention to continue the expansion of our business overseas.

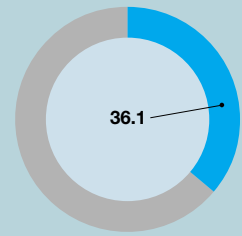




STEEL



Percentage of Net Sales for Fiscal 2002 (%)



By taking full advantage of our extensive global network, we have established a supply system that enables us to provide a stable supply of steel products from Sumitomo Metal Industries, Ltd., and other leading domestic and international steel makers. In addition, in response to diversifying customer needs, we have established an effective service system that utilizes our distribution and production bases in Japan and overseas to ensure just-in-time delivery.

Highlights of the Year

We received an order for structural steel work on a large building redevelopment in the Nishi-Kanda district of Tokyo. The building has 32 floors above ground and two below, with a total floor space of 63,000 square meters. The materials to be used include 3,200 tons of steel sheets, 2,800 tons of steel pipes and 3,200 tons of H-beams. The project is due to be completed by November 2003.

Sumitomo Metal Industries, Ltd., has signed an exclusive long-term contract for the supply of pure titanium sheets to Airbus SAS. Consequently, Sumikin Bussan has taken on the role of intermediary and started deliveries to Airbus SAS plants in Germany. This is evidence of how our high-level quality control system, which covers all stages of production from raw materials to finished items, and our just-in-time delivery system have been recognized by the industry.

Operating Environment

In the steel industry, domestic demand fell as a result of declining private and public investment. While global alliances continue to be formed in the steel industry, our main partner, Sumitomo Metal Industries, Ltd., has established a manufacturing alliance with Nippon Steel Corporation. The aim of this tie-up is to improve the production system of Sumitomo Metal Industries, Ltd., and to boost its ability to compete in the market.

Business Results

Sales of steel were ¥307.6 billion, a fall of ¥45.9 billion compared with the previous year. Operating income dropped ¥69 million, to ¥2.1 billion. Although sales decreased 13.0% as a result of flagging demand and falling prices, operating income dropped 3.1%, a relatively small amount, thanks to reduction of personnel costs and other expenses.

In the area of steel pipes, sales of special pipes were firm, as exports of boiler tubes to South Korea improved

considerably and capital investment in the Japanese oil and petrochemical industry recovered. However, declining public investment and flagging demand for construction machinery combined with increased competition among manufacturers and distributors to decrease overall sales volume and push down prices.

Prices of steel sheets, which had been falling, bottomed out and began to firm. Demand, however, remained low due to the depressed state of the truck industry and the continuing overseas relocation of manufacturing by consumer electronics and construction machinery makers.

In the area of bars and wire rods, sales of wire products for construction use were slack. Sales of cold finished steel bars for use in office automation (OA) equipment, automobiles and machine tools were also depressed.

Demand for construction materials dropped, particularly in the second half of the fiscal year, as the number of large and small construction projects fell.

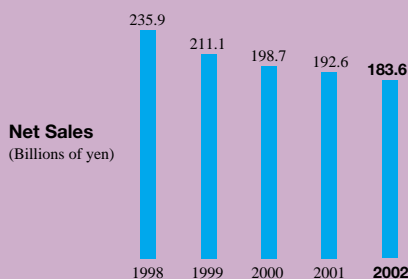
The overall situation remained

severe due to fewer public works projects and concerns regarding the debt burden held by general contractors.

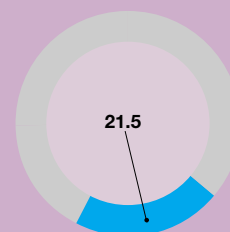
Business Strategies

With the market for steel unlikely to improve markedly in the near future, we are taking steps to enhance efficiency by reinforcing cooperation with steel makers as well as by clarifying roles and responsibilities with affiliated companies. Sumikin Bussan is moving away from a production-oriented approach that arranges the organization around separate products, and is now using a market-driven approach based on the customer's perspective to build a corporate structure. We will continue to capitalize on the advantages of our affiliation with a blast-furnace steel maker—that is, manufacturing, coil center and other processing functions—as well as the inventory control, distribution and other functions facilitated by our network of specified sales agents to promote an idea-driven approach to sales.

TEXTILES



Percentage of Net Sales for Fiscal 2002 (%)



By promoting global operations—that is, by procuring the most suitable materials from around the world and by making the best use of appropriate production facilities in Japan and other parts of Asia—we have established an integrated textile supply system that encompasses not only the development and procurement of raw materials but also the planning, production and distribution of finished products. In response to increasing demand for shorter lead times and lower prices, we are reorganizing our global garment manufacturing bases and distribution system. At the same time, we are reviewing our domestic production operations and the setup of our overseas distribution network. Moreover, we are using a market-driven approach to achieve high levels of customer satisfaction.

Highlights of the Year

Our affiliated company, IFC Design Co., Ltd., signed a license agreement with Magazine House, Ltd., and began to develop licensed merchandise using the name and logo of the women's fashion magazine, AnAn. An extensive array of merchandise is being planned, ranging from textile products to household goods.

Sumikin Bussan also launched the Fox Flagship Store Tokyo, selling motocross jerseys, mountain bike and BMX gear, as well as casual clothing from Fox Racing, Inc., in the United States. The flagship store was opened in the Harajuku area of Tokyo, Japan's premier location for the emergence of new casual fashion styles.

P.T. Bengawan Solo Garment Indonesia, the dress shirt manufacturer that we established in Indonesia, commenced operations in August 2001. In three years' time, the company is expected to employ 300 people and have an annual production of 1.2 million shirts.

Operating Environment

The competitive shakeout in the textiles industry continued, as profits were further squeezed by a trend toward lower prices and a slump in consumer spending that pushed down sales. In a mature economy, characterized by stagnant growth and greater focus on value for money in buying behavior, an increasing number of companies without a clearly defined competitive position or those unable to differentiate their products or services are being forced to withdraw from the business. The reorganization and consolidation of such companies continue to be taking place.

Business Results

Textiles segment sales amounted to ¥183.6 billion in the period under review, a decline of ¥9.1 billion from the previous period. Operating income totaled ¥2.0 billion, down ¥1.5 billion. Sales fell as a result of falling product prices. In home fashion, which includes casual clothing to wear at home, sleepwear, bedding and soft furnishings, sales were weak amid pressure to cut prices and the erosion of the distinction between sleepwear and

leisurewear. Since the majority of the products includes staple items, however, overall demand has remained fairly stable.

In knitwear, sweater sales were generally slow as there were no outstandingly successful items in the market. Although we managed not only to maintain but also to expand our share of business with the major apparel makers, we were affected by the inconsistent performance of our clients. Furthermore, the market for men's sweaters remained depressed.

In woven apparel, we have expanded our activities with regards to women's apparel. Sales of workwear and uniforms were sluggish.

Business Strategies

By maximizing our specialist functions, we aim to provide the best possible support for the global production and distribution of our textile products. We will increase profitability by improving our creative capabilities as well as our support network to develop a consumer-oriented business.

We will allocate management resources to areas of strategic focus, targeting new potential clients in order

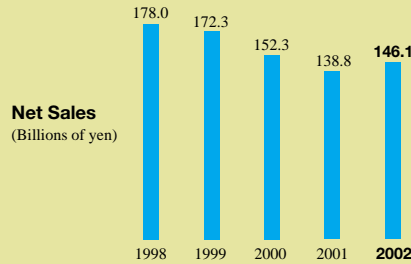
to halt shrinkage of the market caused by tightened credit control and the withdrawal of credit from financially weak companies.

We will make every effort to build up our SCM system and strive to reduce losses. In addition, we will maintain a comprehensive network to link our overseas production bases with distribution centers, our headquarters and major clients. Furthermore, we will commence operations at Shanghai Echo Fashion Co., Ltd.—a distribution center that will mainly handle logistics in the Shanghai region.

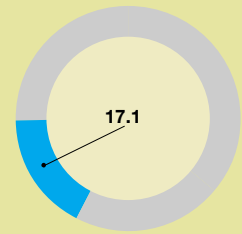
Sumikin Bussan aims to improve its overseas production bases. In home fashion, working wear and uniforms, we plan to build two new overseas factories and enhance the operations of our overseas production bases.

We also intend to cultivate sales routes into overseas markets. As our infrastructure is being put in place for sales within China, we will make efforts to develop both indirect and direct sales routes there. Moreover, we will use our New York branch, set up in October 2000, to cultivate demand in the U.S. market.

FOODSTUFFS



Percentage of Net Sales for Fiscal 2002 (%)



One of the first companies to launch full-scale imports of beef, pork and chicken, Sumikin Bussan has established strong ties with leading overseas packers, enabling us to build an integrated production system encompassing all stages from farming to processing, thereby ensuring a stable supply and a significant share of Japan's imported meat market. We also handle agricultural products, including rice and vegetables, grown by contracted overseas farmers using Japanese cultivation systems, and seafood, which we purchase and process for import to ensure products suit the preferences of Japanese consumers. By drawing on our product development expertise and maximizing the capabilities of other Sumikin Bussan Group companies, we continue to build our market share by adapting imported meat, processed foods and other products to the diverse needs of consumers.

