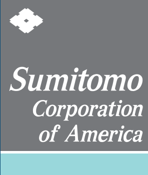


Sumitomo Corporation of America

Annual Report 2007

Our 2007 fiscal year ending March 31, 2008 closed on solid footing in a year of significant volatility in the world economy. In the United States, what had been a very robust and expanding economy for several years, began to slow toward the last half of FY 2007. The combination of the mortgage crisis, rising oil prices and global inflation all had a significant effect on many business sectors throughout the United States.

Given the diversity of the many lines of business and industries we are involved in, it is natural to expect cyclical changes in our results when the marketplace dramatically fluctuates as it has.

I am pleased to say that Sumitomo Corporation of America (SCOA) managed well considering the marketplace turmoil toward the end of 2007. Although our results did not match last year's record-breaking earnings, we remained financially strong with a consolidated net income, of $204 million. It was a challenging year, but I am very proud of what SCOA has done to effectively minimize adverse effects from all the unforeseen changes in the global economic and business environment in 2007. Through our on-going medium-term management plans like the AG (Achievement & Growth) Plan that we implemented in 2005-2006 and the GG (Great & Growing) Plan that we initiated in 2007, we have been continuously focused on enhancing our earnings base with new growth, while at the same time closely managing asset risks and inventories. Over the years, this careful building and monitoring of our business basics has helped us be better prepared to deal with economic changes and take advantage of opportunities. As a result, our credit remains strong, allowing us to continue to pursue good investments and expansion in a marketplace that was starting to contract in late 2007.

Overall, our consolidated earnings showed stable growth in many of our core business areas, with even exceptional results in a few.

We saw very good performance from business groups such as Tubular Products and Living-Related Business, which includes the Real Estate unit and our largest subsidiary, TBC Corporation, an independent marketer of automotive replacement tires.

The Tubular Products group continued to provide a substantial source of income for the company, although there were slightly lower margins and profitability than the year before due to increased competition and supply in 2007. With the escalating oil and gas prices as well as increased drilling activity, we anticipate this business will continue to flourish. Also, our Tubular Products group maximizes its worth through their ability to supply high quality products and also manage the logistics and supply chain for its customers. By expanding their role from supplier to a solutions provider in logistics, they are strengthening their bond with their customers and are providing value-added services, rather than just functioning as a commodity-driven business.

In the Living-Related Business group, the Real Estate unit continued its strategy of maximizing financial returns by managing its asset portfolio. In 2007, the Phelps Dodge Tower in Copper Square, a commercial office building in Phoenix, Arizona, was sold for an after-tax gain of approximately $32 million. I expect they will continue their portfolio management strategy through timely acquisition and selling of prime real estate.

The Living-Related Business group's consolidated subsidiary, TBC Corporation, showed improvement in operating results by optimizing their organizational structure. This resulted in a positive change in net income.

Overall, our business foundation remained strong in 2007. We saw our Machinery, Power and Electronics group contribute good results, with several units, including Aerospace & Defense, Construction Equipment, Automotive and Power businesses showing good expansion. In 2007, Hamilton Sundstrand Space Systems International (HSSSI), a SCOA affiliate, was awarded a contract to create 13 key systems for NASA's Orion Crew Exploration Vehicle (CEV) under Project Constellation. The CEV will succeed the Space Shuttle as NASA's primary human space exploration vehicle. This was a milestone win given the 15-year duration of their contract.

Although the auto industry consumer market was hit hard by the rise in gasoline prices, our supplier business to automotive manufacturers remained strong. The same can be said for the construction equipment business. Even though the US market saw a drop in sales due to the slump in residential construction, Canada experienced excellent growth, driven by the increase in mineral resource development.

Our Mineral Resources & Energy Group continued the expansion of its businesses. With growing concerns over a shortage of natural gas in the United States, the group's subsidiary, Pacific Summit Energy, focused on taking advantage of the important role Liquefied Natural Gas (LNG) will have in the future. With a well-established business in the western United States, they expanded their presence in the North American energy industry last year and opened an office in Houston, Texas, where they now have a broader base to purchase and sell natural gas to utilities, independent power producers and commercial and industrial companies.

SCOA also continued its activities supporting Sumitomo Corporation's global mineral resources development. SC Minerals America, which owns interests in four operating mines, including two copper mines in Chile, a copper mine in Arizona and the Pogo gold mine in Alaska, continued its strategic expansion in the mining business. Last May, the Pogo mine opened for operation with commercial production and its mill at 80% capacity. The Pogo mine is considered to be one of the highest quality mines in the world, containing an average of 15 grams of gold per ton.

As our business model has evolved from being primarily a trading company, to investing in companies that enrich our core business strategies, we have seen a growth in earnings contributed by our consolidated group companies.

The strong results of consolidated subsidiaries like Oxford Finance Corporation are a good example of that.

In 2007, Oxford Finance Corporation, a provider of financing to companies in the life sciences industry showed remarkable growth in its portfolio of life science companies engaged in research, development and

manufacturing of human therapeutics, diagnostics and medical devices. These companies are at various stages of growth, from start-up through post-IPO and are positioned to utilize SCOA's resources to assist with drug and diagnostics licensing, research and development collaborations for pharmaceuticals, medical devices and equity investments.

The downturn in the economy did have a negative impact on some of our business groups, such as our Chemicals group. Their results suffered in comparison to the prior year due, in part, to the slowdown in the US residential real estate market and higher prices of raw materials. These factors impacted the operating results of one of their large companies, Cantex, a manufacturer of PVC pipe and conduit products for construction and home building. This business is relatively cyclical and we anticipate it will recover when the housing and construction market starts to improve. When it does, Cantex is poised to capture a larger market share, having opened a brand new manufacturing facility in Kingman, Arizona, last year that gives them a stronger presence in the western United States.

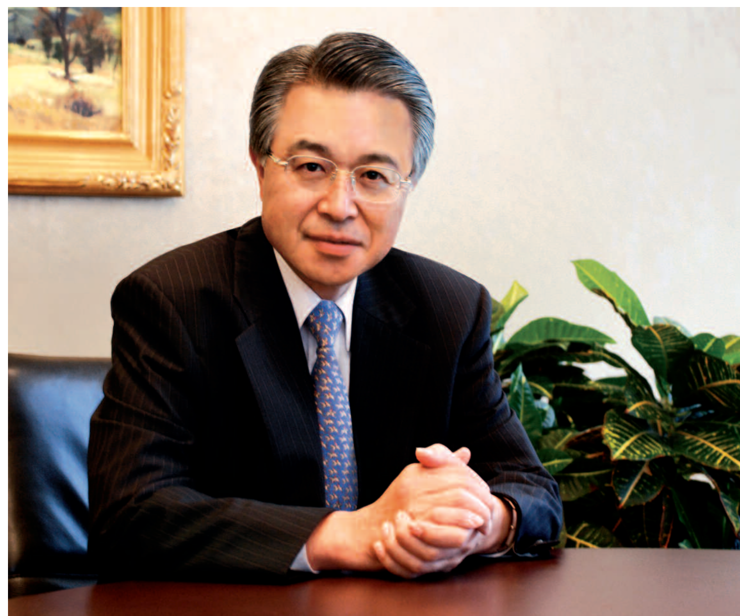
The Hartz Mountain Corporation, a subsidiary which manufactures and distributes pet products, felt some impact from the slowing economy. Hartz's profitability was slightly less than expected in 2007 because of a drop in consumer spending. However, as pet ownership continues to grow, this market has great potential for expansion. We anticipate that this business will improve as the consumer market stabilizes.

Going forward, we will maintain revenue streams from businesses showing good potential and growth, and we will also continue to build on our strong business ventures in Canada, Mexico and South America. At the same time, we will continue to manage our asset portfolio to strengthen our total investment base, as we did last year when we sold subsidiaries such as Broadway Premium Funding, which had reached maturity and gave us a good return.

In 2007, we also invested in businesses to give us entry into new industries that we are targeting for future growth. We launched into the field of alternative energy sources and established Katana Summit, LLC, a manufacturer of wind turbine towers. We acquired Southern Illinois Railcar Company to establish a presence in the US rail car leasing business and we also invested in Presperse LLC, expanding SCOA's activities in the global cosmetics market. And we established Summit VetPharm, a new animal health company marketing parasiticides like flea and tick topicals dispensed by veterinarians for use on companion animals.

We also increased our activities in infrastructure projects such as the development of transportation systems for urban transit, including light rail and Automated People Movers (APM). As concerns about the high costs of fuel and protecting the environment become increasingly important, more and more cities are looking for energy-efficient methods of mass transportation such as trains.