Highlights of the Year

As part of our efforts to exit unprofitable businesses, we have sold our interest in Australian meat processor SBA Foods Pty. Ltd.

Tsubohachi Co., Ltd., a company affiliated to Sumikin Bussan that operates izakaya (Japanese-style taverns), launched a series of new-style restaurants within Tokyo.

Operating Environment

In the meat industry, the main focus of our foodstuffs segment, consumer confidence was negatively affected by outbreaks of diseases such as BSE and incidents concerning the mislabeling of meat products as to their place of origin. As a result, supply outstripped demand and the market remained extremely unstable with wild price fluctuations. Since the first cases of BSE in Japan were reported in 2001, the fall in beef consumption has become pronounced and demand during the year-end gift-giving season was hit hard. At retail stores, demand for beef products fell by as much as half compared with last year's levels. From October 2001, however, there was a considerable increase in sales of pork and chicken as demand for these two products appeared to be replacing that for beef.

Business Results

Sales in the foodstuffs segment amounted to ¥146.1 billion in fiscal 2002, an increase of ¥7.3 billion compared with the previous period. Operating income slipped ¥653 million, to ¥355 million. Sales of beef fell significantly, but pork and chicken sales improved.

In the beef category, sales of Australian chilled and frozen beef improved steadily during the first half of

the fiscal year. However, owing to the impact of BSE, sales of all beef product lines suffered major declines in the second half, leading to a drop of 14.7% for the full fiscal year. Campaigns to emphasize the safety of Australian and U.S. beef failed to halt the fall in consumption.

In the pork category, the foot-and-mouth disease outbreak in Europe led to a temporary ban on all pork imports from Denmark and other European countries. As a result, prices of pork increased. We expected our pork sales to suffer in the second half of fiscal 2002, after import safeguard mechanisms were triggered but outbreaks of BSE caused an increase in demand for pork as an alternative to beef, resulting in an 11.1% rise in pork sales.

In the chicken category, imports from China were suspended in the first half of fiscal 2002, due to outbreaks of avian influenza, forcing us to switch to Thailand as a supply source. In the second half, however, the effect of BSE boosted demand for chicken as an alternative to beef and there was a 35.6% rise in sales compared with last year.

Business Strategies

Sumikin Bussan aims to anticipate the needs of our customers and utilize our information-gathering resources in regions of production. We will take on a coordinating

role for the entire marketing chain, from overseas producers to Japanese retailers and consumers. This will enable us to capitalize on our position between overseas producers and our customers, including meat processors, and our affiliates.

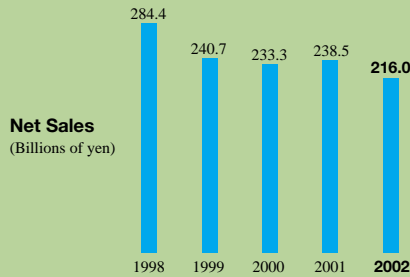
We will build an integrated purchasing and sales system covering all areas of operation, with regard to producers and consumers. In so doing, we will draw on our strong relations with overseas producers while maximizing our flexibility and making effective use of our affiliated companies, Nikkyo Foods Co., Ltd., and Itoman Foods Service, Inc.

In addition, we will strengthen our traditional risk hedging functions related to customer credit, inventory and price fluctuations.

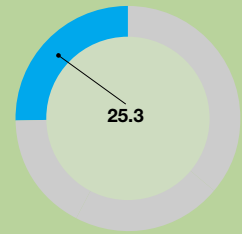
We will also take full advantage of information sourced from Japan and overseas to stimulate potential demand in the market.

Another element of our business strategy will be the establishment of a new processed foods section, as part of efforts to restructure our organization. The focus of the department will be on processed foods handling and developing effective sales strategies. This will increase flexibility and ensure better responses to the needs of retailers.

OTHER INDUSTRIES



Percentage of
Net Sales
for Fiscal 2002
(%)



The Other Industries segment encompasses machinery, construction, nonferrous metals, raw materials, and plastic materials and products.

Highlights of the Year

In fiscal 2002, our Tokyo machinery section won exclusive distribution rights and commenced sales of SoyPower Asphalt Release Concentrate—an asphalt release product using soybeans that was developed in the United States. SoyPower Asphalt Release Concentrate is produced from a soybean base and works as effectively as conventional petroleum-based release agents, but is environment-friendly and can be rinsed away by water.

During the period, we also started sales of a German-made computer disk shredder, intimus® MultiMedia, which shreds magneto-optical disks, CD-ROMs, DVDs and floppy disks quickly and safely into very small pieces. The shredder, which has a maximum speed of 50 disks per minute, provides a reliable data security solution for used removable storage media.

Operating Environment

Operations in the machinery sector include the development, manufacture and sale of a broad range of products—from equipment and facilities for steel production and industrial machinery to golf carts, medical equipment, industrial-use automatic rice cookers and sushi-making robots—in Japan and overseas. We also handle electrical generators and environmental equipment. In the construction sector, we are involved in public works projects and infrastructure enhancement, such as water supply and drainage systems.

In the area of nonferrous metals, we respond to customer needs with a full range of raw materials, mill products and finished products sourced from an extensive list of producers in Japan and overseas. Raw materials operations focus on the sale of iron ore and coal to the steel industry and other raw materials to various other industries.

In the plastic materials and products sector, we have established a comprehensive sales system, based on cooperation with various affiliated

companies, through which we provide a full range of products, from raw materials to finished products, primarily in the urethane, construction materials and packaging materials fields.

Business Results

The other industries segment generated sales of ¥216.0 billion in fiscal 2002, down ¥22.5 billion from the previous period. Segment operating income was ¥567 million, a decrease of ¥641 million. With the exception of cast and forged steel products, all categories suffered decreased sales.

Business Strategies

We have positioned machinery, nonferrous metals and plastics as the three core categories in this segment.

In July 2002, we spun off our Tokyo machinery section into a separate company, Sumikin Bussan Machinery Co., Ltd., in order to enhance our engineering and maintenance capabilities while increasing the added value of our operations. At the same time, we merged our affiliated company, Sumikin Bussan Intec

Corp. into Sumikin Bussan Machinery Co., Ltd., with the aim of improving profitability by focusing our human and technical resources.

In the area of nonferrous metals, we are working to diversify sources and expand exports, imports and third-country transactions, as well as strengthening our relationships with contracted distributors by providing training and support. In the plastics category, we are enhancing the capabilities of Group companies to deepen cooperation and strengthen our identity as a Group.

In the area of packaging materials, we are taking decisive steps to contribute to environmental protection and recycling efforts by offering products that comply with new legislation governing the recycling of containers and packaging materials. We are also working to build our organic fertilizer imports from China into the third-largest area of operations in this category after packaging and construction materials.



BOARD OF DIRECTORS, CORPORATE AUDITORS AND CORPORATE OFFICERS

(As of June 27, 2002)

DIRECTORS AND CORPORATE AUDITORS

Directors

*President**

Eiichi Ueda

*Director**

Katsuhiko Kinomura

*Director**

Hisao Inoue

*Director**

Eishi Ueda

*Director**

Ryuhei Otsuka

Director

Toshiaki Takeda

Director

Takashi Miyazaki

Director

Shigeru Maeda

Standing Corporate Auditor

Shoichi Takishita

Auditors

Susumu Nishizawa

Fumio Hombe

Yuichi Imai

**Representative Directors*

CORPORATE OFFICERS

President and Chief Executive Officer

Eiichi Ueda

Deputy Presidents and Executive Officers

Katsuhiko Kinomura

Hisao Inoue

Senior Executive Officers

Eishi Ueda

Ryuhei Otsuka

Managing Executive Officers

Toshiaki Takeda

Takashi Miyazaki

Executive Officers

Takamitsu Nakata

Tadaaki Hasegawa

Nobuhiro Kunishima

Eiji Tanaka

Yoshimasa Yoshizumi

Toshihiko Kaji

Shigeki Taki

Ichizo Nakamura

Osamu Numata

Ryuji Takeba

Shigeru Maeda

The Introduction of the Executive Officer System

As of June 27, 2002, Sumikin Bussan introduced the executive officer system, to clarify responsibilities by separating the strategic decision-making duties of the board of directors from operational roles. Unlike the board of directors, which tackles business issues that involve the whole company, executive officers focus solely on running operations as divisional managers.

With the introduction of the new executive officer system, the board of directors was reduced from 20 to eight members. The 11 executive officers include one board member, seven former board members and three new appointees. The total number of board members and executive officers, including those holding dual appointments is 18, two less than the previous board. In addition, there will be only one standing corporate auditor instead of two.



FINANCIAL SECTION

CONSOLIDATED SIX-YEAR SUMMARY

Sumikin Bussan Corporation and Consolidated Subsidiaries
Years ended March 31, 2002, 2001, 2000, 1999, 1998 and 1997

	Millions of yen						Thousands of U.S. dollars (Note)
	2002	2001	2000	1999	1998	1997	2002
For the year:							
Net sales	¥853,340	¥923,530	¥914,405	¥957,869	¥1,095,261	¥1,154,379	\$6,404,054
Selling, general and administrative expenses	60,883	63,625	63,741	66,778	69,142	64,572	456,912
Operating income	5,084	7,912	5,924	3,824	5,691	7,062	38,151
Interest expense	(4,714)	(6,275)	(6,090)	(6,804)	(6,669)	(7,217)	(35,375)
Net (loss) income	(1,431)	(662)	(4,864)	(2,942)	587	752	(10,743)
At year-end:							
Total assets	438,410	484,545	473,047	495,840	558,002	574,009	3,290,134
Net property, plant and equipment	38,098	42,641	46,189	38,492	37,849	37,686	285,914
Interest-bearing debt	191,897	209,731	221,225	245,725	267,836	252,284	1,440,128
Total shareholders' equity	5,673	7,336	5,615	7,640	11,120	11,574	42,583
Common stock	8,077	8,077	5,972	5,972	5,972	5,972	60,617
Per share data:							
Net (loss) income	¥(9.7)	¥(5.3)	¥(46.2)	¥(28.0)	¥5.58	¥7.15	\$(0.07)
Cash dividends applicable to the year	—	—	—	—	5.00	5.00	—

Note: U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the exchange rate of ¥133.25=US\$1, the prevailing rate at March 31, 2002.



CONSOLIDATED FINANCIAL REVIEW

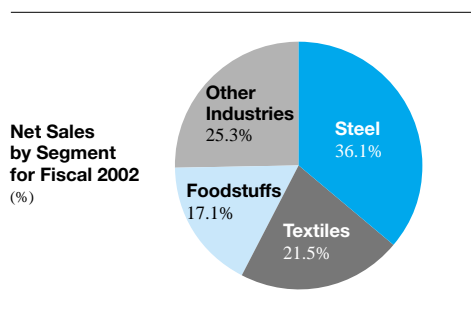
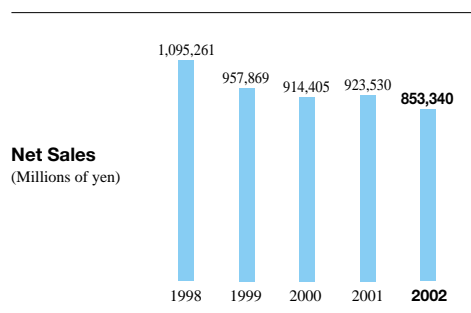
Operating Environment and Results of Operations

During the period under review, private capital investment fell due to overcapacity and sluggish demand for IT-related products. Consumer spending in Japan slumped, reflecting the increasingly severe employment situation and declining incomes. In addition, the economic slowdown in the United States caused the world economy to stagnate, bringing about a significant drop in Japanese exports. Bankruptcies of major companies and falling share prices in Japan led to a severe deterioration of the overall economy.

This economic environment worsened market conditions further in the main industries the Company is involved with. Domestic demand for steel fell due to declining private and public capital investment, while a lag in inventory adjustments

and increased competition pushed market prices below last year's levels. Sluggish personal consumption in the textile industry continued to depress sales and put downward pressure on prices. As a result, profits were squeezed and competitive shakeouts in the sector continued. Furthermore, in meat imports, the core of our foodstuffs segment, the first confirmation of BSE cases in Japan and fraudulent country-of-origin food labeling incidents damaged consumer confidence and decreased demand. Prices fluctuated and business conditions remained far from stable.

Consequently, consolidated net sales fell 7.6%, to ¥853.3 billion (\$6,404.1 million). The steel segment posted a 13.0% decline, to ¥307.6 billion (\$2,308.8 million). This represented 36.1% of consolidated net sales, down from 38.3% in fiscal 2001. Sales in the textiles segment slipped 4.7%, to ¥183.6 billion

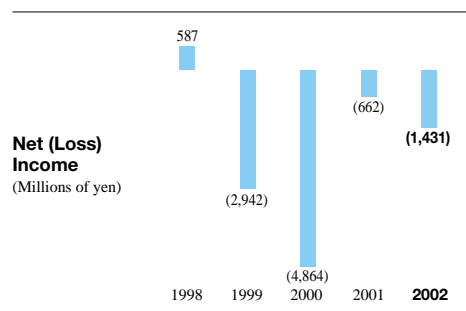
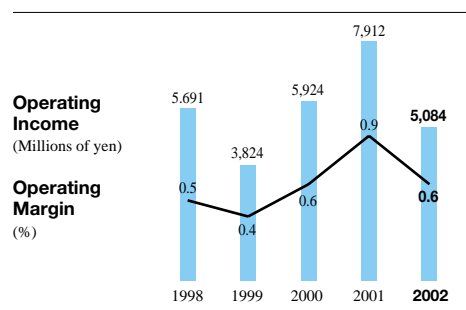
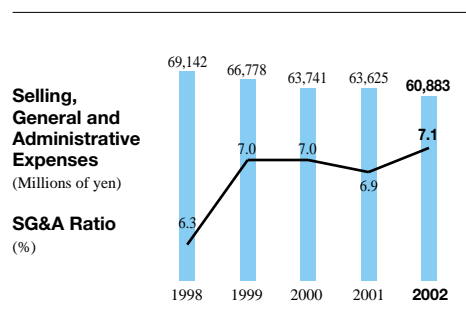


(\$1,377.5 million), equivalent to 21.5% of consolidated net sales, compared with 20.9% in fiscal 2001. In contrast, foodstuffs segment sales rose 5.2%, to ¥146.1 billion (\$1,096.5 million), representing 17.1% of consolidated net sales, up from 15.0% in the previous period. In the other industries segment, there was a 9.4% drop in segment sales, to ¥216.0 billion (\$1,621.3 million). This represented 25.3% of consolidated net sales, compared with 25.8% in fiscal 2001.

Cost, Expenses and Earnings

Cost of sales decreased 7.6%, to ¥787.4 billion (\$5,909.0 million). Gross trading profit was ¥66.0 billion (\$495.1 million), a decrease of 7.8%, equivalent to 7.7% of net sales—this ratio remained unchanged from the previous period. Selling, general and administrative (SG&A) expenses were reduced to ¥60.9 billion (\$456.9 million), down 4.3%. This represented 7.1% of net sales, compared with 6.9% in fiscal 2001.

Operating income sank 35.7%, to ¥5.1 billion (\$38.2 million). The operating margin was 0.6%, down from 0.9% in fiscal 2001. Other expenses—net fell 38.6%, to ¥5.3 billion (\$40.0 million), reflecting a ¥639 million gain on sales of securities—net, up from ¥35 million in the previous period, and decreased interest expense, which fell 24.9%, to ¥4.7 billion. Despite this, the Company still recorded a loss before income taxes and minority interests of ¥251 million (\$1.9 million), and a net loss of ¥1.4 billion (\$10.7 million).

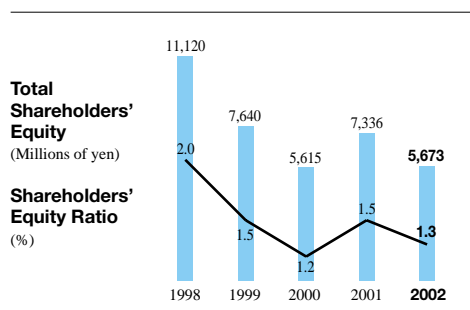
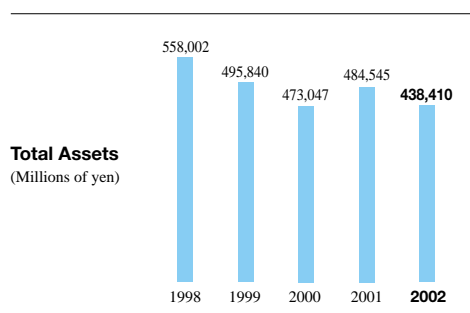


Net loss per share of common stock was ¥9.7, down from a loss of ¥5.3 in fiscal 2001. Due to the fact that our performance is still less than satisfactory, we have been left with no option but to forgo the payment of cash dividends to shareholders.

Financial Position

Total assets as of March 31, 2002, amounted to ¥438.4 billion (\$3,290.1 million), down 9.5% from a year earlier. Total current assets also fell 9.4%, to ¥358.5 billion (\$2,690.1 million), as decreases in receivables and inventories countered increases in cash and cash equivalents. Net property, plant and equipment dipped 10.7%, to ¥38.1 billion (\$285.9 million), resulting mainly from decreases in machinery and equipment and furniture and fixtures. Total investments and other assets declined 9.4%, to ¥41.9 billion (\$314.1 million).