We believe that the environmental business opportunities will continue to grow, and we are already preparing for that growth. I am confident that



both our experience and our ability to understand markets locally as well as globally give us a competitive advantage to excel in these new ventures.

As the business climate in the United States continues to change, the implications are clear; we must be agile and maintain our broad base of diversification to stay strong. We must anticipate the unexpected and continue to invest and acquire profitable businesses at reasonable prices.

While maintaining strong profit is important, it is also critical that every one of our employees conducts themselves according to the principles of our Code of Business Conduct. We must all individually practice sound and ethical judgment as we go about our business activities.

During uncertain business climates and volatile investment markets, it is important to maintain sound investment strategies and solid core businesses. The improvements we have made in 2007 and our continued focus on the expansion of core business areas through our medium-term management plans are paying off. But we know there is more to do. We will continue to carefully evaluate each of our business areas to find expansion opportunities and to find ways we can improve our results through more cost effective use of resources.

2007 may be remembered in part for starting the ripples of economic pessimism, but I remain optimistic as we look forward. I think SCOA is well positioned to take advantage of emerging opportunities. We have generated good momentum that will keep us focused on our goals to stay competitive for the long term. Continuing these efforts will help us maintain our competitive edge and our profitability in the years ahead.

Michihisa Shinagawa
Sumitomo Corporation of America
President and Chief Executive Officer

Consolidated Balance Sheets

(In Thousands of Dollars)

	March 31, 2008	March 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 261,544**	$ 158,316
Investments	**4,388**	2,357
Accounts and notes receivable:		
Third party, net of allowance for doubtful accounts of $22,196 and $17,025, respectively	**905,191**	916,329
Lease and finance receivables, net	**278,830**	207,529
Parent company and affiliates, net	**—**	83,370
Inventories, net	**1,348,697**	1,509,899
Assets of discontinued operations	**—**	142,820
Advance payments to suppliers	**58,496**	50,260
Prepaid expenses and other current assets	**107,593**	105,992
Total current assets	**2,964,739**	3,176,872
Investments	**57,553**	56,112
Long-term receivables:		
Third party	**60,793**	3,777
Lease and finance receivables, net	**369,112**	274,829
Parent company and affiliates, net	**108,864**	84,909
Property and equipment – net	**502,078**	411,625
Investments in associated companies	**709,479**	545,442
Goodwill	**571,526**	563,860
Other intangible assets – net	**561,032**	595,136
Other assets	**19,251**	23,541
Total assets	**$5,924,427**	$5,736,103
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Commercial paper	**$ 903,086**	$ 785,839
Notes payable:		
Third party	**287,483**	363,148
Parent company	**450,000**	250,000
Parent company and affiliates, net	**8,973**	—
Current portion of long-term debt:		
Third party	**183,220**	67,960
Parent company	**150,000**	200,000
Accounts payable	**355,607**	413,962
Advances received	**41,735**	24,557
Liabilities of discontinued operations	**—**	111,147
Accrued expenses and other current liabilities	**271,140**	241,496
Total current liabilities	**2,651,244**	2,458,109
Long-term liabilities:		
Long-term debt:		
Third party	**953,682**	1,027,278
Parent company	**400,000**	550,000
Advances received	**244**	—
Deferred income taxes	**199,930**	193,291
Minority interest	**261,649**	253,931
Commitments and contingencies		
Stockholder's equity:		
Common stock, no par value. Authorized 300,000 shares; issued and outstanding 187,660 shares	**579,450**	579,450
Retained earnings	**856,769**	652,622
Accumulated other comprehensive income	**21,459**	21,422
Total stockholder's equity	**1,457,678**	1,253,494
Total liabilities and stockholder's equity	**$5,924,427**	$5,736,103

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

(In Thousands of Dollars)

	Years Ended March 31,	
	2008	**2007**
Revenues:		
Gross profit on trading transactions (gross trading volume consists of $3,465,131 and $3,642,256, respectively)	**$ 202,279**	$ 202,895
Manufacturing and other revenues	**5,324,257**	5,218,891
Total revenues	**5,526,536**	5,421,786
Manufacturing and other costs	**(4,086,822)**	(3,961,593)
Gross profit	**1,439,714**	1,460,193
Trading and administrative expenses	**(1,120,395)**	(1,073,243)
Interest expense (net of interest income of $35,708 and $36,976, respectively)	**(128,267)**	(134,731)
Other income – net	**30,770**	10,227
Income from continuing operations before income taxes, minority interest and equity in earnings of affiliates	**221,822**	262,446
Income taxes	**(101,460)**	(126,127)
Minority interest	**(28,774)**	(42,473)
Equity in earnings of affiliates	**77,071**	117,269
Income from continuing operations	**168,659**	211,115
Income from discontinued operations, net of income taxes (including $35,361 of gains on sale in 2008)	**35,488**	915
Net income	**$ 204,147**	$ 212,030

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholder's Equity and Comprehensive Income

(In Thousands of Dollars)

	Years Ended March 31, 2008 and 2007				
	Comprehensive income	Common stock	Retained earnings	Accumulated other comprehensive income	Total stockholder's equity
Balance – April 1, 2006 (as previously reported)		$411,000	$440,755	$20,389	$ 872,144
Contribution of minority interest in TBC		168,450	(163)	—	168,287
Balance – April 1, 2006 (as adjusted)		579,450	440,592	20,389	1,040,431
Comprehensive income:					
Net income	$ 212,030	—	212,030	—	212,030
Other comprehensive income:					
Unrealized gains on investments, net of tax	690	—	—	690	690
Unrealized losses on derivatives, net of tax	(529)	—	—	(529)	(529)
Minimum pension liability adjustment, net of tax	(944)	—	—	(944)	(944)
Foreign currency translation adjustment	1,816	—	—	1,816	1,816
Comprehensive income	$ 213,063				
Balance – March 31, 2007		$579,450	$652,622	$21,422	$1,253,494
Comprehensive income:					
Net income	$ 204,147	—	204,147	—	204,147
Other comprehensive income:					
Unrealized losses on investments, net of tax	(3,554)	—	—	(3,554)	(3,554)
Unrealized losses on derivatives, net of tax	(6,798)	—	—	(6,798)	(6,798)
Minimum pension liability adjustment, net of tax	354	—	—	354	354
Foreign currency translation adjustment	10,035	—	—	10,035	10,035
Comprehensive income	$ 204,184				
Balance – March 31, 2008		**$579,450**	**$856,769**	**$21,459**	**$1,457,678**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In Thousands of Dollars)

	Years Ended March 31	
	2008	**2007**
Cash flows from operating activities:		
Net income	**$204,147**	$212,030
Adjustments to reconcile net income to net cash provided by operating activities:		
Net income from discontinued operations	**(35,488)**	(915)
Depreciation and amortization	**92,218**	94,735
Asset impairment charges	**1,364**	15,853
Deferred income taxes	**15,062**	(2,703)
Undistributed earnings of affiliates	**(6,283)**	(47,055)
Net realized gains on investments	**(21,926)**	(11,252)
Minority interest in income of subsidiaries	**36,768**	42,473
Other noncash items	**12,705**	(6,372)
Changes in operating assets and liabilities:		
Accounts and notes receivable	**(31,130)**	40,859
Inventories	**113,730**	(227,886)
Advance payments to suppliers	**(8,236)**	(15,400)
Prepaid expenses and other assets	**27,846**	17,414
Accounts payable	**(56,061)**	(52,549)
Advances received	**11,970**	31,044
Accrued expenses and other liabilities	**29,085**	(65,691)
Net cash provided by operating activities – discontinued operations	**36,391**	(5,470)
Net cash provided by operating activities	**422,162**	19,115
Cash flows from investing activities:		
Payments for purchases of:		
Available-for-sale investments	**(2,032)**	(1,097)
Other investments	**(18,484)**	(32,534)
Property and equipment	**(183,831)**	(58,459)
Investments in associated companies	**(93,902)**	(101,815)
Businesses acquired, net of cash acquired	**(65,426)**	(16,267)
Proceeds from sales of:		
Available-for-sale investments	**25,787**	12,856
Other investments	**14,940**	33,910
Property and equipment	**155,954**	21,396
Increase in long-term receivables	**(276,274)**	(139,333)
Principal collections on long-term receivables	**155,453**	137,783
Net cash provided by investing activities – discontinued operations	**86,076**	(3,521)
Net cash used in investing activities	**(201,739)**	(147,081)
Cash flows from financing activities:		
Increase in commercial paper, net	**117,247**	506,477
Increase (decrease) in short-term notes payable	**133,308**	(420,601)
Issuance of long-term debt and increase in other long-term liabilities	**115,773**	373,537
Principal payments on long-term debt and other long-term liabilities	**(343,545)**	(271,126)
Distributions to minority interest	**(36,682)**	(23,790)
Net cash used in financing activities – discontinued operations	**(103,894)**	8,852
Net cash (used in) provided by financing activities	**(117,793)**	173,349
Effect of changes in exchange rates on cash and cash equivalents	**598**	58
Net increase in cash and cash equivalents	**103,228**	45,441
Cash and cash equivalents—beginning of year	**158,316**	112,875
Cash and cash equivalents—end of year	**$261,544**	$158,316
Supplemental cash flow information:		
Interest paid	**$175,709**	$165,905
Income taxes paid	**$126,744**	$110,226