Total current liabilities shrank 9.9%, to ¥391.2 billion (\$2,936.1 million), reflecting decreases in short-term borrowings,



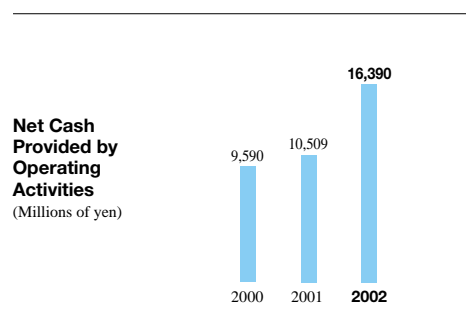
current portion of long-term debt and total payables. Total long-term liabilities also fell 3.1%, to ¥40.4 billion (\$303.5 million) as long-term borrowings continued to decrease. Interest-bearing debt (a total of short-term borrowings, current portion of long-term debt and long-term borrowings) was ¥191.9 billion (\$1,440.0 million), down from ¥209.7 billion in fiscal 2001.

Total shareholders' equity amounted to ¥5.7 billion (\$42.6 million), a fall of 22.7%, owing to increased deficit and net unrealized loss on available-for-sale securities, which negated improved foreign currency translation adjustments. The shareholders' equity ratio was 1.3%, down from 1.5%.

Cash Flows

Net cash provided by operating activities amounted to ¥16.4 billion (\$123.0 million), up from ¥10.5 billion in fiscal 2001. Provision for doubtful receivables amounted to ¥2.3 billion (\$17.3 million), compared with the ¥7.6 billion reversal of doubtful receivables in fiscal 2001. Decreases in receivables totaled ¥40.4 billion (\$303.0 million), compared with a ¥14.5 billion increase in receivables in fiscal 2001.

Net cash provided by investing activities was ¥4.0 billion (\$29.7 million), compared with ¥2.8 billion used in investing activities in fiscal 2001. This reflected ¥4.8 billion (\$36.2 million) in proceeds from sales of property, plant and equipment, up from ¥1.1 billion in the previous period, and also ¥2.6 billion (\$19.2 million) in proceeds from sales of shares of companies



previously consolidated. In addition, there was an ¥829 million (\$6.2 million) decrease in time deposit, compared with a ¥798 million increase in the previous fiscal year.

Net cash used in financing activities came to ¥17.2 billion (\$129.0 million), up from ¥9.6 billion in fiscal 2001, owing to the fact that net cash used to repay long-term debt increased to ¥7.9 billion from ¥5.1 billion the previous year. In addition, there were no proceeds from issuance of common stock, contrasting with proceeds of ¥4.0 billion in fiscal 2001.

Outlook

Despite signs of recovery in the U.S. market, there is a worrying trend toward protectionist policies. In addition, Japan still seems unable to escape from its deflationary economy, as the poor financial condition of many companies and falling income levels give cause for concern. For these reasons, capital investment and consumer spending are likely to remain depressed, and we expect severe business conditions to continue. Consequently, consolidated net sales are expected to fall in fiscal 2002. Nevertheless, we are forecasting that decreased selling, general and administrative expenses, lower non-operating expenses and reorganization of unprofitable businesses will help achieve a return to profitability in fiscal 2003.



CONSOLIDATED BALANCE SHEETS

Sumikin Bussan Corporation and Consolidated Subsidiaries
March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
CURRENT ASSETS:			
Cash and cash equivalents (Note 4)	¥ 24,565	¥ 21,335	\$ 184,356
Marketable securities (Notes 3 and 4)	—	1	—
Receivables:			
Trade notes (Note 4)	103,645	126,316	777,822
Trade accounts (Note 11)	150,216	164,174	1,127,326
Unconsolidated subsidiaries and associated companies	10,224	12,245	76,729
Other	8,195	8,943	61,501
Allowance for doubtful receivables	(2,416)	(3,267)	(18,129)
Inventories	46,586	48,997	349,611
Advances to suppliers	12,569	10,035	94,325
Deferred tax assets (Note 7)	2,176	2,570	16,329
Prepaid expenses and other current assets	2,697	4,380	20,238
Total current assets	358,457	395,729	2,690,108
PROPERTY, PLANT AND EQUIPMENT (Note 4):			
Land	22,658	21,811	170,046
Buildings and structures	18,799	18,882	141,079
Machinery and equipment	10,000	17,601	75,044
Furniture and fixtures	9,541	11,912	71,604
Construction in progress	43	47	319
Total	61,041	70,253	458,092
Accumulated depreciation	(22,943)	(27,612)	(172,178)
Net property, plant and equipment	38,098	42,641	285,914
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	11,985	15,285	89,942
Investments in and advances to unconsolidated subsidiaries and associated companies	10,036	8,605	75,318
Long-term receivables	1,935	2,023	14,524
Deferred tax assets (Note 7)	8,344	8,368	62,620
Other assets	27,122	26,279	203,544
Allowance for doubtful receivables	(17,567)	(14,385)	(131,836)
Total investments and other assets	41,855	46,175	314,112
TOTAL ASSETS	¥438,410	¥484,545	\$3,290,134

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
CURRENT LIABILITIES:			
Short-term borrowings (Note 4)	¥140,992	¥149,603	\$1,058,103
Current portion of long-term debt (Note 4)	15,728	23,632	118,035
Payables:			
Trade notes	109,826	118,346	824,208
Trade accounts (Note 11)	103,472	122,874	776,524
Unconsolidated subsidiaries and associated companies	1,665	1,824	12,497
Other	666	882	5,002
Advances from customers	12,033	8,335	90,303
Income taxes payable	309	482	2,318
Deferred tax liabilities (Note 7)	8	—	59
Accrued expenses	2,331	2,699	17,490
Other current liabilities	4,211	5,726	31,603
Total current liabilities	391,241	434,403	2,936,142
LONG-TERM LIABILITIES:			
Straight bonds	200	—	1,501
Long-term borrowings (Note 4)	34,977	36,496	262,491
Liability for retirement benefits (Note 5)	3,365	3,443	25,253
Deferred tax liabilities (Note 7)	1	4	5
Other	1,903	1,802	14,281
Total long-term liabilities	40,446	41,745	303,531
MINORITY INTERESTS	1,050	1,061	7,878
CONTINGENT LIABILITIES (Notes 8, 9 and 12)			
SHAREHOLDERS' EQUITY (Note 6):			
Common stock authorized, 400,000,000 shares; issued 147,284,094 shares	8,077	8,077	60,617
Additional paid-in capital	2,820	2,820	21,166
Revaluation surplus	95	148	716
Deficit	(3,977)	(2,523)	(29,845)
Net unrealized loss on available-for-sale securities	(928)	(427)	(6,967)
Foreign currency translation adjustments	(413)	(759)	(3,096)
Treasury stock, at cost 15,751 shares in 2002 and 971 shares in 2001	5,674	7,336	42,591
	(1)	(0)	(8)
Total shareholders' equity	5,673	7,336	42,583
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	¥438,410	¥484,545	\$3,290,134



CONSOLIDATED STATEMENTS OF OPERATIONS

Sumikin Bussan Corporation and Consolidated Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
NET SALES (Notes 11 and 13)	¥853,340	¥923,530	¥914,405	\$6,404,054
COST OF SALES (Note 11)	787,373	851,993	844,740	5,908,991
Gross trading profit	65,967	71,537	69,665	495,063
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	60,883	63,625	63,741	456,912
Operating income (Note 13)	5,084	7,912	5,924	38,151
OTHER INCOME (EXPENSES):				
Interest and dividend income	1,471	1,432	1,317	11,039
Interest expense	(4,714)	(6,275)	(6,090)	(35,375)
Loss on devaluation of inventory	—	(276)	—	—
Gain (loss) on sales of securities—net	639	35	(1,618)	4,792
Gain on sales of property, plant and equipment	663	332	13,821	4,975
Loss on disposal of property, plant and equipment	—	(780)	—	—
Loss on devaluation of investment securities	(480)	(81)	(6,592)	(3,602)
Loss on devaluation of membership	—	(495)	—	—
Provision for doubtful receivables	(2,522)	(2,601)	(13,389)	(18,929)
Additional payments of employees' retirement benefits	—	—	(1,416)	—
Amortization of transitional obligation of employees' retirement benefits (Note 5)	(969)	(855)	—	(7,271)
Other—net	577	869	(649)	4,335
Other expenses—net	(5,335)	(8,695)	(14,616)	(40,036)
LOSS BEFORE INCOME TAXES AND MINORITY INTERESTS	(251)	(783)	(8,692)	(1,885)
INCOME TAXES (Note 7):				
Current	439	801	758	3,294
Deferred	636	(1,009)	(4,097)	4,770
TOTAL	1,075	(208)	(3,339)	8,064
MINORITY INTERESTS IN (EARNINGS) LOSSES OF SUBSIDIARIES	(105)	(87)	489	(794)
NET LOSS	¥ (1,431)	¥ (662)	¥ (4,864)	\$ (10,743)
		Yen		U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2 n):				
Net loss	¥(9.7)	¥(5.3)	¥(46.2)	\$(0.07)

See notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Sumikin Bussan Corporation and Consolidated Subsidiaries
Years ended March 31, 2002, 2001 and 2000

	Issued number of shares of common stock (thousands)	Millions of yen						
		Common stock	Additional paid-in capital	Revaluation surplus	(Deficit) retained earnings	Net unrealized loss on available- for-sale securities	Foreign currency translation adjustments	Treasury stock
BALANCE, MARCH 31, 1999	105,178	¥5,972	¥1,372	—	¥ 296	—	—	¥(0)
Adjustment of retained earnings for the adoption of deferred tax accounting method	—	—	—	—	2,777	—	—	—
Net loss	—	—	—	—	(4,864)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(30)	—	—	—
Effect of change in number of consolidated subsidiaries and companies accounted for by the equity method	—	—	—	—	94	—	—	—
Provision for retirement benefits of directors	—	—	—	—	(2)	—	—	—
BALANCE, MARCH 31, 2000	105,178	5,972	1,372	—	(1,729)	—	—	(0)
Issuance of common stock	42,106	2,105	1,894	—	—	—	—	—
Reversal of asset revaluation reserve (Note 6)	—	—	(446)	—	—	—	—	—
Net loss	—	—	—	—	(662)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(22)	—	—	—
Effect of change in number of consolidated subsidiaries and companies accounted for by the equity method	—	—	—	—	(110)	—	—	—
Revaluation surplus (Note 6)	—	—	—	¥148	—	—	—	—
Adjustment for net unrealized loss on available-for-sale securities	—	—	—	—	—	¥(427)	—	—
Adjustment for foreign currency translation adjustments	—	—	—	—	—	—	¥(759)	—
BALANCE, MARCH 31, 2001	147,284	8,077	2,820	148	(2,523)	(427)	(759)	(0)
Net loss	—	—	—	—	(1,431)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(22)	—	—	—
Revaluation surplus (Note 6)	—	—	—	(53)	—	—	—	—
Adjustment for net unrealized loss on available-for-sale securities	—	—	—	—	—	(501)	—	—
Adjustment for foreign currency translation adjustments	—	—	—	—	—	—	346	—
Net increase in treasury stock	—	—	—	—	—	—	—	(1)
BALANCE, MARCH 31, 2002	147,284	¥8,077	¥2,820	¥ 95	¥(3,977)	¥(928)	¥(413)	¥(1)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Additional paid-in capital	Revaluation surplus	(Deficit) retained earnings	Net unrealized loss on available- for-sale securities	Foreign currency translation adjustments	Treasury stock
BALANCE, MARCH 31, 2001	\$60,617	\$21,166	\$1,114	\$(18,935)	\$(3,208)	\$(5,695)	\$(0)
Net loss	—	—	—	(10,743)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(167)	—	—	—
Revaluation surplus (Note 6)	—	—	(398)	—	—	—	—
Adjustment for net unrealized loss on available-for-sale securities	—	—	—	—	(3,759)	—	—
Adjustment for foreign currency translation adjustments	—	—	—	—	—	2,599	—
Net increase in treasury stock	—	—	—	—	—	—	(8)
BALANCE, MARCH 31, 2002	\$60,617	\$21,166	\$ 716	\$(29,845)	\$(6,967)	\$(3,096)	\$(8)

See notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF CASH FLOWS

Sumikin Bussan Corporation and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2002	2001	2000	2002
OPERATING ACTIVITIES:				
Loss before income taxes and minority interests	¥ (251)	¥ (783)	¥ (8,692)	\$ (1,885)
Adjustments for:				
Depreciation and amortization	3,552	4,344	4,410	26,659
Amortization of excess cost over net assets acquired	194	206	285	1,456
Provision for (reversal of) doubtful receivables	2,310	(7,562)	12,805	17,335
(Reversal of) provision for retirement benefits	(82)	976	(173)	(615)
(Gain) loss on sales of marketable securities and investments-net	(639)	(35)	1,618	(4,792)
Loss on devaluation of investment securities	480	81	6,592	3,602
Loss on disposal of property, plant and equipment	—	780	—	—
Gain on sales of property, plant and equipment	(663)	(332)	(13,821)	(4,975)
Income taxes paid	(612)	(831)	(501)	(4,595)
Changes in assets and liabilities:				
Decrease (increase) in receivables	40,379	(14,474)	5,622	303,030
Decrease (increase) in inventories	2,883	(2,273)	4,443	21,633
(Decrease) increase in payables	(28,654)	21,427	2,223	(215,040)
Other-net	(2,507)	8,985	(5,221)	(18,813)
Total adjustments	16,641	11,292	18,282	124,885
Net cash provided by operating activities	16,390	10,509	9,590	123,000
INVESTING ACTIVITIES:				
Decrease (increase) in time deposit	829	(798)	—	6,218
Decrease (increase) in marketable securities	0	(55)	7,747	2
Purchases of property, plant and equipment	(4,483)	(4,008)	(19,662)	(33,645)
Proceeds from sales of property, plant and equipment	4,822	1,090	20,565	36,184
Purchases of intangible assets	(474)	(225)	(404)	(3,554)
Proceeds from sales of intangible assets	205	—	—	1,536
Purchases of investment securities	(1,241)	(635)	(690)	(9,313)
Proceeds from sales of investment securities	1,722	1,513	1,796	12,922
Proceeds from sales of the shares of companies previously consolidated	2,553	—	—	19,163
Decrease (increase) in short-term loans receivable	37	286	(2,863)	277
(Increase) decrease in long-term loans receivable	(17)	48	(1,288)	(125)
Other-net	—	—	(227)	—
Net cash provided by (used in) investing activities	3,953	(2,784)	4,974	29,665
FINANCING ACTIVITIES:				
Decrease in short-term borrowings	(9,499)	(8,489)	(32,180)	(71,284)
Proceeds from long-term borrowings	15,415	9,486	15,724	115,685
Repayments of long-term borrowings	(23,331)	(14,584)	(7,119)	(175,090)
Proceeds from issuance of bonds	188	—	—	1,407
Proceeds from issuance of common stock	—	4,000	—	—
Dividends paid for minority	(9)	(10)	(8)	(65)
Proceeds from funds by minority	50	—	—	375
Other-net	(1)	—	—	(6)
Net cash used in financing activities	(17,187)	(9,597)	(23,583)	(128,978)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	74	325	(284)	553
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,230	(1,547)	(9,303)	24,240
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	—	86	239	—
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,335	22,796	31,860	160,116
CASH AND CASH EQUIVALENTS, END OF YEAR	¥24,565	¥21,335	¥22,796	\$184,356
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Assets increased by consolidation of subsidiaries previously unconsolidated	—	¥605	¥147	—
Liabilities increased by consolidation of subsidiaries previously unconsolidated	—	391	10	—
Assets decreased by unconsolidation of companies previously consolidated	¥5,281	—	—	\$39,629
Liabilities decreased by unconsolidation of companies previously consolidated	3,263	—	—	24,491

See notes to consolidated financial statements.



1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of SUMIKIN BUSSAN CORPORATION (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made

to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

The United States dollar amounts included herein represent translations using the exchange rate at March 31, 2002 of ¥133.25 = US\$1 solely for convenience. The translations should not be construed as representations that Japanese yen have been, could have been, or could in the future be, converted into United States dollars at that rate or any other rate.

Certain reclassifications have been made in the 2001 and 2000 consolidated financial statements to conform to the classifications used in 2002.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements include the accounts of the Company and all significant subsidiaries (together, the “Group”). All significant intercompany accounts and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The equity method has been adopted for investments in certain unconsolidated subsidiaries and significant associated companies.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost, except that appropriate write-downs are recorded for investments in unconsolidated subsidiaries and associated companies which have incurred substantial losses deemed to be of a permanent nature. Had the equity method been applied to the investments in the remaining unconsolidated subsidiaries and associated companies, there would not have been a material effect on the consolidated financial statements.

The excess cost of the Company’s investments in consolidated and unconsolidated subsidiaries and associated companies accounted for by the equity method over its equity in the net assets is amortized over five years.

b. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposits, and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

c. Allowance for doubtful receivables

Prior to April 1, 2000, the allowance for doubtful receivables was provided in amounts management considers sufficient to cover possible losses on collection. The allowance is based on past collection experience and management’s estimate of the collectibility of individual receivables.

Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments and provided the allowance for doubtful accounts principally at an amount computed based on the actual ratio of bad debts in the past and the estimated uncollectible amounts based on the analysis of certain individual receivables. The effect of adopting the new accounting standard was immaterial.

d. Inventories

Inventories are principally stated as follows:

Steel products are stated at cost determined by the moving-average method. Textiles are stated at cost determined by the first-in, first-out method or by the specific identification method. Foodstuffs are stated at cost determined by the specific identification method. Other inventories are stated at cost determined by the moving-average method or by the specific identification method.

e. Marketable and Investment Securities

Prior to April 1, 2000, marketable and investment securities are stated principally at cost determined by the moving-average method except that appropriate write-downs are recorded for securities with values considered to have been permanently impaired.

Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments, including marketable and investment securities.

Under this standard, all securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

However, where their fair value is not readily determinable, available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, such available-for-sale securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company has been computed by the straight-line method based on the estimated useful lives of the assets. Depreciation of property, plant and equipment of the subsidiaries has been computed principally by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 3 to 13 years for machinery and equipment.

g. Retirement and Pension Plans

Under the employees' retirement plans for the Company and certain consolidated subsidiaries, prior to April 1, 2000, the annual provision for retirement benefits was calculated to state the liability at 40% of the amount that would be required if all employees voluntarily terminated their employment at

each balance sheet date. Approximately 50% of the annual provisions were funded with an outside trustee. Under the noncontributory funded pension plan, the funds for the annuity payments, including prior service cost which is amortized by the declining-balance method at an annual rate of 30%, are entrusted to an outside trustee.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The amount of the transitional obligation of ¥4,114 million determined as of April 1, 2000, is amortized over five years and presented as other expense in the consolidated statements of operations.

Retirement benefits to directors and corporate auditors are charged to income upon authorization by the shareholders.

h. Lease

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as rental transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

i. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income taxes are measured by applying currently enacted tax laws to the temporary differences.

j. Appropriations of Retained Earnings

Appropriations of retained earnings at each year-end are reflected in the financial statements for the following year upon shareholders' approval.

k. Foreign Currency Transactions

Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the exchange rates prevailing at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at the exchange rates in effect at the dates of transactions, except for such receivables and payables effectively hedged by forward exchange contracts.

Effective April 1, 2000, the Group adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

l. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

m. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all

derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of operations and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures imported from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps, which qualify for hedge accounting, are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liability or assets.

n. Per Share Information

Net loss per share is based upon the weighted average number of shares outstanding during the relevant financial year. The weighted average number of shares used in the computation was 147,284 thousand shares for 2002, 126,172 thousand shares for 2001, and 105,178 thousand shares for 2000.

Diluted net income per share is not disclosed because of the Company's net loss position.

Dividends per share are based on cash dividends applicable to the relevant financial years.

3. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Current:			
Marketable equity securities	—	—	—
Government and corporate bonds	—	¥1	—
Total	—	¥1	—
Non-current:			
Marketable equity securities	¥11,957	¥15,259	\$89,735
Government and corporate bonds	28	26	207
Total	¥11,985	¥15,285	\$89,942

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2002 and 2001 were as follows:

March 31, 2002	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥8,043	¥317	¥1,686	¥6,674
Debt securities	25	0	—	25

March 31, 2001	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥9,986	¥867	¥1,219	¥9,634
Debt securities	26	0	—	26

March 31, 2002	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	\$60,360	\$2,379	\$12,653	\$50,086
Debt securities	188	7	—	195

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2002 and 2001 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Available-for-sale:			
Equity securities	¥5,283	¥5,624	\$39,648
Debt securities	2	2	17
Total	¥5,285	¥5,626	\$39,665

4. Short-Term Borrowings and Long-Term Borrowings

Short-term borrowings at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Loans, primarily from banks with interest principally at 0.474% to 7.438% in 2002, 0.123% to 8.660% in 2001	¥140,992	¥149,603	\$1,058,103

Long-term borrowings at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Loans, primarily from banks and insurance companies with interest principally at 0.9% to 4.967% in 2002, 0.98% to 2.98% in 2001, due serially to 2010:			
Collateralized	¥ 2,532	¥ 2,774	\$ 19,003
Unsecured	48,173	57,354	361,523
Total	50,705	60,128	380,526
Less current portion	(15,728)	(23,632)	(118,035)
Long-term borrowings, less current portion	¥34,977	¥36,496	\$262,491

The carrying amounts of assets pledged as collateral for short-term bank loans and long-term debt at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits	¥ 120	\$ 900
Trade notes	151	1,134
Marketable securities	3	23
Land	2,476	18,579
Buildings and structures	1,703	12,780
Machinery and equipment	366	2,750

The annual maturities of long-term borrowings as of March 31, 2002 were as follows:

Year ending March 31	Thousands of	
	Millions of yen	U.S. dollars
2003	¥15,728	\$118,035
2004	15,906	119,369
2005	9,493	71,239
2006	6,306	47,323
2007	3,163	23,740
2008 and thereafter	109	820
Total	¥50,705	\$380,526

As is customary in Japan, the Company maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

In addition, the bank borrowings are subject to agreements under which collateral must be given if requested by the

lending banks, and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank concerned. The Company has never received any such request.

5. Retirement and Pension Plans

The Company and its certain consolidated subsidiaries have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are

made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or by death.

The liability for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

Year ending March 31	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Projected benefit obligation	¥12,431	¥13,503	\$93,289
Fair value of plan assets	(6,047)	(6,280)	(45,378)
Unrecognized actuarial loss	(1,015)	(704)	(7,615)
Unrecognized transitional obligation	(2,122)	(3,259)	(15,928)
Prepaid pension cost	118	183	885
Net liability	¥ 3,365	¥ 3,443	\$25,253

The components of net periodic benefit costs for the year ended March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	¥ 648	¥ 671	\$ 4,859
Interest cost	327	323	2,458
Expected return on plan assets	(136)	(186)	(1,020)
Recognized actuarial loss	61	1	457
Amortization of transitional obligation	969	855	7,271
Net periodic benefit costs	¥1,869	¥1,664	\$14,025

Assumptions used for the year ended March 31, 2002 and 2001 are set forth as follows:

	2002	2001
Discount rate	3.0%	3.0%
Expected rate of return on plan assets	2.5%	3.5%
Recognition period of actuarial gain / loss	10 years for the most part	10 years for the most part
Amortization period of transitional obligation	5 years	5 years

6. Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001. Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated, resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital.

Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The

Company's legal reserve amount, which is included in retained earnings, totals ¥ — million (\$ — thousand) and ¥ — million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by

resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under the "Law of Land Revaluation", an associated company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of June 30, 2000.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of shareholders' equity. There is no effect on the

statement of operations. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the value of the decline should be removed from the land revaluation excess amount and deferred tax liabilities. The details of the one-time revaluation as of June 30, 2000 are as follows:

Land before revaluation	¥1,097 million
Land after revaluation	¥1,620 million
Deferred tax liabilities	¥220 million
Land revaluation excess	¥303 million

As of March 31, 2002, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥50 million (\$381 thousand).

7. Income Taxes

The Company and consolidated Japanese domestic subsidiaries are subject to a number of different taxes based on income which, in the aggregate, resulted in an effective normal statutory tax rate of approximately 42% for the years ended March 31, 2002 and 2001. The foreign subsidiaries are

subject to a number of different taxes based on income at a tax rate of each country.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Tax loss carryforwards	¥ 5,209	¥ 6,450	\$39,088
Inventories	1,999	1,997	15,002
Provision for doubtful receivables	1,494	1,385	11,215
Loss on devaluation of securities	977	1,127	7,332
Pension and severance costs	1,220	1,242	9,157
Loss on devaluation of property, plant and equipment	—	828	—
Depreciation	392	544	2,943
Other	2,369	2,068	17,783
Less valuation allowance	(2,895)	(4,416)	(21,725)
Total	¥10,765	¥11,225	\$80,795
Deferred tax liabilities:			
Provision for doubtful receivables	¥ 153	¥ 164	\$ 1,150
Other	101	127	760
Total	¥ 254	¥ 291	\$ 1,910
Net deferred tax assets	¥10,511	¥10,934	\$78,885

8. Leases

(i) Lessee

Total lease expense under finance leases was ¥434 million (\$3,259 thousand) and ¥472 million for the years ended March 31, 2002 and 2001, respectively.

Pro forma information of leased property such as

acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2002 and 2001 was as follows:

	Millions of yen						Thousands of U.S. dollars		
	2002			2001			2002		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	¥ 554	¥ 182	¥ 372	¥ 174	¥ 99	¥ 75	\$ 4,154	\$ 1,362	\$2,792
Furniture and fixtures	1,424	927	497	1,455	957	498	10,691	6,959	3,732
Other	838	531	307	737	502	235	6,289	3,983	2,306
Total	¥2,816	¥1,640	¥1,176	¥2,366	¥1,558	¥808	\$21,134	\$12,304	\$8,830

Depreciation expense, which is not reflected in the accompanying consolidated statements of operations, computed by the straight-line method was ¥434 million (\$3,259 thousand) and ¥472 million for the years ended March 31, 2002 and 2001, respectively.