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2008 and 2007 (In Thousands of Dollars)

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Sumitomo Corporation of America (the Company) is a wholly owned subsidiary of Sumitomo Corporation, Japan (SC). The Company, which is headquartered in New York City, is an integrated global trading company with diversified investments in businesses involved in manufacturing and marketing of consumer products, providing financing for customers and suppliers, coordination and operation of urban and industrial infrastructure products, providing transportation and logistics services, developing natural resources, distribution of steel and other products and developing and managing real estate. The Company's principal business activities are classified into the following reportable segments: Tubular products; Steel and nonferrous metals; Machinery, power and electronics; Chemicals; Living-related business; Mineral resources and energy; and Treasury and corporate. The Company's target markets include North America, South America and Southeast Asia. A significant portion of the Company's transactions are with SC.

The Tubular products segment supplies a wide variety of high grade oil country tubular goods, line pipe and specialty tubing to companies in the oil, gas, petrochemical, automobile, and boiler manufacturing industries.

The Steel and nonferrous metals segment supplies carbon and specialty steel including a wide spectrum of steel products such as sheets, plates and bars.

The Machinery, power and electronics segment activities include marketing aerospace and defense products and technologies to government agencies, airlines, and other industries, supplying parts to the automotive industry, providing financing for construction equipment, operating dealerships and distributorships for automobiles and construction equipment, investing in and operating electric generation assets and delivering and installing commuter rail cars and other transportation systems.

The Chemicals segment activities include trade dealings in petrochemicals, plastics, fine/specialty chemicals, functional chemicals, and inorganic chemicals. The Chemicals segment includes The Hartz Mountain Corporation (Hartz), which manufactures, purchases and distributes pet supplies, treats and small animal edibles and accessories.

The Living-related business segment includes commodities, concepts and products with industrial, commercial, residential and consumer applications. The Living-related business segment includes commercial and residential real estate and TBC Corporation (TBC), an independent marketer of tires for the automotive replacement market.

The Mineral resources and energy segment includes trading and marketing activities of petroleum and carbon products and the exploration and production of oil and natural gas.

The Treasury and corporate segment includes finance-related activities such as derivatives transactions and consumer and business financing and logistics services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation - The consolidated financial statements include the accounts of all wholly owned and majority-owned subsidiaries. All material intercompany profits, transactions and balances between the Company and its subsidiaries have been eliminated. The equity method of accounting is used for investments in associated companies in which the Company has an interest of 50% or less and has the ability to exercise significant influence over their financial and operating affairs. Consolidation of an entity is also assessed pursuant to Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46(R), *Consolidation of Variable Interest Entities*, which requires a variable interest holder to consolidate a variable interest entity (VIE) if that party will absorb a majority of the expected losses of the VIE, receive a majority of the residual returns of the VIE, or both.

(b) Revenue Recognition - Revenues are recorded when the company has (a) persuasive evidence of an arrangement, (b) the goods have been delivered or the services have been rendered to the customer, (c) the sales price is fixed or determinable and (d) collection is reasonably assured.

Revenues are generated through sales of a variety of products, including tubular products, steel, machinery, chemicals and plastics, and performance of services such as leasing, distribution, product management, discovery and application of new technologies, and development of natural resources.

Gross profits on trading transactions consists of margins and commissions relating to various trading transactions where the Company is not the primary obligor. Manufacturing and other revenues include activities in which the Company (a) is the primary obligor responsible for fulfillment, (b) changes the product or performs part of the service, (c) takes title to the inventory and/or (d) assumes the risk and rewards of ownership, such as the risk of loss for collection, delivery or returns.

Additionally, the Company has presented gross trading volume parenthetically in the consolidated statements of income. Gross trading volume includes only those trading transactions in which the Company is not the primary obligor. For a substantial portion of the transactions in which the Company acts as principal, title to and payment for the goods pass through the Company without physical acquisition and delivery. Gross trading volume is not meant to represent sales or revenues in accordance with accounting principles generally accepted in the United States of America and should not be construed as equivalent to, or a substitute for, revenues, or as an indicator of liquidity or cash flows generated by operating, investing or financing activities. The Company has included gross trading volume because similar Japanese trading companies have historically used it as an industry benchmark. As such, the Company believes that it is a useful supplement to result of operations information as a measure of its performance.

(c) Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to determine estimates and make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments with an original maturity of three months or less.

(e) Investments - The Company accounts for its investments in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, which requires debt and marketable equity securities to be classified within trading, available-for-sale or held-to-maturity portfolios. At March 31, 2008 and 2007, the Company has classified its investments as available-for-sale. The available-for-sale portfolio is carried at fair value, which is based on quoted market prices, broker quotations or estimates using present value or other valuation techniques, with changes in unrealized gains and losses recorded as a separate component of accumulated other comprehensive income. The Company accounts for gains and losses on the sale of investments under the specific identification method.

(f) Allowance for Doubtful Accounts and Notes - The Company maintains an allowance for doubtful accounts and notes for estimated losses resulting from the inability of its customers to make required payments. The allowance is based on review of the overall condition of receivable balances, both trade and notes receivable, and review of significant past-due accounts. Receivables determined to be uncollectible are charged against the allowance.

(g) Inventories- Inventories are stated at the lower of cost or market. Cost is determined using specific identification or average cost, using the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excess quantities, and other factors in evaluating net realizable value.

(h) Property and Equipment - Property and equipment consist primarily of commercial office buildings and manufacturing, distribution and administrative facilities, which are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are determined by applying the straight-line method over the estimated useful lives of the related assets. The approximate range of estimated useful lives is as follows:

Buildings	40 years
Leasehold improvements	Lesser of useful life of asset or lease term
Machinery and equipment	2-15 years
Office fixtures and equipment	3-10 years
Automobiles and trucks	3-8 years

(i) Impairment of Long-Lived Assets - In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), the Company's long-lived assets are reviewed for impairment periodically or whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, the Company recognizes an impairment loss based on the estimated fair value of the asset.

(j) Goodwill and Other Intangible Assets - Under SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill is not amortized and goodwill attributable to each of the reporting units is tested for impairment by comparing the fair value of each reporting unit with its carrying value (including attributable goodwill). Fair value is generally determined using a discounted cash flow methodology. Also, the Company uses comparative market multiples to corroborate the discounted cash flow results. The goodwill impairment tests are required at least annually. The Company performs these impairment tests annually as of September 30th to permit adequate time to complete the impairment tests and related analyses prior to its fiscal year end.

SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. The first phase of the impairment test screens for impairment, while the second phase, if deemed necessary, measures the amount of impairment.

In accordance with SFAS No. 142, intangible assets of the Company with finite lives are amortized over their estimated useful lives, while intangible assets of the Company with indefinite lives are no longer amortized. Additionally, intangible assets with finite useful lives are reviewed for impairment based on the comparison of undiscounted cash flows to carrying amounts and, if impaired, written down to fair value based on either discounted cash flows or appraised values. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if events and circumstances indicate that the assets may be impaired.

(k) Income Taxes - Income taxes are accounted for in accordance with SFAS No. 109, *Accounting for Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is provided when, in assessing the realizability of deferred tax assets, management considers it more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainties in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Under FIN 48, the tax effects of a position should be recognized only if it is "more likely-than-not" to be sustained on examination by the taxing authorities, based on its technical merits as of the reporting date. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48, as of April 1, 2007, did not have a material effect on the Company's consolidated financial statements.

(l) Derivative Financial Instruments - Derivative financial instruments are accounted for in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income (OCI) and are recognized in the consolidated statements of income when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

In the ordinary course of business and in connection with its normal proprietary trading and investing activities, the Company enters into transactions in order to reduce its exposure to market, interest rate and foreign currency risk. These transactions include purchasing and selling forward and futures contracts and entering into interest rate and hydrocarbon swap agreements. The Company does not hold or issue any significant amount of derivative instruments for speculative purposes.

(m) Foreign Currency Translation - Financial statements of foreign subsidiaries are translated into U.S. dollars at current rates, except for revenues, costs and expenses, which are translated at average current rates during each reporting period. Gains and losses resulting from the translation of financial statements are excluded from the consolidated statements of income and are credited or charged to a separate component of OCI.

(n) Comprehensive Income - SFAS No. 130, *Reporting Comprehensive Income*, establishes guidelines for the reporting and presentation of comprehensive income in the financial statements. Comprehensive income includes unrealized gains and losses on equity securities classified as available-for-sale, unrealized gains and losses on certain derivative transactions designated as cash flow hedges, minimum pension liability adjustments and foreign currency translation adjustments. All such amounts are included as components of OCI.

(o) Supplemental Cash Flow Information - Upon acquisition, the businesses acquired during the year ended March 31, 2008 resulted in an increase in the Company's consolidated balance sheet of $90,666 in noncash assets and an increase of $25,240 in accounts payable, minority interest and other liabilities. Upon acquisition, the businesses acquired during the year ended March 31, 2007 resulted in an increase in the Company's consolidated balance sheet of $20,019 in noncash assets and an increase of $3,752 in accounts payable, minority interest and other liabilities.

(p) Fair Value of Financial Instruments - For the Company's financial instruments classified as current in the consolidated balance sheets (cash and cash equivalents, accounts and notes receivable, commercial paper, notes payable, current portion of long-term debt and accounts payable), the carrying values approximate fair value based on the relatively short period of time between the origination of the instruments, their expected realization or the frequent re-pricing of the instrument to market price. The fair value of long-term receivables and long-term debt is estimated using discounted cash flow analyses at interest rates currently being offered for similar instruments to lenders/borrowers with comparable credit ratings. Changes in the market interest rates affect the fair value of the Company's fixed rate notes, but do not affect the Company's financial position, results of operations or cash flows related to these instruments.

The carrying amount and estimated fair value of long-term receivables were $538,769 and $553,774 as of March 31, 2008 and $363,515 and $364,738 as of March 31, 2007, respectively. The carrying amount and estimated fair value of long-term liabilities were $1,353,926 and $1,379,796 as of March 31, 2008 and $1,577,278 and $1,574,129 as of March 31, 2007, respectively.

(q) Long-Term Business Contracts - Sales on long-term business contracts are accounted for, per the terms of individual agreements, when products are shipped or customer acceptance has occurred and all other significant customer obligations have been met. For contracts where relatively few deliverable units are produced over a period of more than two years, revenue and income are recognized at the completion of measurable tasks, rather than upon delivery of the individual units.

(r) Concentration of Credit Risk - The Company performs ongoing credit evaluations of its customers. The Company maintains allowances for potential credit losses. Cash balances are held with financial institutions that have high credit ratings. The Company has not experienced any losses with respect to bank balances in excess of government-provided insurance.

(s) Operating Leases - Some of the Company's operating leases contain predetermined fixed escalations of the minimum rentals during the term of the lease. For these leases, the Company recognizes the related rental expense on a straight-line basis over the life of the lease.

(t) Advertising Expense - Advertising costs are charged to expense when incurred. Advertising expense recognized was $57,552 and $57,686 for the years ended March 31, 2008 and 2007, respectively.

(u) Defined Benefit Pension Plans - In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132R*. This statement requires companies to recognize the overfunded or underfunded status of its benefit plans, measured as the difference between the fair value of plan assets and the benefit obligation as an asset or liability in its balance sheet. SFAS No. 158 also requires the measurement date for plan assets and liabilities to coincide with the sponsor's year end. The recognition of an asset and liability related to the funded status provision is effective as of the end of the fiscal year ending after December 15, 2006. The Company will also be required to move its measurement date from December 31 to March 31 effective for fiscal years ending after December 15, 2008. The adoption of SFAS No. 158 did not have a material effect on the Company's consolidated financial statements.

(v) Recently Issued Accounting Standards - In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities*. SFAS No. 159 provides a fair value option election that allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities, with changes in fair value recognized in earnings as they occur. SFAS No. 159 permits the fair value option election on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007 provided that the entity makes that choice in the first 120 days of that fiscal year, has not yet issued financial statements for any interim period of the fiscal year of adoption, and also elects to apply the provisions of SFAS No. 157. The Company is currently evaluating the effect that the adoption of SFAS No. 159 might have on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 also establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies the assumptions about risk and the restriction on the sale or use of an asset. On February 12, 2008, the FASB issued Staff Position No. 57-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for certain items that are recognized or disclosed in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. All other provisions of SFAS 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the effect that the adoption of SFAS 157 might have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). This statement requires fair value measurement of all the assets acquired and liabilities assumed in a business combination, fair value measurement of consideration and contingent consideration, expense recognition for transaction and certain integration costs, recognition

of the fair value of contingencies, and adjustments to income tax expense for changes in an acquirer's existing valuation allowances or uncertain tax positions that result from the business combination. SFAS 141R is effective for business combination transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 and shall be applied prospectively. The Company is currently evaluating the effect that the adoption of SFAS 141R might have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (SFAS 160), which amends Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, and requires all entities to report minority interests in subsidiaries as equity in the consolidated financial statements. Accordingly, the amount of net income attributable to the noncontrolling interest is required to be included in consolidated net income on the face of the income statement. Further, transactions between a parent and noncontrolling interests are treated as equity. However, if a subsidiary is deconsolidated, a parent is required to recognize a gain or loss. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and shall be applied prospectively, except for certain provisions, which are required to be adopted retrospectively. The Company is currently evaluating the effect that the adoption of SFAS 160 might have on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161), which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133) and requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedge items affect an entity's financial position, financial performance, and cash flows. SFAS 161 also requires the disclosure of the fair values of derivative instruments and their gains and losses in a tabular format and requires cross-referencing within the footnote of important information about derivative instruments. SFAS 161 is effective for financial statements issued for fiscal years beginning on or after November 15, 2008. The Company is currently evaluating the effect that the adoption of SFAS 161 might have on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (SFAS 162). This standard identifies sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. generally accepted accounting principles. The Company does not believe SFAS 162 will change its current practices and thereby will not impact preparation of the consolidated financial statements.

3. CHANGE IN REPORTING ENTITY

On March 31, 2008, SC contributed their 40% ownership in TBC to the Company in exchange for 10 shares of the Company's common stock, effectively making TBC a wholly owned subsidiary of the Company. The contribution was recorded at historical cost. The Company and TBC are considered entities under the common control of SC as defined in Emerging Issues Task Force 02-5 *Definition of "Common Control" in Relation to Financial Accounting Standards Board (FASB) Statement No. 141*. As a result, the financial statements of the Company have been presented as if TBC were a wholly owned subsidiary as of the beginning of the earliest period presented. As a result, common stock was increased and beginning retained earnings were decreased as of April 1, 2006 by $168,450 and $163, respectively, and minority interest on the balance sheet was reduced by $168,287. In addition, minority interest expense decreased and net income increased by $12,297 for the year ended March 31, 2007.

4. ACQUISITIONS

On May 31, 2007, the Company acquired 32.5% of a business engaged in the manufacture and sale of wind turbine towers based in the state of Washington, with SC acquiring 17.5%, for approximately $1,600, including direct acquisition expenses of approximately $350.

On August 17, 2007, the Company acquired 80% of a railcar leasing business based in Illinois, with SC acquiring 20%, for approximately $50,000, including direct acquisition expenses of approximately $950.

During 2007, TBC acquired a wholesale distributor and 14 franchise locations through an asset purchase for approximately $13,800, including direct acquisition expenses of approximately $229.

On September 22, 2006, the Company acquired 85% of a distributor of steel products based in Houston, Texas for approximately $16,300, including direct acquisition costs of approximately $400. The acquisition was made by one of the Company's subsidiaries, which is 80% owned by the Company and 10.8% owned by SC.

The acquisitions by the Company fit the strategic objective of the Company to grow its business.

In accordance with SFAS No. 141, *Business Combinations*, the Company has applied purchase accounting to all of its acquisitions. The results of operations of the Company's business acquisitions have been included in the consolidated statements of income from their acquisition dates.