Obligations under finance leases as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
	Due within one year	¥ 412	¥320
Due after one year	764	488	5,737
Total	¥1,176	¥808	\$8,830

The amount of obligations under finance leases includes the imputed interest expense portion.

(ii) Lessor

Total lease income under finance leases was ¥708 million (\$5,314 thousand) and ¥1,136 million for the years ended March 31, 2002 and 2001, respectively. Depreciation expense, which is part of the cost of the above-mentioned

lease income, was ¥539 million (\$4,047 thousand) and ¥869 million for the years ended March 31, 2002 and 2001, respectively. Leased equipment as of March 31, 2002 and 2001 was as follows:

	Millions of yen						Thousands of U.S. dollars		
	2002			2001			2002		
	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property	Acquisition cost	Accumulated depreciation	Net leased property
Buildings and structures	—	—	—	¥ 31	¥ 9	¥ 22	—	—	—
Machinery and equipment	¥ 70	¥ 58	¥ 12	2,837	1,285	1,552	\$ 523	\$ 432	\$ 91
Furniture and fixtures	560	294	266	2,619	837	1,782	4,202	2,206	1,996
Other	152	100	52	509	238	271	1,144	752	392
Total	¥782	¥452	¥330	¥5,996	¥2,369	¥3,627	\$5,869	\$3,390	\$2,479

Contract receivables under finance leases at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥144	¥1,156	\$1,082
Due after one year	234	2,897	1,758
Total	¥378	¥4,053	\$2,840

The amount of contract receivables under finance leases includes the imputed interest expense portion.

The minimum rental commitments under non-cancelable

operating leases as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥2	¥2	\$12
Due after one year	—	2	—
Total	¥2	¥4	\$12

9. Derivatives

The Group enters into foreign exchange forward contracts, in the normal course of business, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. And the Group enters into interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities. Interest rate swaps effectively convert some floating rate debts to a fixed basis, or convert some fixed rate debts to a floating basis.

It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Derivatives are subject to market risk and credit risk. Since the purpose of using derivatives is to reduce market risks associated with assets and liabilities, market risks in

the derivatives are effectively offset. And as the counterparties to those derivatives are limited to major financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount. Each derivative transaction is periodically reported to management, where evaluation and analysis of derivatives are made.

Information regarding derivatives contract or notional amounts, market value and related unrealized gains or losses as of March 31, 2002 is not stated because the Group has adopted hedge accounting for all its derivative transactions.

10. Amortization of Excess of Cost over Net Assets Acquired

Amortization of excess of cost over net assets acquired, which is included in SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, was ¥194 million (\$1,463

thousand), ¥207 million and ¥285 million for the years ended March 31, 2002, 2001 and 2000, respectively.

11. Related Party Transaction

At March 31, 2002, 42.65% of the Company's outstanding shares were owned by Sumitomo Metal Industries, Ltd. ("SMI") which is principally engaged in manufacturing various kinds of steel products.

As a trading company, the Company purchases products from SMI and sells them to customers. The Company also sells certain materials to SMI.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Sales to:			
SMI	¥ 45,150	¥ 42,478	\$338,833
Purchases from:			
SMI	126,457	152,063	949,023
Proceeds from sales of securities:			
SMI	1,137	—	8,533
Gain on sales of securities:			
SMI	781	—	5,861

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Trade receivables:			
SMI	¥13,772	¥ 9,295	\$103,355
Trade payables:			
SMI	31,785	39,976	238,538

12. Contingent Liabilities

Contingent liabilities at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Trade notes discounted with banks	¥ 8,864	\$ 66,520
Trade notes endorsed	245	1,841
Guarantees and items of a similar nature for loans	6,820	51,185
Total	¥15,929	\$119,546

13. Segment Information

Information about operations by industry segments and sales to foreign customers for the years ended March 31, 2002, 2001 and 2000 was as follows:

(i) Operations in Different Industries

	Millions of yen					
	2002					
	Steel	Textiles	Foodstuffs	Other industries	Eliminations or unallocated	Consolidated
Sales to customers	¥307,647	¥183,556	¥146,104	¥216,033	—	¥853,340
Intersegment sales	226	70	0	2,735	¥(3,031)	—
Total sales	307,873	183,626	146,104	218,768	(3,031)	853,340
Operating expenses	305,729	181,604	145,749	218,201	(3,027)	848,256
Operating income	¥ 2,144	¥ 2,022	¥ 355	¥ 567	¥ (4)	¥ 5,084
Assets	¥143,888	¥ 94,786	¥ 51,876	¥135,509	¥12,351	¥438,410
Depreciation	627	368	665	1,892	—	3,552
Capital expenditures	342	385	737	3,650	—	5,114

	Thousands of U.S. dollars					
	2002					
	Steel	Textiles	Foodstuffs	Other industries	Eliminations or unallocated	Consolidated
Sales to customers	\$2,308,797	\$1,377,530	\$1,096,469	\$1,621,258	—	\$6,404,054
Intersegment sales	1,695	522	0	20,523	\$(22,740)	—
Total sales	2,310,492	1,378,052	1,096,469	1,641,781	(22,740)	6,404,054
Operating expenses	2,294,399	1,362,882	1,093,798	1,637,533	(22,709)	6,365,903
Operating income	\$ 16,093	\$ 15,170	\$ 2,671	\$ 4,248	\$ (31)	\$ 38,151
Assets	\$1,079,835	\$ 711,343	\$ 389,310	\$1,016,955	\$ 92,691	\$3,290,134
Depreciation	4,705	2,759	4,990	14,205	—	26,659
Capital expenditures	2,563	2,891	5,533	27,391	—	38,378

	Millions of yen					
	2001					
	Steel	Textiles	Foodstuffs	Other industries	Eliminations or unallocated	Consolidated
Sales to customers	¥353,593	¥192,614	¥138,819	¥238,504	—	¥923,530
Intersegment sales	537	86	6	2,684	¥(3,313)	—
Total sales	354,130	192,700	138,825	241,188	(3,313)	923,530
Operating expenses	351,917	189,212	137,817	239,980	(3,308)	915,618
Operating income	¥ 2,213	¥ 3,488	¥ 1,008	¥ 1,208	¥ (5)	¥ 7,912
Assets	¥173,318	¥103,115	¥ 54,192	¥145,974	¥ 7,946	¥484,545
Depreciation	843	444	807	2,250	—	4,344
Capital expenditures	433	137	414	2,340	—	3,324

	Millions of yen					
	2000					
	Steel	Textiles	Foodstuffs	Other industries	Eliminations or unallocated	Consolidated
Sales to customers	¥330,187	¥198,685	¥152,261	¥233,272	—	¥914,405
Intersegment sales	574	100	6	2,951	¥(3,631)	—
Total sales	330,761	198,785	152,267	236,223	(3,631)	914,405
Operating expenses	330,905	195,191	151,127	234,882	(3,624)	908,481
Operating income (loss)	¥ (144)	¥ 3,594	¥ 1,140	¥ 1,341	¥ (7)	¥ 5,924
Assets	¥155,468	¥109,980	¥ 54,531	¥139,648	¥13,420	¥473,047
Depreciation	916	460	852	2,182	—	4,410
Capital expenditures	613	167	538	18,878	—	20,196

Notes: (a) • The steel segment consists of various steel products and construction materials.
• The textiles segment consists of yarns and fabrics, clothing, bedding, interior items, uniforms and undergarments.
• The foodstuffs segment consists of beef, pork, mutton, chicken and marine products.
• The other industries segment consists of construction, real estate, nonferrous metals, machinery metals and raw metals.

(b) For the years ended March 31, 2002, 2001 and 2000, eliminations or unallocated assets include ¥16,778 million (\$125,914 thousand), ¥12,324 million and ¥17,645 million, respectively, of unallocable assets, which mainly consist of cash and cash equivalents and marketable securities of the Company.

(ii) Geographic Segments

Geographic segments information is not disclosed because the Group's overseas operations are immaterial.

(iii) Sales to Foreign Customers

Information about sales to foreign customers is not disclosed because of being immaterial compared with consolidated net sales.



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**Deloitte
Touche
Tohmatsu**

**To the Board of Directors and Shareholders of
SUMIKIN BUSSAN CORPORATION:**

We have examined the consolidated balance sheets of SUMIKIN BUSSAN CORPORATION and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2002, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of SUMIKIN BUSSAN CORPORATION and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As discussed in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 27, 2002

Deloitte Touche Tohmatsu

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Remington Office

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Sumikin Bussan International Pte. Ltd.