The determination of the purchase prices for the Company's business acquisitions were made on the basis of, among other things, the revenues, profitability and projected growth rates of the acquired companies. The Company is in the process of finalizing purchase price adjustments related to the current year acquisitions. The net purchase price of all of the Company's acquisitions during the years ended March 31, 2008 and 2007, including direct acquisition costs, was $65,426 and $16,267, respectively. The Company allocated these amounts as follows:

	2008	2007
Working capital (deficiency), other than cash	**$ (3,199)**	$ 8,044
Property and equipment acquired	**65,763**	1,611
Identifiable intangible assets	**2,422**	6,950
Goodwill	**9,408**	112
Other noncurrent assets	**145**	—
Other noncurrent liabilities	**(247)**	—
Minority interest liabilities	**(8,866)**	(450)
Purchase price, net of cash received	**$65,426**	$16,267

5. DISCONTINUED OPERATIONS

In November 2007, the Company sold a wholly owned subsidiary that provided financing for insurance premiums for a gain of approximately $3,000, net of income taxes of $991. In March 2008, the Company sold a commercial office building located in Phoenix, AZ for a gain of approximately $32,000, net of income taxes of $21,512. These sales have been accounted for as discontinued operations in accordance with SFAS 144

and, accordingly, amounts in the financial statements and related notes for all periods shown reflect discontinued operations accounting, including the reclassification of March 31, 2007 balances to reflect such presentation.

A summary of the operating results of the discontinued operations is as follows:

	2008	2007
Manufacturing and other revenues	**$15,094**	$17,818
Income from operations before income taxes	**$ 225**	$ 1,669
Income taxes	**98**	754
Income from operations, net of income taxes	**127**	915
Gains on sale, net of income taxes	**35,361**	—
Income from discontinued operations, net of income taxes	**$35,488**	915

A summary of the assets and liabilities presented as assets and liabilities of discontinued operations, at March 31, 2007, is as follows:

Cash	$ 3,704
Accounts and notes receivable	52,893
Other current assets	148
Property and equipment, net	78,953
Other non current assets	7,122
Assets of discontinued operations	$142,820
Notes payable	$ 42,247
Other current liabilities	7,253
Long-term debt	61,647
Liabilities of discontinued operations	$111,147

6. INVENTORIES

Inventories consist of:

	2008	2007
Raw materials	**$ 48,840**	$ 88,786
Work in process	**6,837**	7,889
Finished goods	**1,293,020**	1,413,224
Total	**$1,348,697**	$1,509,899

The Company reports inventories net of the allowance for excess and obsolete inventory of $18,008 and $21,716 at March 31, 2008 and 2007, respectively.

7. LEASE AND FINANCE RECEIVABLES

Lease and finance receivables include amounts due for debt capital loaned to public and private companies and consumer financing that includes direct consumer loans for retail sales. Lease and finance receivables are comprised as follows:

	2008	2007
Lease and finance receivables	**$663,341**	$ 495,046
Allowance for bad debts	**(12,244)**	(9,859)
Less unearned income and other	**(3,155)**	(2,829)
Less current portion	**(278,830)**	(207,529)
Lease and finance receivable	**$369,112**	$ 274,829

Future minimum lease and finance receivables and guaranteed payments to be received in each of the five succeeding years are as follows:

Year:	
2008	$278,830
2009	185,782
2010	119,731
2011	43,992
2012	18,332
Thereafter	1,275
	$647,942

8. MARKETABLE SECURITIES AND OTHER INVESTMENTS

Marketable securities and other investments as of March 31, 2008 and 2007 are comprised of the following:

	2008	2007
Marketable equity investments	**$ 31,876**	$ 33,966
Nonmarketable equity investments	**25,677**	22,146
Total investments (noncurrent)	**$ 57,553**	56,112

The cost basis of marketable equity securities amounted to $11,278 and $7,047 at March 31, 2008 and 2007, respectively. For the years ended March 31, 2008 and 2007, realized gains on marketable equity securities were $22,616 and $9,116, respectively, and realized losses on marketable equity securities were $6 and $132, respectively. The Company recorded changes in unrealized gains (losses) on available-for-sale marketable equity securities for the years ended March 31, 2008 and 2007 of $(3,554) and $690, net of $(2,415) and $451 for income tax expense (benefit) and including $0 and $11 for minority interest benefit, respectively.

In addition, the Company has certain investments in nonmarketable securities, representing interests in companies which are not publicly traded and independently determined market values are not available. These investments are recorded at cost and are adjusted for any other-than-temporary impairment. As of March 31, 2008 no impairments have been identified with regard to these investments.

9. INVESTMENTS IN ASSOCIATED COMPANIES AND RELATED PARTIES

(a) Investments in Associated Companies - The Company has investments in associated companies that are accounted for using the equity method of accounting. As of March 31, 2008 and 2007, the carrying amount of investments in associated companies amounted to $709,479 and $545,442, respectively. The Company's share of income from associated companies amounted to $77,071 and $117,269, for the years ended March 31, 2008 and 2007, respectively. For the years ended March 31, 2008 and 2007, the Company received dividends from affiliates of $70,788 and $70,214, respectively. At March 31, 2008, notes payable includes amounts payable to associated companies aggregating $70,586. At March 31, 2007, long-term receivables and accounts and notes receivable included amounts receivable from associated companies aggregating $253,003.

The summarized combined financial information of associated companies accounted for by the equity method at March 31, 2008 and 2007 and for

the years ended March 31, 2008 and 2007 is presented below.

	2008	2007
Current assets	**$3,769,155**	$3,140,503
Noncurrent assets	**1,997,567**	1,805,079
Total assets	**$5,766,722**	$4,945,582
Current liabilities	**$2,864,779**	$2,427,751
Noncurrent liabilities	**673,466**	553,046
Total liabilities	**3,538,245**	2,980,797
Total stockholders' equity	**2,228,477**	1,964,785
Total liabilities and stockholder's equity	**$5,766,722**	$4,945,582

	2008	2007
Net sales	**$9,709,538**	$7,407,775
Gross profit	**1,247,184**	1,239,093
Net income	**391,593**	416,754

The nine major associated companies accounted for by the equity method, which are included in the above summarized combined financial information, are Summit Stainless Steel, LLC (50% owned), Perennial Power Holdings, Inc. (49.99% owned), Cantex, Inc. (45% owned), SMS International Corp. (30% owned), Eryngium Limited (acquired December 2006, 20% owned; ownership increased to 32% in December 2007 and to 35.64% in January 2008), Arkansas Steel Associates, LLC (20% owned), V&M Star Partnership (13.65% owned), Pyramid Tubular Products, L.P. (51.8% owned as limited partnership interests) and Leavitt Tube Company, LLC (40% owned).

(b) Related Parties - The Company is involved in a significant number of sales and purchase transactions with SC and its affiliates. Included in total revenues are sales to SC and its affiliates for the years ended March 31, 2008 and 2007 of $1,407,609 and $1,315,686, respectively. The Company made approximately $1,056,000 in purchases from SC during the year ended March 31, 2008.

Included in notes payable from parent company and affiliates at March 31, 2008 are amounts receivable from SC, SC's subsidiaries, and SC and SCOA associated companies of $91,495, $235,483, and $188,064, respectively. These amounts are offset by amounts payable to SC, SC's subsidiaries, and SC and SCOA associated companies of $243,926, $21,439, and $258,650, respectively.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at March 31, 2008 and 2007:

	2008	2007
Land	**$ 46,116**	$ 39,400
Buildings and improvements	**277,169**	254,912
Machinery and equipment	**285,201**	225,134
Office furniture and fixtures	**46,318**	15,791
Automobiles and trucks	**10,419**	6,003
Construction in progress	**30,189**	10,537
	695,412	551,777
Less accumulated depreciation and amortization	**(193,334)**	(140,152)
	$502,078	$411,625

The Company had buildings under capital leases of $11,284 and $8,060 at March 31, 2008 and 2007, respectively. Depreciation and amortization expense from continuing operations for property, plant and equipment amounted to $53,723 and $53,985 for the years ended March 31, 2008 and 2007, respectively.

In the year ended March 31, 2008, a subsidiary of the Company recorded a noncash impairment loss of $1,364 related to a write-down of buildings, building improvements and machinery and equipment.

The Company is a lessor of office space within a building in San Francisco, California and of railcars under long-term operating leases. Assets under these agreements are included in property and equipment as buildings and improvements with cost and accumulated depreciation of $91,879 and $7,543, respectively, and as machinery and equipment with cost and accumulated depreciation of $59,631 and $2,003, respectively, at March 31, 2008. The minimum annual rentals for the next five years and thereafter are as follows:

Year:	
2008	$ 21,251
2009	20,923
2010	18,646
2011	16,746
2012	16,504
Thereafter	17,029
	$111,099

11. INTANGIBLE ASSETS AND GOODWILL

Intangible assets as of March 31, 2008 and 2007 consist of the following;

2008	Useful lives – years	Gross	Accumulated amortization	Net
Tradenames	5 – 30	$334,699	$ (27,736)	$306,963
Customer relationships	4 – 18	137,105	(22,797)	114,308
Franchisee agreements	18	94,000	(12,425)	81,575
Vendor relationships	9 – 15	38,306	(10,513)	27,793
Software	3 – 5	26,583	(19,561)	7,022
Other	3 – 17	44,151	(20,780)	23,371
		$674,844	$(113,812)	$561,032

2007	Useful lives – years	Gross	Accumulated amortization	Net
Tradenames	5 – 30	$334,284	$(16,216)	$318,068
Customer relationships	4 – 18	134,974	(14,379)	120,595
Franchisee agreements	18	94,000	(7,203)	86,797
Vendor relationships	9 – 15	40,109	(6,704)	33,405
Software	3 – 5	24,248	(15,335)	8,913
Other	3 – 17	41,062	(13,704)	27,358
		$668,677	$(73,541)	$595,136

Amortization expense of intangible assets from continuing operations for the years ended March 31, 2008 and 2007 was $39,859 and $40,750, respectively.

Annual amortization expense, which is based on the values of intangibles and their useful lives, for the next five years, is expected to be as follows:

Year ending March 31:	
2008	$ 39,059
2009	34,360
2010	32,627
2011	32,055
2012	31,426
	$169,527

Goodwill changed during the years ended March 31, 2008 and 2007 as follows:

	2008	2007
Balance at April 1	**$563,860**	$567,843
TBC acquisitions – wholesale distributor and franchise locations	**3,884**	—
TBC acquisitions – reduction of purchase price allocation	**—**	(3,961)
Company acquisition – wind turbine tower business	**2,704**	—
Company acquisition–railcar leasing business	**2,658**	—
Other net changes	**(1,580)**	(22)
Balance at March 31	**$571,526**	$563,860

12. COMMERCIAL PAPER AND NOTES PAYABLE

Commercial paper borrowings outstanding at March 31, 2008 and 2007 had weighted average maturities of 30 and 48 days and interest rates averaging 3.14% and 5.28%, respectively.

Interest rates on notes payable (which averaged approximately 3.53% and 5.52% at March 31, 2008 and 2007, respectively) fluctuate based upon certain Eurodollar rates.

13. LONG-TERM DEBT

Included in long-term liabilities is long-term debt as follows:

	2008	2007
Loans payable – floating and fixed, principally from 2.79% to 5.20% and 4.33% to 5.88% at March 31, 2008 and 2007, respectively	**$1,276,426**	$1,479,232
Medium term notes – floating and fixed, principally from 3.02% to 5.21% and 4.31% to 5.54% at March 31, 2008 and 2007, respectively	**291,961**	317,031
Other liabilities	**118,515**	48,975
	1,686,902	1,845,238
Less current portion	**(333,220)**	(267,960)
	$1,353,682	$1,577,278

At March 31, 2008, loans payable includes $550,000 due to SC. Interest rates on these loans range from 5.13% to 5.20%.

Principal payments on long-term debt for the fiscal years subsequent to March 31, 2008 are as follows:

	Loans payable	Medium – term loans	Other liabilities	Total
Year:				
2008	$ 271,476	$ 48,964	$ 12,780	$ 333,220
2009	345,971	94,247	15,469	455,687
2010	410,054	90,069	20,921	521,044
2011	175,746	26,480	7,489	209,715
2012	5,528	23,834	6,366	35,728
Thereafter	67,651	8,367	55,490	131,508
	$1,276,426	$ 291,961	$118,515	$1,686,902

The Company has Japanese yen denominated liabilities, which are included in long-term debt (U.S. dollar equivalent of $462,383 and $418,017 at March 31, 2008 and 2007, respectively). The Company has entered into foreign currency and interest rate swap agreements in order to hedge its currency and interest-rate risks.

At March 31, 2008, the Company was contingently liable on unused letters of credit in the amount of $27,901.

The Company has entered into agreements with SC pursuant to which SC will maintain ownership, either directly or indirectly, of all the Company's voting capital stock, ensure the Company's credit worthiness and ensure that the Company has sufficient funds to meet payment obligations. The agreements will remain in effect for the duration of the period that the commercial paper and certain long-term debt payable are outstanding.

At March 31, 2008, the Company was in compliance with all covenants.

14. INCOME TAXES

The provision for income taxes related to continuing operations for the years ended March 31, 2008 and 2007 is comprised of a current expense of $97,746 and $128,345, respectively, and a deferred expense (benefit) of $3,714 and ($2,218), respectively. Net deferred income tax assets (current) of $44,415 and $45,362 and net deferred income tax liabilities (noncurrent) of $199,930 and $193,291 as of March 31, 2008 and 2007, respectively, have been included in the consolidated balance sheets within the captions prepaid expenses and other current assets and deferred income taxes.

Deferred income taxes arising from temporary differences result primarily from book versus tax basis of intangible assets, the use of different depreciation methods for tax purposes, from certain provisions for losses not deductible until realized and taxes provided for future distribution of earnings of subsidiaries and investees that are not included in the Company's consolidated income tax return.

The effective income tax rates, after considering equity in earnings of affiliates, of 38.0% and 36.3% for the years ended March 31, 2008 and 2007, respectively, were higher than the statutory Federal rate of 35%, primarily due to state income taxes, net of federal benefit.

At March 31, 2008, two subsidiaries of the Company, which are not included in the Company's consolidated tax returns, have Federal and state Net Operating Loss (NOL) carryforwards of approximately $112,820 that begin expiring in 2021, and $112,454 that began expiring in 2007, respectively.

These NOL carryforwards are available to offset future Federal and state taxable income. The Company has determined that it is likely that the Federal and most state NOL carryforwards will be utilized before expiration. During the year ended March 31, 2008, $866 of state NOL carryforwards expired. A valuation allowance of $1,598 and $4,293 has been recorded at March 31, 2008 and 2007, respectively, for the state NOL carryforwards since management believes that it is more likely than not that some portion of the related deferred tax asset will not be realized.

On April 1, 2007, the Company adopted FIN 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, and as previously stated, the effect on the consolidated financial statements did not have a material impact to the consolidated financial statements of the Company. FIN 48 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely that not that the position will be sustained upon examination, including resolutions of any related appeals or litigation process, based on technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company recognizes interest and penalties accrued related to unrecognized tax benefits as components of the income tax provision. As of March 31, 2008, the FIN 48 liability, including interest and penalty, is recorded in accrued expenses and other current liabilities on the consolidated balance sheet.

The following table summarizes the activity related to the Company's unrecognized tax benefits:

Balance at April 1, 2007	$6,874
Additions based on tax positions related to the current year	585
Reductions for tax positions of prior years	(353)
Settlements	(661)
Unrecognized tax benefits balance at March 31, 2008	$6,445

15. EMPLOYEE BENEFIT PLANS

(a) TBC – Defined Benefit Pension Plans - The Company's subsidiary, TBC, had a defined benefit pension plan which covered less than 100 of its employees at March 31, 2008 and 2007. As of May 2, 2007, TBC terminated its defined benefits pension plan. The plan was fully funded during 2007 in accordance with the requirements of the Employee Retirement Income Security Act and the Pension Benefit Guaranty Corporation.

TBC also provides unfunded supplemental retirement plans for certain of its key executives to provide benefits in excess of amounts permitted to be paid by its other retirement plans under current tax law. Expenses recorded for supplemental retirement benefits totaled $1,500 and $500 for the years ended March 31, 2008 and 2007, respectively. At March 31, 2008, TBC had recorded an accumulated benefit obligation of $9,400 based upon a measurement date of December 31, 2007, computed using a 4.75% – 5.50% discount rate, depending on the plan, and 5.00% expected increase in future compensation. At March 31, 2007, the Company had recorded an accumulated benefit obligation of $8,500 based upon a measurement date of December 31, 2006, computed using a 5.50% discount rate and 5.00% expected increase in future compensation.