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TEL: 65-2210843 FAX: 65-2251204

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Sumikin Bussan (Europe) GmbH

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TEL: 49-211-16-8980 FAX: 49-211-361-3371



MAJOR SUBSIDIARIES AND AFFILIATED COMPANIES

DOMESTIC

STEEL

Igeta Pipe Corp.	Sales and processing of tubes and pipes
Izumi Kohan Co., Ltd.	Processing of steel sheets and plates
Izumiya-Emori Co., Ltd.	Sales of steel products
Umebachi Kogyo Co., Ltd.	Manufacture of wire products
Kyodo Company Ltd.	Manufacture of cold pressed nuts
Shinei Kiko Co., Ltd.	Sales and processing of stainless steel sheets and plates
Stainless Coil Center Co., Ltd.	Processing of stainless steel sheets, plates and coils
Sumikin Bussan C.C. Ltd.	Processing of steel sheets, plates and coils
Sumikin Bussan Kenzai Corp.	Sales of steel products
Tokyo Seisen Co., Ltd.	Manufacture of wire products
Toyo Seisa Kogyo Co., Ltd.	Manufacture of tire chain
Nishinippon Kogyo Kaisha, Ltd.	Manufacture of steel bars
Fuji Nittei Co., Ltd.	Manufacture of standard and specialty nails
Heisei Steel Pipe Co., Ltd.	Sales of tubes and pipes
Yoshimi Drawn Steel Co., Ltd.	Manufacture of cold finished steel bars

CONSTRUCTION, CONSTRUCTION MATERIALS AND REAL ESTATE

Sumibutsu Construction Leasing Co., Ltd.	Lease of temporary construction materials and construction machinery
Nakakin Lease Co., Ltd.	Lease and sales of temporary construction materials
Ricwil Japan Ltd.	Manufacture of specialty tubes and pipes
Hiroshima Seisa Co., Ltd.	Mining of sand

NONFERROUS METALS, MACHINERY AND RAW MATERIALS

IEC Tec Corp.	Manufacture, sales and maintenance of environmental equipment
Arc & Tec Co., Ltd.	Construction work
Arai Industrial Co., Ltd.	Manufacture of machinery for transport
M.I.K. Corporation	Sales of rice cookers for business use
Kashii Co., Ltd.	Manufacture of aluminum products
Kato Light Metal Industry Co., Ltd.	Manufacture of aluminum products
Kencho Co., Ltd.	Manufacture and sales of construction machinery
Sumikin Bussan Techno Sales Co., Ltd.	Sales of industrial machinery
Sumikin Bussan Machinery Corp.	Sales and maintenance of machinery and equipment
Sumibutsu Alumi Kaisha, Ltd.	Sales of nonferrous metals
SUMIRE Medical Corp.	Sales of medical equipment
Seikei Giken Co., Ltd.	Manufacture of plastic molds, mold equipment
Tominaga Sangyo Co., Ltd.	Sales of nonferrous metals and steel products
Hashimoto Keikin Kaisha, Ltd.	Sales of aluminum products
Maruni Sangyo Co., Ltd.	Sales of nonferrous metals
Metal Service Center Co., Ltd.	Processing of aluminum sheets, plates and coils
Yamazaki Denki Co., Ltd.	Manufacture of electric furnaces
Unitek Co., Ltd.	Sales of aluminum products for construction use
Yoko Industry Co., Ltd.	Sales of nonferrous metals

TEXTILES

IFC Design Co., Ltd.	Planning, license business and worker placement
IST Co., Ltd.	Planning, manufacture and sales of uniforms
SB Living Co., Ltd.	Manufacture and sales of household fabric, sleepwear and bedding
Kanaya Knit Co., Ltd.	Manufacture and sales of knitwear
Quick & Co., Ltd.	Manufacture of women's wear
Takimoto Co., Ltd.	Manufacture and sales of school uniforms
Daily Co., Ltd.	Manufacture of women's wear
Fashion Net Inc.	Planning, manufacture and sales of women's wear
Lord Mayor, Inc.	Manufacture and sales of menswear

FOODSTUFFS

Itoman Foods Service, Inc.	Sales of sausage casing, meat and processed foodstuffs
Tsubohachi Co., Ltd.	Operation of restaurant and franchise business
Nikkyo Foods Co., Ltd.	Sales of meat

OTHER INDUSTRIES

Igeta Kosan Co., Ltd.	Leasing and management of real estate, warehouse, leasing
Eco Center Co., Ltd.	Storage, inspection and delivery of textile goods
SB Agency Inc.	Insurance agency, general travel industry services, sales and worker placement
S-BIX Co., Ltd.	Contractor for computer operation and development of software
Sumikin Bussan Business Support Corp.	Contractor for payroll, welfare and foreign exchange

OVERSEAS

STEEL

Kentucky Steel Center, Inc.	Processing of steel sheets, plates and coils
Shanghai Yiyou Metal Products Co., Ltd.	Processing of stainless steel sheets, plates and coils
Tianjin Hua Zhu Steel Products Co., Ltd.	Processing of steel sheets, plates and coils

NONFERROUS METALS, MACHINERY AND RAW MATERIALS

Northtech Workholding Inc.	Sales of hydraulic chucks and sealings for NC lathes
Sumikin Bussan Coal Australia Pty. Ltd.	Mining and sales of coal

TEXTILES

Changzhou Heart Man Co., Ltd.	Manufacture of menswear
Changzhou Sunshine Garments and Ornaments Co., Ltd.	Manufacture of menswear
CIJ Creation Industries Ltd.	Manufacture of knitwear
Dandy-One Garments (Dalian) Co., Ltd.	Manufacture of menswear
Kaenster Sewing Co., Ltd.	Sewing of kimono
Qingdao Qijin Textile Co., Ltd.	Manufacture of spinning fiber
Qingdao Evergold Knit Fashion Co., Ltd.	Manufacture of knitwear
S.B. Saigon Fashion Co., Ltd.	Manufacture of women's wear
Shanghai ER International Fashion Co., Ltd.	Manufacture of knitwear
Shanghai Gangtian Garment Co., Ltd.	Manufacture of uniforms
Shanghai New Compass Garments Co., Ltd.	Manufacture of dress shirts
Shanghai Well Textile Co., Ltd.	Manufacture of knitwear
Taicang Shenjin Fashion Co., Ltd.	Manufacture of casual shirts
Wanlian Garments (Dalian) Co., Ltd.	Manufacture of menswear
Wing Fashion (Zhongshan) Co., Ltd.	Manufacture of women's wear
Wuxi Rixin Fashion Garment Co., Ltd.	Manufacture of menswear
P.T. Bengawan Solo Garment Indonesia	Manufacture of dress shirts

FOODSTUFFS

A.R. Clark Pty. Ltd.	Processing of sausage casing
Qingdao Kamoi Foods Co., Ltd.	Manufacture of processed foodstuffs

OTHER INDUSTRIES

Sumikin Bussan International Corp.	Trade
Sumikin Bussan International (Korea) Co., Ltd.	Trade
Sumikin Bussan International (HK) Ltd.	Trade
Guangzhou Sumikin Bussan Co., Ltd.	Trade
Sumikin Bussan International (Thailand) Ltd.	Trade
Sumikin Bussan International Pte. Ltd.	Trade
Sumikin Bussan International (Australia) Pty. Ltd.	Trade
Shanghai Sumikin Bussan Co., Ltd.	Trade
Sumikin Bussan Kaisha (M) Sdn. Bhd.	Trade
Sumikin Bussan (Europe) GmbH	Trade



CORPORATE DATA

(As of March 31, 2002)

Date of Establishment

April 12, 1941

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TEL: 81-3-5412-5001

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Number of Employees

Total 1,162

Number of Subsidiaries and Associated Companies

76 and 29



INVESTOR INFORMATION

(As of March 31, 2002)

Total Number of Shares Authorized

400 million shares

Number of Shares Issued

147,284,094 shares

Paid-in Capital

¥8,077 million

Number of Shareholders

4,920

Securities Traded

First Section of the Osaka Securities Exchange

Transfer Agent of Common Stock

The Sumitomo Trust and Banking Co., Ltd

Independent Certified Public Accountants

Tohmatsu & Co.

Investor Relations Office

General Affairs & Corporate Communications Department

TEL: 81-6-6244-8170

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Distribution of Shareholders

Japanese financial institutions	6.05%
Japanese securities corporations	0.11%
Other Japanese corporations	74.85%
Foreign corporations	0.04%
Japanese individual investors and others	18.95%

Major Shareholders

Sumitomo Metal Industries, Ltd.	42.65%
T K Building Co., Ltd.	19.54%
Sumikin Bussan Employee Stock Ownership Plan	1.76%
Sumitomo Mitsui Banking Corporation	1.44%
Air Water Inc.	1.36%

<http://www.sumikinbussan.co.jp/>



Sumikin Bussan Corporation



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