(b) Savings Plans - The Company and certain of its subsidiaries also sponsor defined contribution 401(k) savings plans (the Savings Plans) for eligible employees. The Company at its discretion matches employees' contributions up to specific limitations. For the years ended March 31, 2008 and 2007, employer contributions to the Savings Plans amounted to approximately $4,495 and $4,445, respectively.

16. RISK MANAGEMENT INSTRUMENTS

The Company enters into foreign exchange forward contracts in order to reduce its exposure to transaction and translation risks associated with transactions originally denominated in foreign currencies. To manage this, the Company routinely enters into foreign currency forward contracts, but has not designated such contracts as hedges for accounting purposes. The change in fair value of these foreign currency forward contracts is recorded as income (loss) in the Company's consolidated statements of income.

The Company enters into cross-currency and interest swaps in order to convert its fixed-rate debt, which is denominated primarily in Japanese Yen, to a United States dollar floating rate basis. The Company designates these derivatives as fair value hedges. Gains and losses resulting from changes in the fair market value of these derivatives were recorded as income (loss) in the Company's consolidated statements of income. In addition, the Company enters into interest rate swap agreements that effectively convert fixed and variable rate debt denominated in Japanese Yen to a United States dollar fixed rate. The Company designates these derivatives as cash flow hedges. These swaps, which are used to manage interest rate and cross-currency exposures, are recorded in the consolidated balance sheets at their fair market values. For the years ended March 31, 2008 and 2007, there was no significant hedge ineffectiveness. As of March 31, 2008 and 2007, respectively, the Company held certain cross-currency swaps and cross-currency interest rate swaps that did not qualify as hedges for accounting purposes. These swaps, which are used to manage interest rate and foreign currency exposures, were recorded in the consolidated balance sheets at their fair market values. Gains and losses for changes in the fair market value of these derivatives, which were recorded as income (loss) in the Company's consolidated statements of income, were not significant.

The Company enters, from time to time, into various hydrocarbon swap agreements in order to manage commodity prices and hedge anticipated demands. The Company designates these derivatives as cash flow hedges. Gains and losses related to qualifying hedges of anticipated transactions are deferred and recorded as a component of OCI until the hedged transactions occur, when they are then reclassified to the consolidated statements of income. For the years ended March 31, 2008 and 2007, there was no significant impact to earnings due to hedge ineffectiveness. The remaining gains included in accumulated OCI at March 31, 2008 will be reclassified to earnings over a period greater than one year, corresponding to the remaining terms of the hedge arrangements.

The notional amounts of derivatives do not represent amounts exchanged by the parties and, thus, are not a measure of the Company's exposure through its use of derivatives. The amounts exchanged are determined by reference to the notional amounts, as well as other terms of the derivative transactions.

The Company is exposed to credit-related losses in the event of nonperformance by counterparties in relation to financial instruments, but does not expect any counterparties to fail to meet their obligations. The Company deals with highly-rated counterparties. The current credit exposure of

derivatives is represented by contracts with a positive fair value at the reporting date.

The following table presents the Company's outstanding derivative contracts at March 31, 2008 and 2007:

	2008		2007	
	Notional amount	Carrying amount at fair value	Notional amount	Carrying amount at fair value
Derivative assets:				
Cross-currency and interest rate swaps	**$ 87,776**	**$(5,382)**	$ 29,711	$ 99
Other derivatives	**286,523**	**(818)**	201,920	(131)
Derivative liabilities:				
Cross-currency and interest rate swaps	**$410,572**	**$47,812**	$435,642	$(17,851)
Other derivatives	**43,257**	**(608)**	11,160	(12)

17. SEGMENT AND RELATED INFORMATION

SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*, specifies that an enterprise shall report a measure of segment profit or loss, certain specific revenue and expense items, and segment assets. The Company's principal business activities, as described in note 1, have been classified into the following reportable segments: Tubular products; Steel and nonferrous metals; Machinery, power and electronics; Chemicals; Living-related business; Mineral resources and energy; and Treasury and corporate. The Steel and nonferrous metals, Machinery, power and electronics, Chemicals, Living-related business and Treasury and corporate segments include segment information of the Company's foreign subsidiaries.

The Company evaluates segment performance based on net income. Information on the Company's reportable segments as of and for the years ended March 31, 2008 and 2007, respectively, is as follows:

March 31, 2008	Tubular Products	Steel & Non-Ferrous Metal	Machinery, Power & Electronics	Chemicals	Living-Related Business	Mineral Resources & Energy	Treasury & Corporate	Inter-Segment Eliminations	Total
Revenues	$1,490,542	$477,758	$281,790	$515,644	$2,430,960	$4,006	$333,395	$(7,559)	$5,526,536
Gross profit	184,159	51,525	68,988	127,984	912,463	3,983	92,949	(2,337)	1,439,714
Net income (loss)	70,840	28,972	15,056	(7,207)	63,506	(14,011)	46,991	—	204,147
Segment assets	927,514	509,778	816,981	640,690	2,128,862	6,600	3,220,123	(2,326,121)	5,924,427

March 31, 2007	Tubular Products	Steel & Non-Ferrous Metal	Machinery, Power & Electronics	Chemicals	Living-Related Business	Mineral Resources & Energy	Treasury & Corporate	Inter-Segment Eliminations	Total
Revenues	$1,656,415	$294,151	$221,147	$486,233	$2,353,060	$4,101	$416,029	$(9,350)	$5,421,786
Gross profit	238,212	59,563	65,187	129,837	862,731	4,101	102,682	(2,120)	1,460,193
Net income (loss)	94,353	25,369	12,000	7,589	36,876	(9,017)	44,860	—	212,030
Segment assets	1,039,119	478,728	632,800	647,291	2,040,747	20,011	3,032,040	(2,154,633)	5,736,103

Changes in the carrying amount of goodwill for the year ended March 31, 2008 are as follows:

March 31, 2008	Tubular Products	Steel & Non-Ferrous Metal	Machinery, Power & Electronics	Chemicals	Living-Related Business	Mineral Resources & Energy	Treasury & Corporate	Inter-Segment Eliminations	Total
April 1, 2007	$7,369	15	369	125,101	424,779	—	6,227	—	$563,860
Goodwill acquired during the year	—	2,704	2,658	—	3,884	—	—	—	9,246
Other net changes	(838)	—	—	—	—	—	(742)	—	(1,580)
March 31, 2008	$6,531	2,719	3,027	125,101	428,663	—	5,485	—	$571,526

Interest expense is allocated to each segment based on an internal borrowing rate applied to the net assets of each segment.

The following table provides geographic information related to gross trading volume and manufacturing and other revenues, which is based on the location of each customer:

	2008	2007
United States	**$6,558,791**	$6,705,636
Japan	**1,100,388**	1,039,997
Other foreign countries	**1,130,209**	1,115,514
Total	**$8,789,388**	$8,861,147

18. COMPREHENSIVE INCOME

The changes in accumulated other comprehensive income are as follows:

Balance – March 31, 2006	$20,389
Unrealized appreciation on securities available-for-sale, net of taxes of $451, netted	690
Unrealized losses on derivatives, net of taxes of $412	(529)
Minimum pension liability adjustment, net of taxes of $629	(944)
Foreign currency translation adjustment	1,816
Balance – March 31, 2007	21,422
Unrealized appreciation on securities available-for-sale, net of taxes of $2,415	(3,554)
Unrealized losses on derivatives, net of taxes of $4,470	(6,798)
Minimum pension liability adjustment, net of taxes of $236	354
Foreign currency translation adjustment	10,035
Balance – March 31, 2008, net of taxes of $3,610	$21,459

At March 31, 2008 the balance of accumulated other comprehensive income includes unrealized appreciation on securities of $12,445, and foreign currency translation of $15,462, offset by unrealized losses on derivatives of $5,858, minimum pension liability of $590.

19. COMMITMENTS AND CONTINGENCIES

(a) Operating Leases - The Company rents various facilities and office space under long-term leases. Certain lease agreements include escalation clauses and, as such, these increases have been factored into the Company's straight line rent calculation. Future minimum annual rental payments (net of noncancelable sublease payments) under these leases are as follows:

Year:	
2008	$ 110,198
2009	102,457
2010	93,216
2011	84,579
2012	72,866
Thereafter	644,628
	$1,107,944

The Company has contracted for future sublease rentals of $71,432, which range from $9,837 to $7,690 over the next five years.

Rent expense for continuing operations for the years ended March 31, 2008 and 2007 was $136,739 and $127,883, respectively.

(b) Indemnification and Guarantee Agreements

The Company has entered into the following indemnification and guarantee agreements associated with its continuing operations.

The Company has an outstanding performance guarantee issued in conjunction with one of its wholly owned subsidiaries. Pursuant to this guarantee, the Company guarantees the performance by the subsidiary with respect to its obligations, responsibilities and liabilities under two contracts. This has been structured as a continuing guarantee, effective for as long as the contract remains in effect and is not yet completed. The letter of guarantee was entered into on behalf of the subsidiary on December 20, 2002. As of March 31, 2008 and 2007, the Company has recorded estimated liabilities for losses of $22,768 and $11,945, respectively, related to the completion of the foregoing contracts.

The Company also has outstanding guarantees for certain credit facilities of two associated companies for up to $1,241,900, of which $130,235 of liabilities were outstanding at March 31, 2008.

In connection with certain dispositions of assets and/or businesses, the Company has incurred certain customary indemnification obligations to the purchaser. In general, the Company has agreed to indemnify the other party for certain losses relating to the assets or businesses that the Company sold. Certain portions of the Company's indemnification obligations are capped at the applicable purchase price, while other arrangements are not subject to such a limit. At times, these indemnification obligations survive termination of the underlying agreement.

In the normal course of business, the Company secures certain obligations with Performance and Labor, and Material Bonds (performance bonds). In certain situations, the ability to obtain performance bonds is directly related to the Company's credit rating. As such, the Company may arrange for issuance of performance bonds through third parties. As of March 31, 2008 and 2007, the Company had $922,000 and $871,000 respectively, of such performance bonds outstanding, of which $152,000 and $196,000, respectively, were at risk in ongoing projects. These amounts are expected to decrease over time as the Company completes the work in process or transfers ownership to other companies.

The Company believes that it is not reasonably likely that it will be required to perform under these agreements or that any performance requirement would have a material impact on its consolidated financial statements. As a result, the estimated fair value of these agreements is considered to be immaterial to the consolidated financial statements.

(c) Litigation

The Company is a defendant in several lawsuits incidental to its business. In the opinion of management, the outcome of the litigation facing the Company will not have a material adverse effect on the financial position, cash flows or operating results of the Company.

Independent Auditors' Report

To the Board of Directors and Stockholder of Sumitomo Corporation of America

We have audited the accompanying consolidated balance sheet of Sumitomo Corporation of America (a wholly owned subsidiary of Sumitomo Corporation) and subsidiaries (collectively, the Company) as of March 31, 2008, and the related consolidated statements of income, stockholder's equity and comprehensive income and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The accompanying consolidated financial statements of Sumitomo Corporation of America and subsidiaries as of March 31, 2007, were audited by other auditors whose report thereon dated May 31, 2007, expressed an unqualified opinion on those financial statements, before the adjustments described in notes 3 and 5 to the consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the March 31, 2008 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sumitomo Corporation of America and subsidiaries as of March 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

We also audited the adjustments described in notes 3 and 5 that were made to the March 31, 2007 consolidated financial statements to apply the change in reporting entity and the adjustment for the discontinued operations. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the March 31, 2007 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the March 31, 2007 consolidated financial statements taken as a whole.

KPMG LLP

New York, NY
July 31, 2008

Independent Auditors' Report

To the Board of Directors and Stockholder of Sumitomo Corporation of America

We have audited the consolidated balance sheet of Sumitomo Corporation of America (a wholly owned subsidiary of Sumitomo Corporation) and subsidiaries (collectively, the Company) as of March 31, 2007, and the related consolidated statements of income, stockholder's equity and comprehensive income and cash flows for the year then ended (none of which are presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Corporation of America and subsidiaries as of March 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

New York, NY
May 31, 2007

Major Businesses

Services

SCOA provides North American clients with a unique suite of services. We assist our clients in the implementation of their strategic domestic and international growth plans. Demonstrated core competencies are:

- **Domestic and International Trade**
- **Import and Export Expertise**
- **Supply-Chain Management, Logistics and Insurance**
- **Investments and Joint Ventures**
- **Financing Capabilities**
- **Project Management**
- **Distribution**
- **Research and Marketing**
- **Technology Transfer**
- **Leasing**

Business Groups	Major Subsidiaries and Affiliated Companies	
Chemicals	Diversified CPC International, Inc. Channahon, IL	Cantex, Inc. Fort Worth, TX
	The Hartz Mountain Corporation Secaucus, NJ	
Living-Related Business	TBC Corporation Palm Beach Gardens, FL	Atlantic Hills Corporation Atlanta, GA
	SCOA Residential, LLC New York, NY	HF Lakeside II LLC Tempe, AZ
	1750 K Street LLC Washington, D.C.	123 Mission, LLC San Francisco, CA
Machinery, Power & Electronics	Summit Motor Management, Inc. Costa Mesa, CA	SMS International Corporation Rosemont, IL
	Perennial Power Holdings, Inc. Los Angeles, CA	SMS Construction and Mining Systems, Inc. Mississauga, ON
Mineral Resources & Energy	Pacific Summit Energy LLC Newport Beach, CA	SC Minerals America, Inc. Pittsburgh, PA
Steel and Non-Ferrous Metal	SteelSummit Holdings Inc. Nashville, TN	Leavitt Tube Company, LLC Chicago, IL
	SteelSummit International, Inc. New York, NY	Servilamina Summit Mexicana, S.A. de C.V. Querétaro, QRO, Mexico
	Summit Stainless Steel, LLC North Brunswick, NJ	Arkansas Steel Associates, LLC Newport, AR
	Katana Summit, LLC Euphrata, WA	
Tubular Products	Global Stainless Supply, Inc. Houston, TX	Tubular Solutions Alaska, LLC Anchorage, AK
	Pipeco Services, LP Houston, TX	Unique Machine, LLC Anchorage, AK
	Premier Pipe, LLC Houston, TX	V&M Star, LP Houston, TX
	Eryngium Limited (HOWCO Group) Glasgow, Scotland	
Other Businesses	Sumisho Global Logistics (USA) New Hyde Park, NY	Sumitomo Canada Limited Toronto, Ontario
	Oxford Finance Corporation Alexandria, VA	Sumitomo Corporation de Mexico S.A. de C.V. Mexico City, Mexico

Corporate Data

Founded

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Web: www.sumitomocorp.com

Offices

New York (headquarters)
Sumitomo Corporation of America
600 Third Avenue
New York, NY 10016-2001
Tel: 212. 207-0700
Fax: 212. 207-0456

(Shared Service Center)
Lake Success
Sumitomo Corporation of America
1999 Marcus Avenue
Suite 220
Lake Success, NY 11042
Tel: 516. 358-5700
Fax: 516. 358-0894

Atlanta
Sumitomo Corporation of America
Six Concourse Parkway
Suite 2150
Atlanta, GA 30328-5351
Tel: 770. 399-3160
Fax: 770. 399-4690

Chicago
Sumitomo Corporation of America
Riverway I
6133 North River Road
Suite 700
Rosemont, IL 60018-5174
Tel: 847. 384-5200
Fax: 847. 384-0560

Denver
Sumitomo Corporation of America
8055 E. Tufts Avenue
Suite 720
Denver, CO 80237
Tel: 303. 999-3577
Fax: 303. 339-3160

Detroit
Sumitomo Corporation of America
27777 Franklin Road
Suite 1000
Southfield, MI 48034-2337
Tel: 248. 353-2320
Fax: 248. 553-8661

Houston
Sumitomo Corporation of America
840 Gessner Road
Suite 1000
Houston, TX 77024-4155
Tel: 713. 653-8400
Fax: 713. 658-9246

Los Angeles
Sumitomo Corporation of America
444 South Flower Street
Suite 1600
Los Angeles, CA 90071-2955
Tel: 213. 627-4783
Fax: 213. 489-0300

Pittsburgh
Sumitomo Corporation of America
5000 U.S. Steel Tower
600 Grant Street
Suite 5000
Pittsburgh, PA 15219-2702
Tel: 412. 391-1892
Fax: 412. 765-2623

Portland
Sumitomo Corporation of America
5 Centerpointe Drive
Suite 500
Lake Oswego, OR 97035-8687
Tel: 503. 684.7870
Fax: 503. 684.7905

Washington, D.C.
Sumitomo Corporation of America
800 Connecticut Avenue NW
Suite 1000
Washington, D.C. 20006-2709
Tel: 202. 785-9210
Fax: 202. 861-0690

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